

## **Explanatory Report of the Board of Executive Directors on the information in accordance with Sec. 289 Para. 4 and Sec. 315 Para. 4 German Commercial Code (HGB)**

As the information provided for items 1 to 6 of Sec. 289 Para. 4 and Sec. 315 Para. 4 HGB in the Management Report of K+S AKTIENGESELLSCHAFT and in the Group Management Report (page 11 et seqq.) speaks for itself, we limit ourselves here to providing the following explanations in accordance with Sec. 176 Para. 1 Sent. 1 AktG:

### **Item 7: Board of Executive Directors' authorisations concerning the possibility of issuing or buying back shares**

- As a result of the possibility granted to the Board of Executive Directors until 9 May 2011, with the approval of the Supervisory Board, to implement a capital increase with a limited exclusion of subscription rights (Authorised Capital), the Company gains a widespread tool with whose help opportunities to carry out acquisitions can be exploited quickly and flexibly. The Board of Executive Directors may only make use of this possibility if the value of the new shares is proportionate to the value of the corresponding consideration.
- The other authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase shares of the Company to a limited extent is also a common instrument available in many companies. By being able to resell own shares, the Company is in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. The further existing possibility of cancelling own shares is also a common alternative use that lies in the interests of the Company and its shareholders.

### **Item 8: Significant agreements that apply in the event of a change of control resulting from a takeover bid**

The provisions that credit agreements and bond conditions contain for the event of a change of control are customary for comparable transactions and reasonable from the perspective of protecting the legitimate interests of the creditors.

### **Item 9: Agreements concluded with the Board of Executive Directors or employees concerning compensation in the event of a takeover bid**

The existing compensation agreements with the members of the Board of Executive Directors and the special time window of exercise governed by the share option programme for the Board of Executive Directors and senior management, which was for the last time granted in 2009, that would apply in the event of a takeover bid take into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.