2nd Quarter 2012 Results · Investor and Analyst Conference Call
14 August 2012, 3:00 p.m. CEST

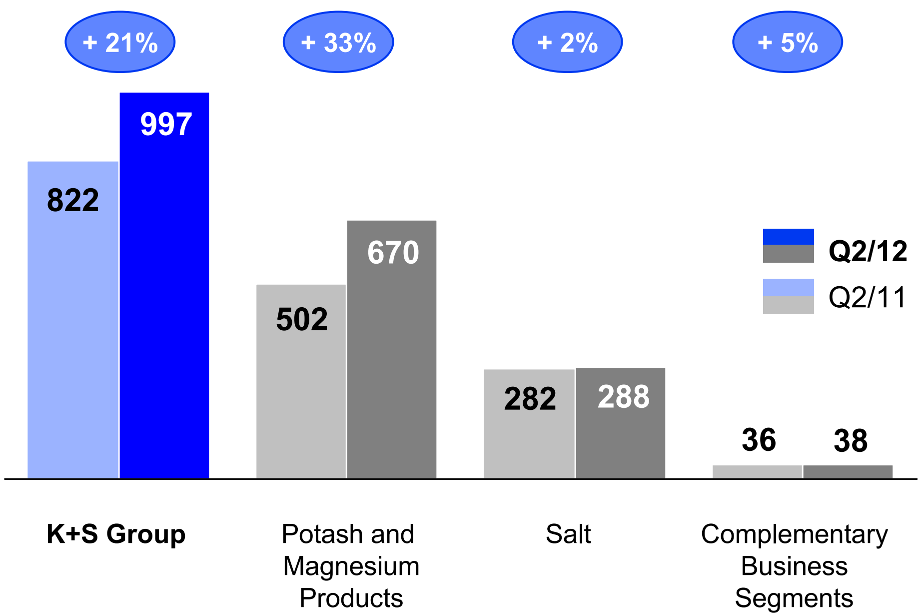
Content

A.	**Q2/12 - Overview**
B.	Potash and Magnesium Products
C.	Salt
D.	Financials
E.	Outlook

K+S Group
Strong Quarter in Potash and Magnesium Products Mitigates Weaker Salt Performance

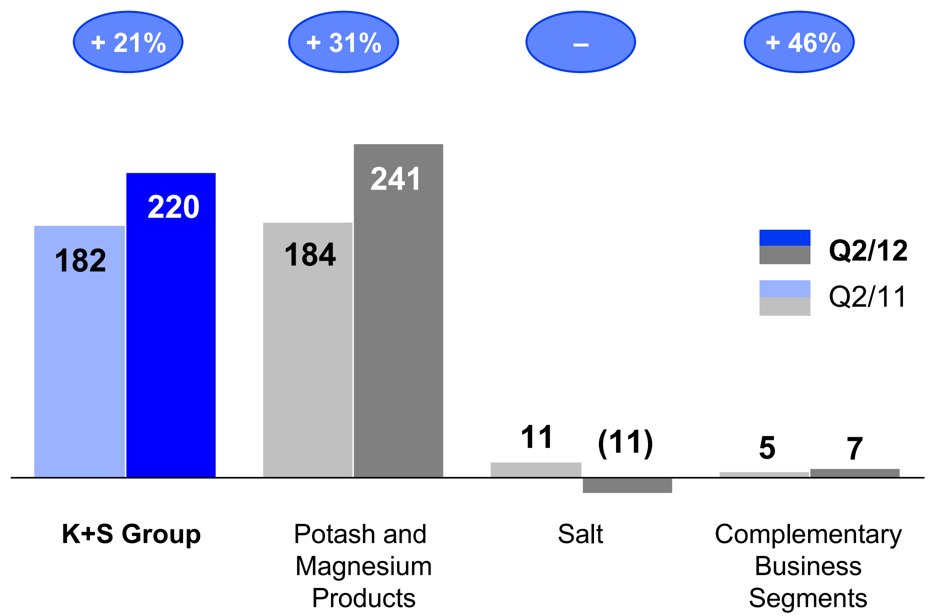
Revenues [1)] (€ million)

- The increase in Group revenues of 21% is attributable to the strong overseas business in the Potash and Magnesium Products business segment.



Operating earnings EBIT I [1)] (€ million)

- The Potash and Magnesium Products business segment achieved a strong earnings improvement.
- Salt earnings were impacted by weaker early stocking-up resulting in lower fixed cost coverage.



[1)] Information refers to the continued operations of the K+S Group. Figures were adjusted in accordance to IFRS following the sale of K+S Nitrogen and the divestment of the COMPO business.

Content

A.	Q2/12 - Overview
B.	**Potash and Magnesium Products**
C.	Salt
D.	Financials
E.	Outlook

Potash and Magnesium Products
Market Environment during Q2/12

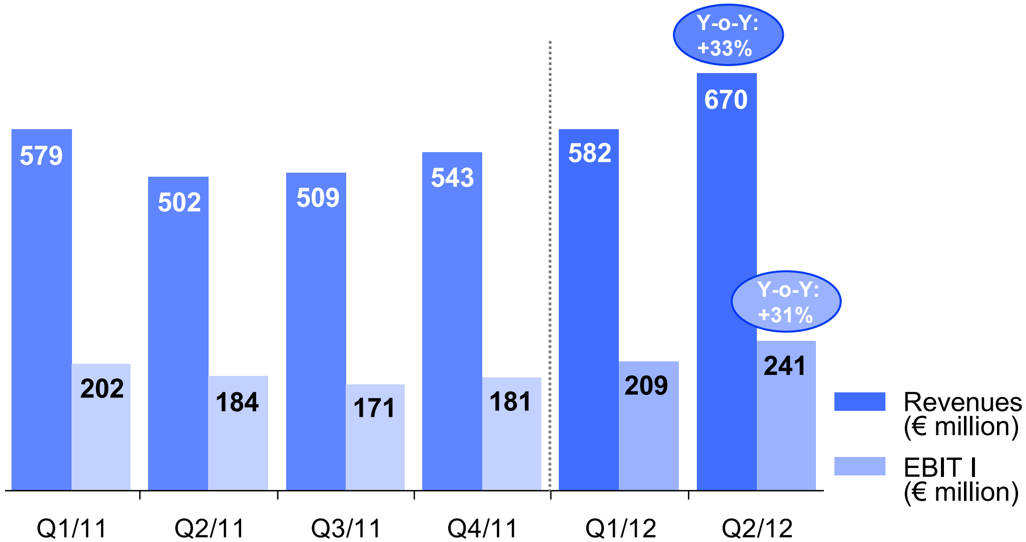
- After the fertilizer trade sector had still ordered cautiously at the start of the year, the demand for potash and magnesium products developed positively during Q2/12.
- The relatively high price level for agricultural raw materials offered attractive income prospects for farmers and therefore an incentive to increase yields also through the optimal use of fertilizers.
- Following the temporary production cuts by North American and Russian producers at the start of the year, global capacities were again almost completely utilised in the course of Q2/12.
- After the conclusion of sales contracts with Chinese importers at the end of Q1, international prices for potassium chloride tended to be firmer and, in Q2/12, were tangibly above the level of the previous year's quarter.

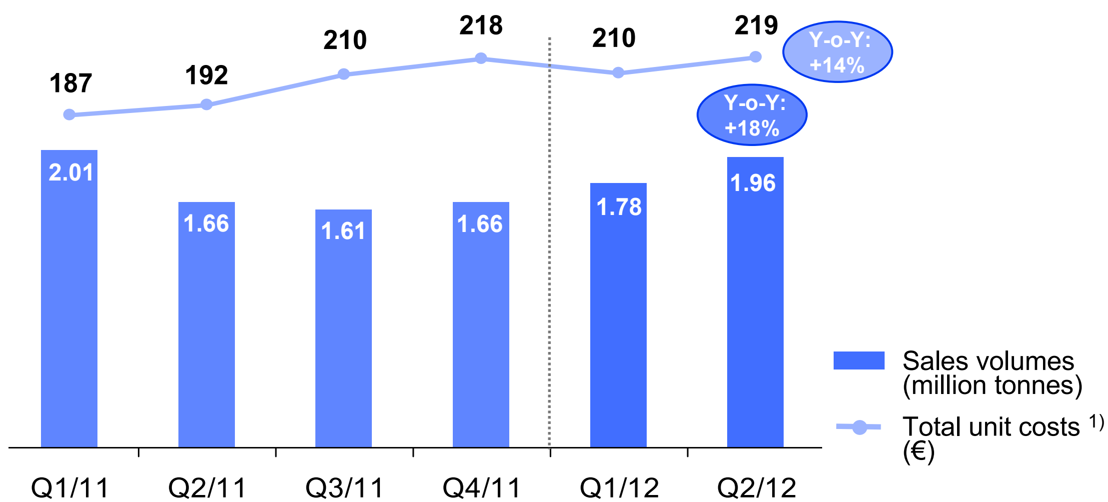
Potash and Magnesium Products
Volumes and Average Prices in Q2/12

	Year on Year			Quarter on Quarter		
	Q2/12	**Q2/11**	**%**	**Q2/12**	**Q1/12**	**%**
Volume (million t)	1.96	1.66	+ 18.1	1.96	1.78	+ 10.1
- Europe	0.85	0.87	(2.3)	0.85	0.98	(13.3)
- Overseas	1.11	0.79	+ 40.5	1.11	0.80	+ 38.8
Average price (€ per t)	340.8	302.2	+ 12.8	340.8	327.4	+ 4.1
- Europe (€ per t)	319.5	315.0	+ 1.4	319.5	326.1	(2.0)
- Overseas (US$ per t)	457.7	414.9	+ 10.3	457.7	431.1	+ 6.2

- Y-o-Y: Sales volumes increased due to higher overseas volumes mainly caused by a strong demand in Brazil. European sales volumes were fairly stable with distributors coming out of the spring season with low stocks. While average European prices remained stable, the overseas price level increased tangibly in US dollar terms. The overall increase of the average price in euro terms was additionally supported by positive currency effects (Ø Q2/12: 1.28 USD/EUR, Ø Q2/11: 1.44 USD/EUR).
- Q-o-Q: Sales volumes increased due to higher overseas volumes which more than made up for seasonally lower sales volumes in Europe. While the European price level remained fairly stable, the overseas average price in US dollar terms increased moderately mainly due to positive product mix effects.

Quarterly Revenues, Earnings and Cost Position





- Revenues of the Potash and Magnesium Products business segment reached € 670 million and significantly exceeded the previous year's figure. In addition to a significant rise of volumes, higher prices and positive foreign currency effects led to this increase. EBIT I increased by 31% to € 241 million.

- Compared to one year ago, unit costs increased tangibly as expected to a level of € 219 (Q2/11: € 192). This was mainly due to higher material costs and a rise in energy costs as oil price increases during 2011 were impacting us with a time lag of six to nine months according to the energy supply clauses agreed with our suppliers until now.

1) Total unit costs are defined as revenues minus EBIT I divided by sales volumes.

Content

A.	Q2/12 - Overview
B.	Potash and Magnesium Products
C.	**Salt**
D.	Financials
E.	Outlook

Market Environment during Q2/12

- **European de-icing salt business**
  As a result of the very mild and partly dry weather conditions at the start of the year, stocks of producers and customers are well filled. Consequently, in comparison to the same period of the previous year, a price decline in the early preseason business of Q2/12 was observed. While prices for the tenders for the winter season 2012/13 decreased, overall volumes in the contracts concluded to date stand at a relatively good level.
- **North American de-icing salt business**
  The de-icing salt regions on the US East Coast and in Canada were characterised by relatively high stocks as well. Most producers reacted to this situation with cutting back production. In the de-icing salt regions of the United States, both in the early preseason business in Q2/12 and in the tenders for the winter season 2012/13, there were declines in prices and volumes, particularly in the Midwest.
- **Industrial and food grade salt**
  Industrial salt demand remained relatively stable in all regions. Food grade salt demand was at a good level in South and North America, but currently there is increased competition in the European market.
- **Salt for chemical use**
  The European market for salt for chemical use was characterised by a temporary oversupply in Q2/12 despite a slight trend towards recovery. In North and South America, competitive pressure also increased.

Salt
Volumes and Average Prices in Q2/12

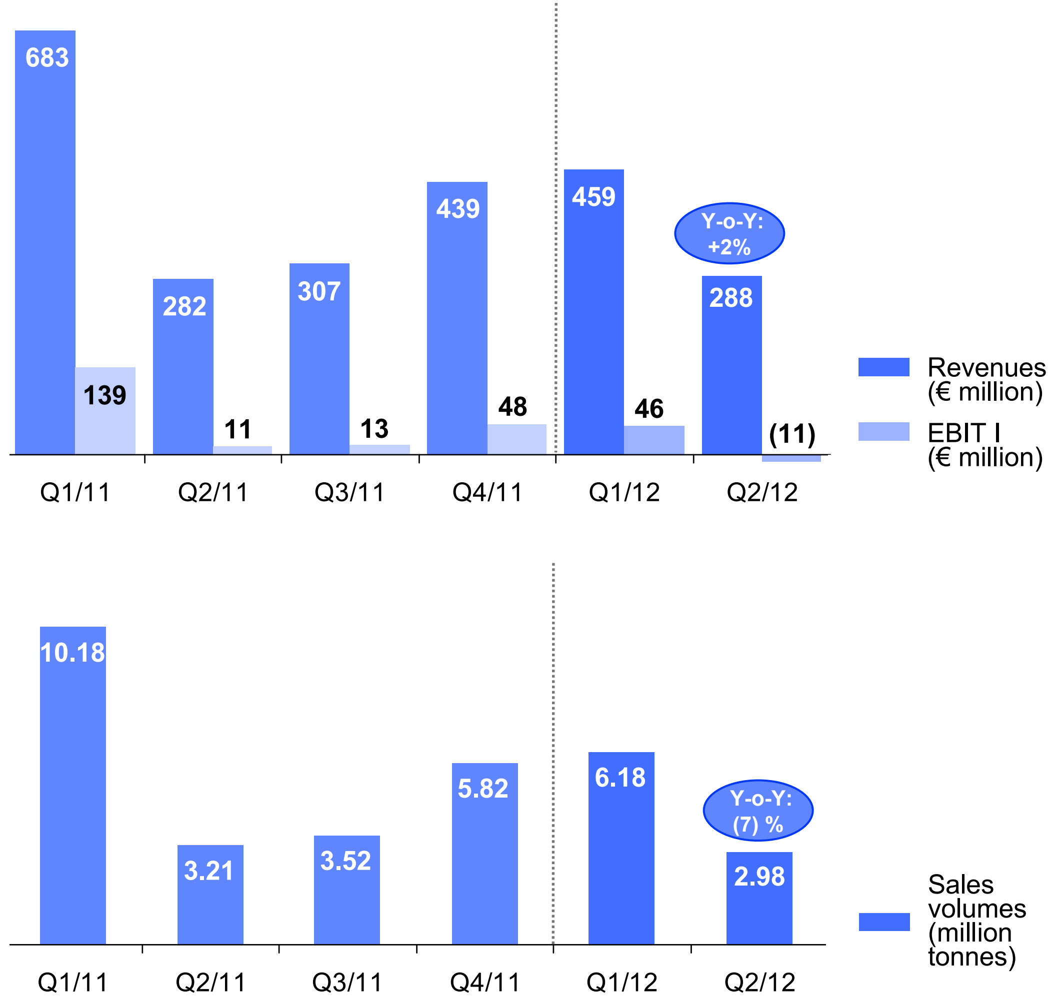
	Year on Year			Quarter on Quarter		
	Q2/12	**Q2/11**	**%**	**Q2/12**	**Q1/12**	**%**
Volume (million t)	2.98	3.21	(7.2)	2.98	6.18	(51.8)
- De-icing salt	0.60	0.74	(18.9)	0.60	4.02	(85.1)
- Non de-icing salt	2.38	2.47	(3.6)	2.38	2.16	+10.2
Average price (€ per t)						
- De-icing salt	49.6	52.2*	(5.0)	49.6	51.5	(3.7)
- Non de-icing salt	103.2	90.3	+ 14.3	103.2	105.8	(2.5)

* Adjusted for € 6.7 million of additional claims against customers in Europe, which had exceeded their contractually agreed volumes in Q1/11. Without this adjustment, the average price for Q2/11 would have been € 61.0.

- Y-o-Y: Q2/12 de-icing salt volumes were 0.14 million tonnes lower due to the weaker early preseason in all our de-icing salt regions. Consequently, the average price level declined. While volumes slightly declined for non de-icing salt, an improved product mix in addition to a positive exchange rate effect and some price increases led to a higher average price.
- Q-o-Q: Following the normal quarterly seasonal patterns, de-icing salt volumes were significantly lower. De-icing salt prices declined as usual during early procurement. The other product group's volume increased mainly in overseas markets, but prices decreased slightly due to regional product mix effects.

Salt

Quarterly Revenues and Earnings Position



Business seasonality

- De-icing salt seasonality clearly observable in the development of total salt revenues, sales volumes and operating earnings.
- Compared to one year ago, revenues increased slightly; positive currency effects could more than make up for lower sales volumes. The strong decline in earnings was mitigated by lower freight costs and savings in maintenance and personnel costs.
- Sales volumes declined by 7% leading to a lower fixed cost coverage

Content

A.	Q2/12 - Overview
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C.	Salt
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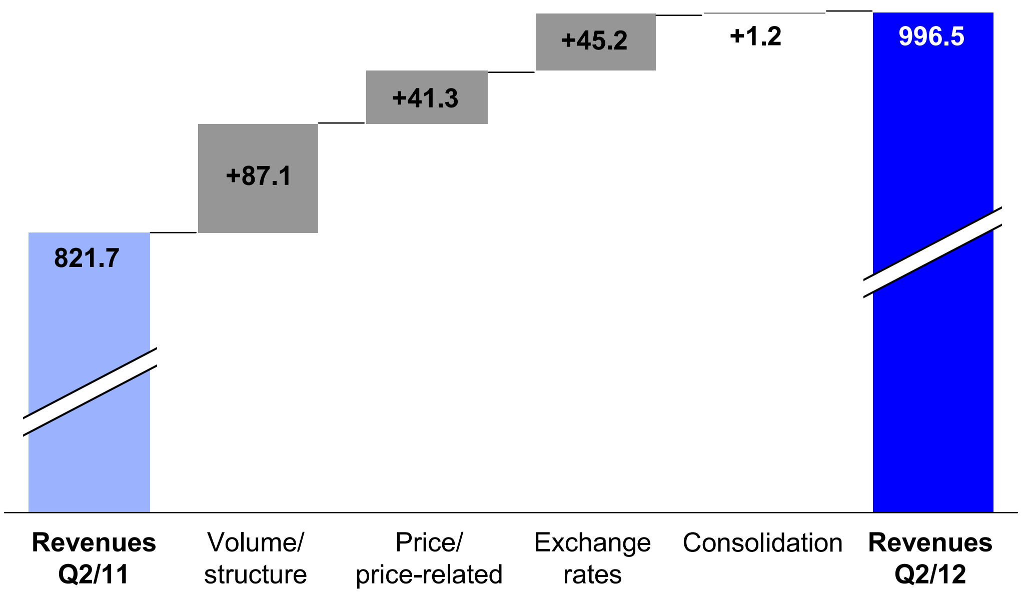
Increase in Revenues Mainly Volume-driven

Changes in Revenues Q2/12 (€ million)



- **Volume/structure effects**

  Sales volumes improved in the Potash and Magnesium Products business segment with a strong overseas business and a stable European business. In the Salt business segment, the unusually mild and dry winter in Q1/12 led to a cautious early stocking-up.

- **Price/price-related effects**

  Prices mainly increased in the Potash and Magnesium Products business segment.

- **Exchange rate effects**

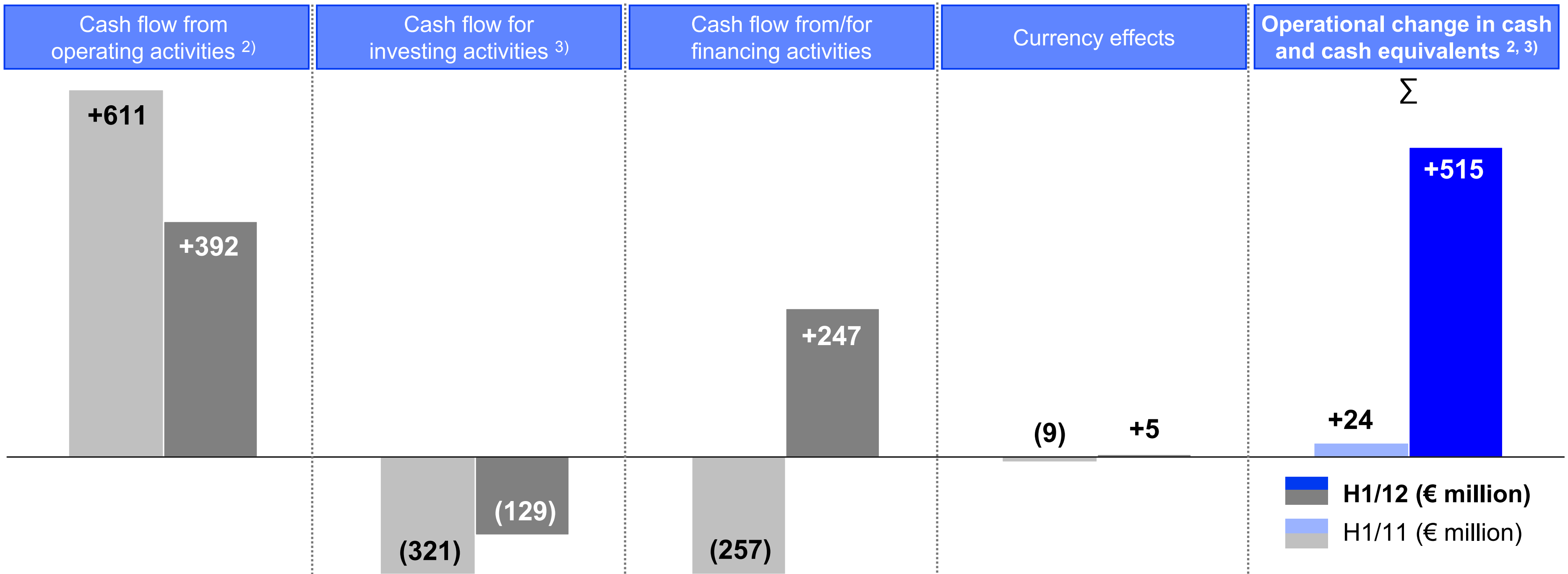
  A tangibly stronger US dollar led to a positive effect in revenues in all business segments (Ø Q2/12: 1.28 USD/EUR; Ø Q2/11: 1.44 USD/EUR).

K+S Group
Revenues and Earnings[1)]

€ million	Q2/12	Q2/11	%
Revenues	**996.5**	**821.7**	**+ 21.3**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**275.8**	**237.0**	**+ 16.4**
Operating earnings (EBIT I)	**219.8**	**181.9**	**+ 20.8**
Financial result	(24.2)	(15.1)	(60.3)
Earnings before income taxes, adjusted[2)]	**195.6**	**166.8**	**+ 17.3**
Adjusted Group tax rate (%)	27.8	27.8	–
Group earnings from continued operations, adjusted[2)]	**141.2**	**120.5**	**+ 17.2**
Earnings after taxes from discontinued operations	+ 9.6	(91.3)	–
Group earnings after taxes, adjusted[2, 3)]	**150.8**	**29.2**	**+ > 100**

1) Infomation refers to the continued operations of K+S Group.
2) The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I, which eliminates effects from changes in the market value of the hedges. Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/12: 28.5% (Q2/11: 28.3%).
3) Earnings from continued and discontinued operations.

K+S Group
Cash Flow Development in H1[1)]



Higher tie-up of funds in working capital due to:
- Increase of trade receivables in the Potash and Magnesium business segment
- Stock levels remaining high in Salt business
- Slight decrease in trade payables

- Figure in H1/2011 influenced by acquisition of Potash One (€ 242.8 million)
- Apart from this, higher capex in H1/2012

- Placement of the 3% coupon bond due in 2022 delivers cash of € 497 million
- Higher dividend payment in May 2012 (€ 249 million vs. € 191 million)

- Slightly positive currency effect in H1/2012 after having been slightly negative in H1/2011

- Bond placement main reason for increase in cash
- Weaker cash flow from operating activities, higher capex and increased dividend payment compensated for by the disappearance of disbursements for the acquisition of Potash One

[1)] Information refers to the continued operations of the K+S Group. [2)] Without out-financing of pension obligations in the amount of: H1/12: € (6.9) million, H1/11: € (99.9) million. [3)] Without purchases/divestments of securities and other financial investments in the amount of € (204.0) million net in H1/12 (H1/11: € (65.7) million).

Changes in Energy Purchase Agreements

- The energy costs of the K+S Group are particularly impacted by the purchase of natural gas.
- Until now, the energy supply clauses in our contracts concluded for the German sites were predominantly tied to the oil price, and a change in the oil price had normally been reflected with a delay of six to nine months in our cost accounting.
- Restructuring of agreements during Q2/12 in order to **significantly reduce the dependency on the oil price** in the future. The purchase of natural gas will therefore be split in a **relatively equal relation** between:
  - longer-term agreements for which **fixed natural gas prices** were agreed;
  - agreements tied to the oil price, which are reflected in our cost accounting with a delay of now **only three to four months**;
  - purchase on the **spot market** for natural gas.

➔ **The purchase of energy will thus be more strongly diversified in future, and we can seize opportunities arising on the energy markets.**

➔ **The portion of agreements with fixed natural gas prices is providing a better predictability.**

➔ **Compared to 2012 and on the basis of the current energy price level, the positive effects from the changes in the energy purchase agreements should be able to more than make up for negative effects, an unchanged strong US dollar would have on our energy costs in 2013.**

Content

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C.	Salt
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E.	**Outlook**

Market Outlook

Potash and Magnesium Products Business Segment

- In the course of Q2, the markets relevant for K+S continued to develop positively against the background of significantly increased prices for agricultural raw materials.
- This positive demand development should continue over the coming months. For 2012 as a whole, we expect global potash sales volumes of about 56 million tonnes* (2011e: 60.2 million tonnes*).

Salt Business Segment

- Due to the unusually mild weather conditions at the beginning of the year, in 2012, the demand for de-icing salt in Europe as well as in North America will be reduced accordingly in comparison to the above-average year 2011.
- In the food grade salt area, we expect demand to remain largely stable in the sales markets relevant for K+S, and in the industrial salt area, we expect it to decline somewhat, especially in North America.
- While the sales volumes for salt for chemical use should fall moderately due to the economic cooling in Europe, the demand of the chemical industry for salt for chemical use in North America is likely to increase slightly and to remain stable in South America.

* Incl. potassium sulphate and potash grades with lower K_2O content of around 3 million tonnes eff.

K+S Group

Revenues and Earnings Expectations for 2012[1)]

Outlook for the entire year of K+S Group:

- Revenues:	€ 3.9 - 4.2	billion	(2011: € 4.0 billion)
- EBITDA:	€ 1,050 - 1,130	million	(2011: € 1,146.0 million)
- Operating earnings (EBIT I):	€ 820 - 900	million	(2011: € 906.2 million)
- Group earnings from continued operations, adj.:	€ 540 - 600	million	(2011: € 625.6 million)
- Earnings per share from continued operations, adj.:	€ 2.85 - 3.15		(2011: € 3.27)
- Earnings per share, adjusted [2)]:	€ 3.30 - 3.60		(2011: € 3.04)

Underlying assumptions

Potash and Magnesium Business Segment

Moderate rise in revenues and slight growth in operating earnings

- Sales volumes probably close to that of last year (2011: 6.9 million t)
- On the basis of the currently achieved potash price level, moderate rise in FY average prices [3)]
- Tangible rise in total costs, especially due to higher energy costs, costs for the Legacy Project as well as a negative currency result which had profited from a positive hedging result last year

Salt Business Segment

Tangible decrease in revenues and strong decrease in operating earnings expected

- Unusually weak start of the de-icing salt business resulting in significant reduction of sales volumes: crystallised salt: ~18-19 million t (2011: 22.7 million t), thereof de-icing salt: a good 9 million t (2011: 13.3 million t)
- Tangibly lower revenues and the higher share of fixed costs customary in the mining industry resulting in a strong decrease in EBIT I compared to an above-average 2011
- Average de-icing salt business in Q4/12 assumed

Effects/Assumptions on Group Level

- 2012 average US dollar exchange rate: 1.26 USD/EUR
- Tangibly weaker financial result in comparison to 2011
- A slightly higher adjusted Group tax rate of 27% to 28%

Earnings-based Dividend Policy

- Dividend payout ratio of between 40% and 50% of adj. earnings after taxes (including discontinued operations)
- Dividend increase should be possible for 2012 (2011: € 1.30)

1) Unless stated otherwise, information refers to continued operations (previous year's figures adjusted accordingly); Outlook statement as of 7 August 2012
2) Earnings from continued and discontinued operations
3) In line with our customary, purely technical forecast policy, which maintains the currently achieved potash price level unchanged

Forward-looking Statements

This presentation contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or should certain risks – such as those referred to in the Risk Report – materialise, actual developments and events may deviate from current expectations. The Company assumes no obligation to update the statements, save for the making of such disclosures as are required by the provisions of statute.

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