

EXPERIENCE GROWTH

**K+S Legacy Project
Investor and Analyst Conference Call**

29 November 2011

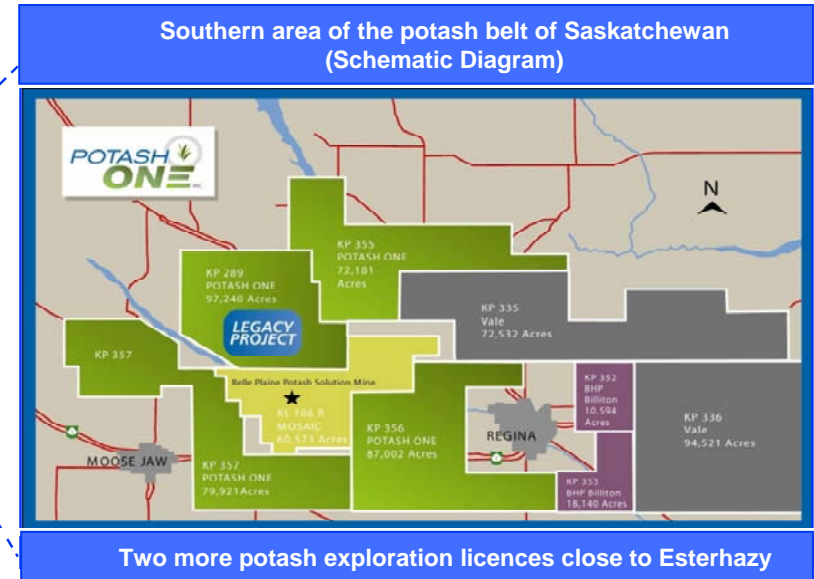


Experience growth.

A.	Acquisition of Potash One
B.	Legacy Project – Overview
C.	Technical Concept
D.	Market and Logistics
E.	Financing
F.	Conclusion



- With Potash One, K+S has acquired several potash exploration permits in Saskatchewan/Canada (incl. the Legacy Project and its feasibility study).
- The total purchase price was € 322.5 million (CAD 4.50 per share).
- The Legacy Project is an advanced greenfield project for which an environmental permit has been granted.
- Potash One is now fully incorporated in K+S Potash Canada GP.



Reserves and Resources

		in mln. t KCl	% KCl	% K ₂ O
Reserves (Proven and Probable Reserves)	Legacy Project area	160	29	18
Resources (Inferred and Indicated Resources)	Legacy Project area + KLSA 009	982	27	17

The reserves figures were determined by Agapito Associates Inc., Grand Junction, Colorado, in cooperation with North Rim Exploration Ltd., Saskatoon, Saskatchewan. The report on their determination was created in accordance with the requirements of the Canadian standard NI 43-101 of the "Canadian Securities Regulators".

Growth

- Adding substantial new capacities to the Potash and Magnesium business segment in a relatively short timeframe to be able to participate in the growth of the world potash market

Production Costs

- The addition of a solution mining production facility will have a positive effect on average production costs and increase flexibility

Capacity and Mine Life

- Substantial addition of annual capacity
- Substantial extension of average mine life

Regional Mix

- Diversification of the regional portfolio via a higher exposure to North America and the emerging markets in South America and Asia

Specialisation

- Continuation of the specialisation strategy by offering high-quality industrial grade products from Canada

Flexibility / Expansion Potential

- Good scalability of production capacity according to market development
- Improved flexibility due to higher share of variable costs
- Further expansion potential beyond the Legacy Project

The Potash One acquisition fits perfectly with the K+S strategy of capturing the growth of the global potash market and maintaining a market share of more than 10% at an improved competitiveness

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E. Financing

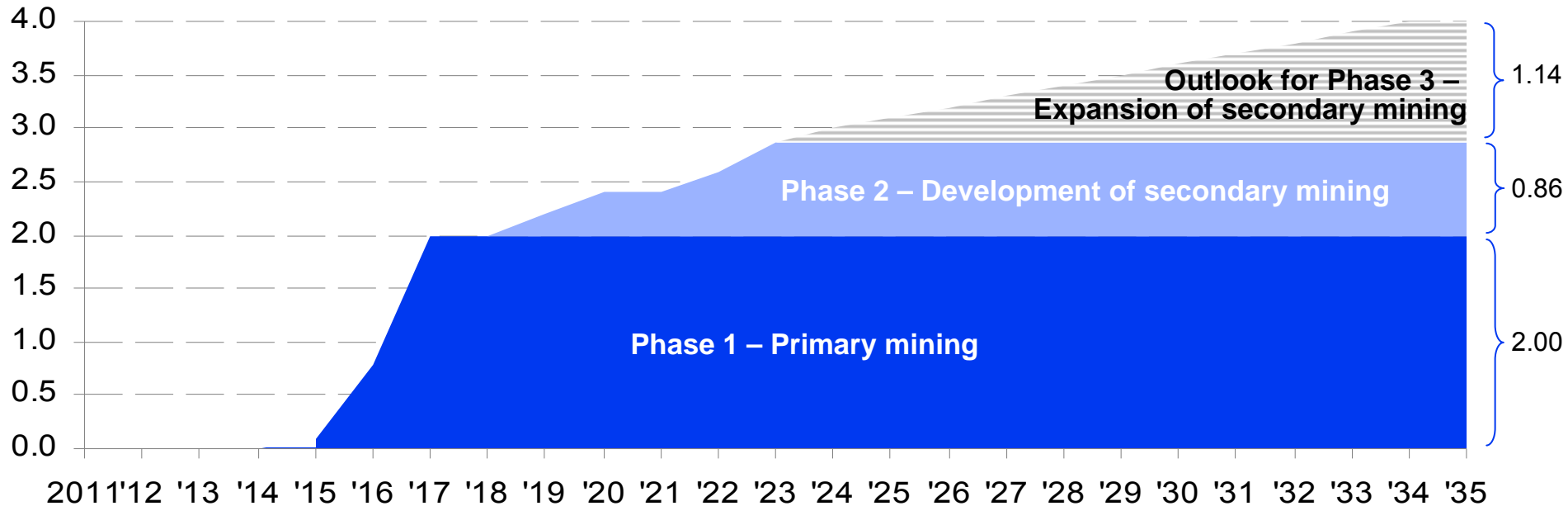
F. Conclusion



K+S Group Ramp-up Curve



Production capacity
in mln. t KCl/a



Phase 1
(Implementation: 2011 to 2017)

- Development of infrastructure mainly for Phases 1 + 2, preparations for Phase 3
- Capacity development + ramp-up of production to 2.0 mln. t KCl/a through primary mining

Phase 2
(Implementation: 2016 to 2023)

- Capacity expansion and ramp-up of production by 0.86 to 2.86 mln. t KCl/a through secondary mining (share of secondary mining in total capacity: 30%)

Outlook for Phase 3
(Implementation: 2023 to 2034)

- Increase in share of secondary mining in total capacity to 50%
- Potential expansion of annual capacity by 1.14 to 4.0 mln. t KCl/a

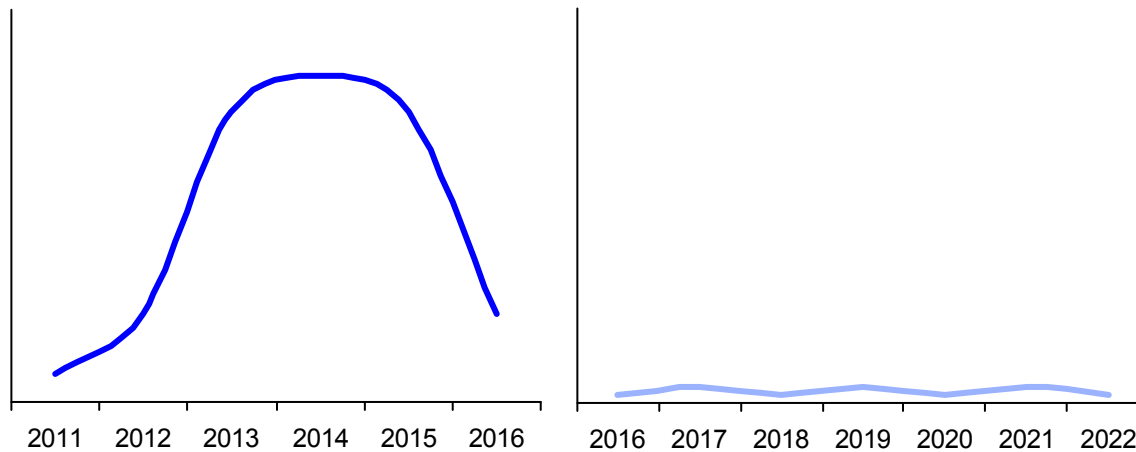
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Course of Capex



	Phase 1	Phase 2	Phase 3
Activity	Primary mining: Development of first caverns and construction of production and infrastructure facilities	Development of secondary mining, expansion of production and logistics facilities	Further expansion of secondary mining, construction of necessary additional production and logistics facilities
Production capacity after implementation	as of 2017: 2.00 million tonnes KCl/a	as of 2023: 2.86 million tonnes KCl/a	probably as of 2034: 4.00 million tonnes KCl/a
Capex	2011 to 2016: CAD 2.90 billion*	2016 to 2022: CAD 0.35 billion*	2023 to 2034: ~ CAD 0.70 billion

Diagram of course of investment

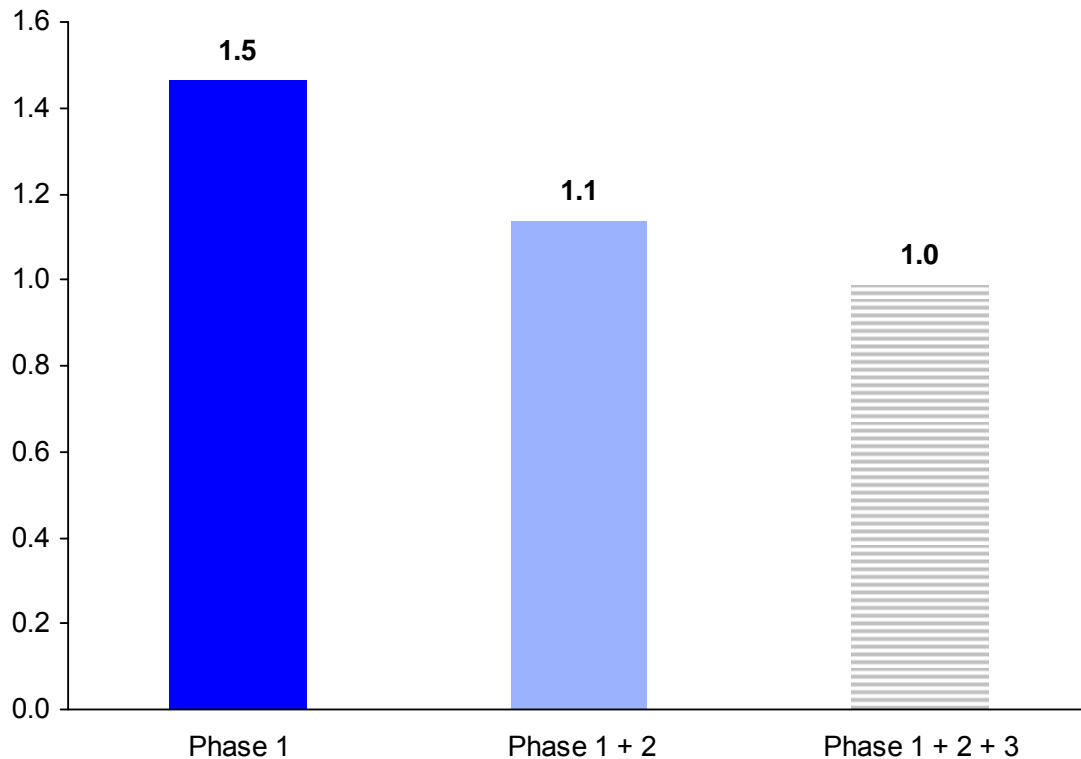


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3-Phase Concept with Positive Economies of Scale



Specific capex
(in CAD billion per million tonnes KCl/a)



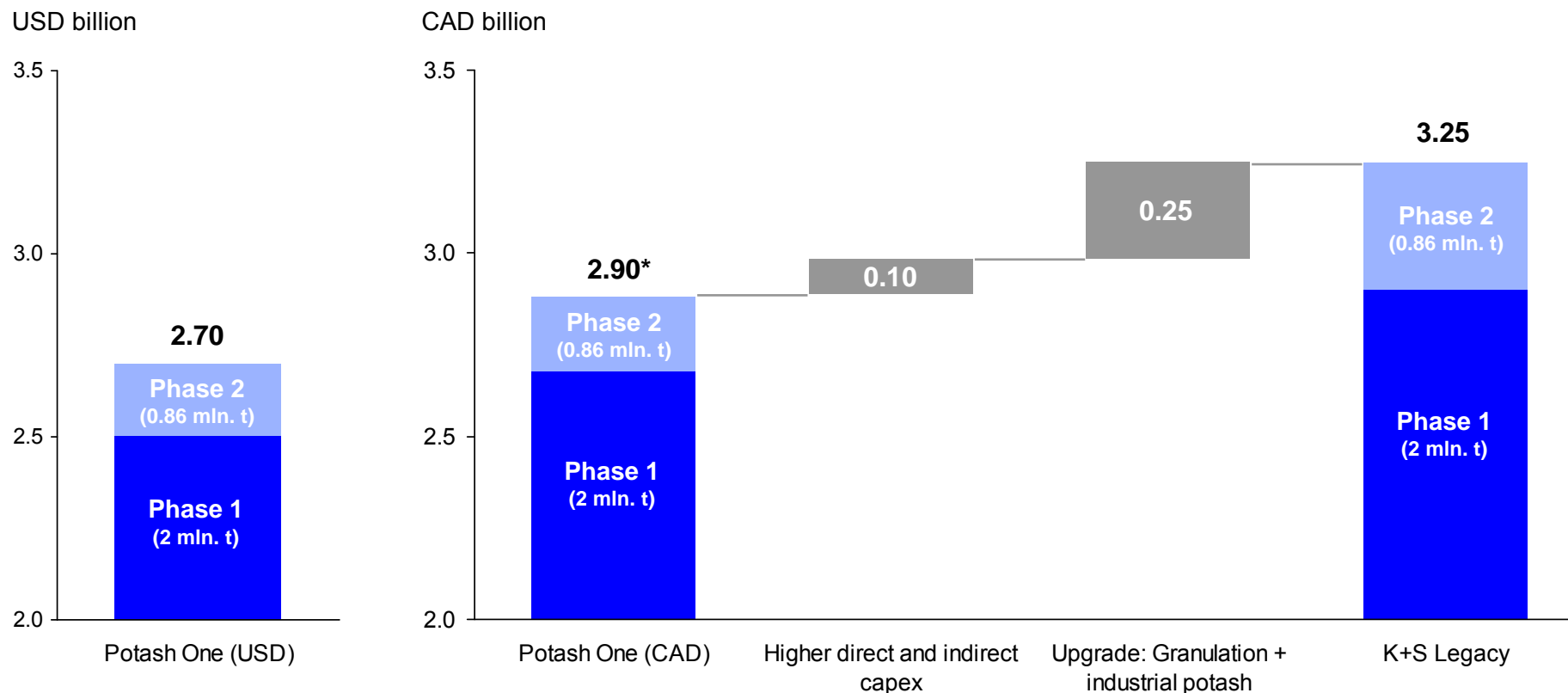
- Increasing capacity results in positive economies of scale
- Including Phase 3, a favourable ratio of CAD 1 billion of capex per 1 million tonnes KCl/a is possible

Capex in Phases 1 + 2

(in CAD billion)

Direct capex in solution mining, process plant, infrastructure		1.85
Engineering, indirect construction costs, other	} Indirect capex	0.65
Contingency / Escalation		0.40
Total direct and indirect capex for Phase 1		2.90
Direct expansion capex for solution mining and factory		0.30
Indirect expansion capex		0.05
Total direct and indirect capex for Phase 2		0.35
Total capex for Phases 1 + 2		3.25

Capex: Potash One Feasibility Study vs. K+S-Review



- ➔ The capex expected for Phases 1 + 2 are in total about CAD 350 million higher than what is stated in the feasibility study of Potash One
- ➔ This is primarily attributable to an optimisation of the product mix (facilities for the production of granulated potassium chloride and industrial potash)

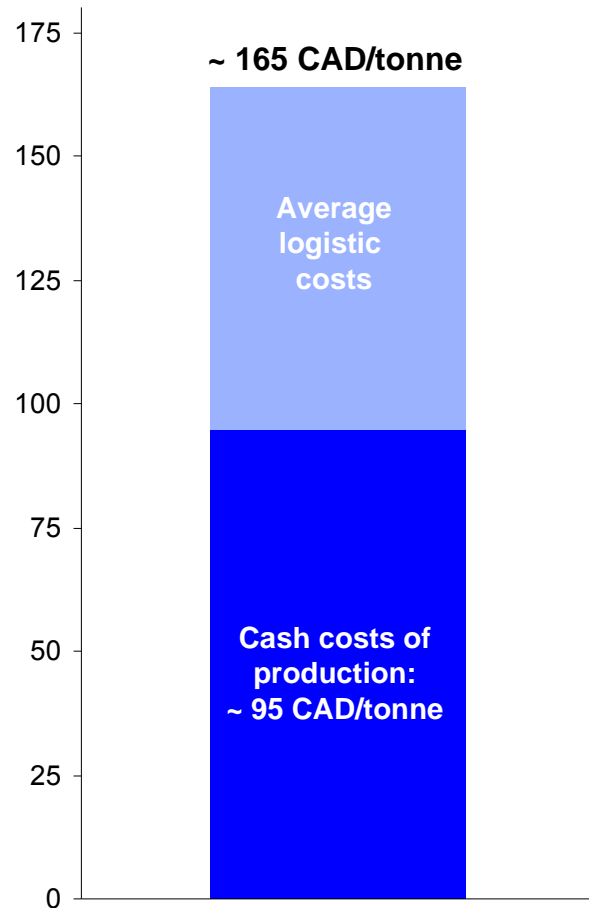
* Conversion of USD into CAD at the exchange rate valid at the time of publication of the feasibility study: 1.07 CAD/USD

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Specific Cash Costs*



CAD/tonne



- The cash costs of production will be lower for Legacy than in our plants in Germany
- The high share of variable cost components (incl. freight) makes possible greater flexibility in relation to capacity utilisation:
Legacy: 2/3 variable; 1/3 fixed
Germany: 1/3 variable; 2/3 fixed
- For mining taxes/royalties, an additional approx. CAD 70/tonne are to be recognised on the basis of a potash price of US\$ 450/tonne ex works
- Over the long term, depreciation and amortisation will total about CAD 30/tonne after initially higher values at the start of production

* At full utilisation of 2.86 million tonnes KCl/a (Phases 1+2)

Assumptions: gas price: CAD 4.30/MMBtu; exchange rate: 1.02 CAD/USD; no increase in prices and costs after the construction phase

What Potash Price is Required as a Minimum for the Profitability of the Legacy Project?

- **The Legacy Project requires a potash price of between USD 400 and 450/tonne MOP gran. including freight in order to achieve a return on capital employed (ROCE) of 12% before taxes**

Parameters like the level of investment, gas price or freight rates could move respectively as follows, without jeopardising the planned target return or the range mentioned above:

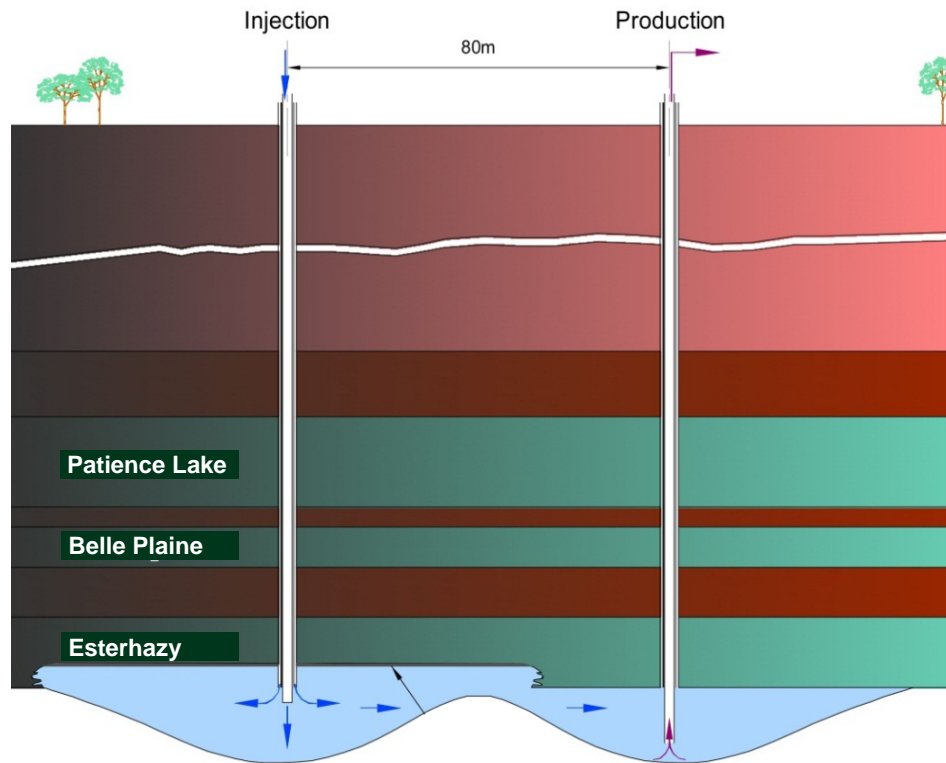
Parameter	Basis	Tolerance
Capex (Phases 1 + 2)	CAD 3.25 billion	± 15%
Gas price (Henry Hub Natural Gas Price)	CAD 4.30/MMBtu	± 50%
Average freight rates	~ CAD 70/tonne	± 30%

The Legacy Project is one of the world's economically most attractive greenfield projects. The relatively favourable minimum price for this project cannot simply be transferred to other greenfield projects; higher minimum prices are to be expected.

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Legacy Project



Mining technique

Solution mining

Reserves / Resources

160 / 982 mln. t KCl product

Depth

1,500 metres

Thickness

33 metres

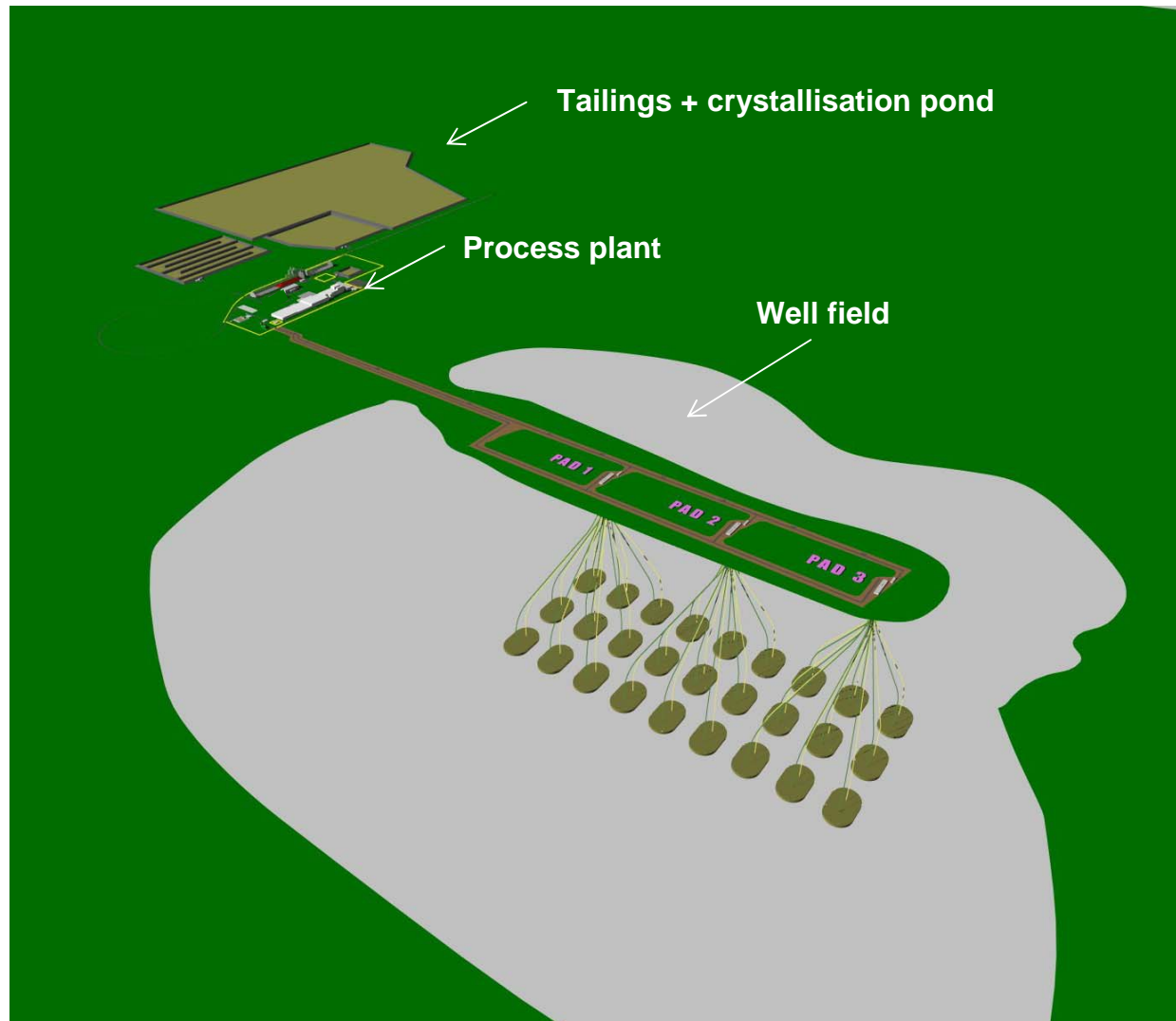
K₂O / KCl content

18% / 29%

Environmental
Impact Statement

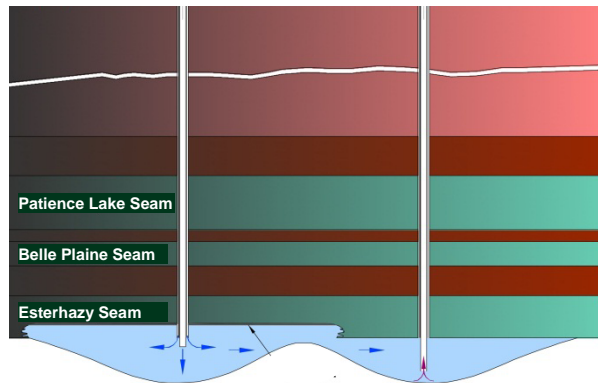
approved for up to
4 mln. t KCl/a

K+S Group Schematic Site Overview



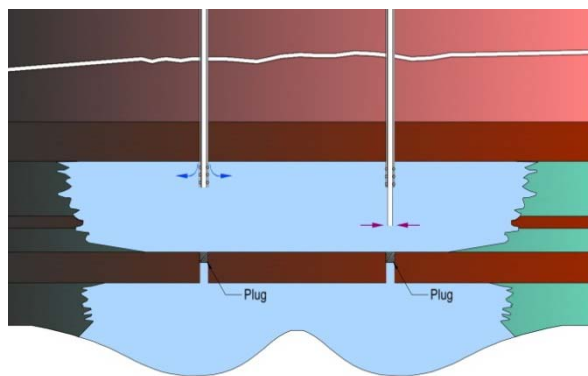
- Per cavern, there are two 1,600 m deep, deflected boreholes about 80 m apart
- The layout provides for 18 bores from a central drilling site, known as a pad. Nine caverns are developed from these 18 bores
- The solution is pumped through pipelines from the well field into the process plant for processing
- The solid process by-product (NaCl) is stored in the tailings management area (TMA)
- KCl crystallisation takes place from the secondary mining solution in the crystallisation pond

Primary Mining (Freshwater mining / Vacuum cooling crystallisation)



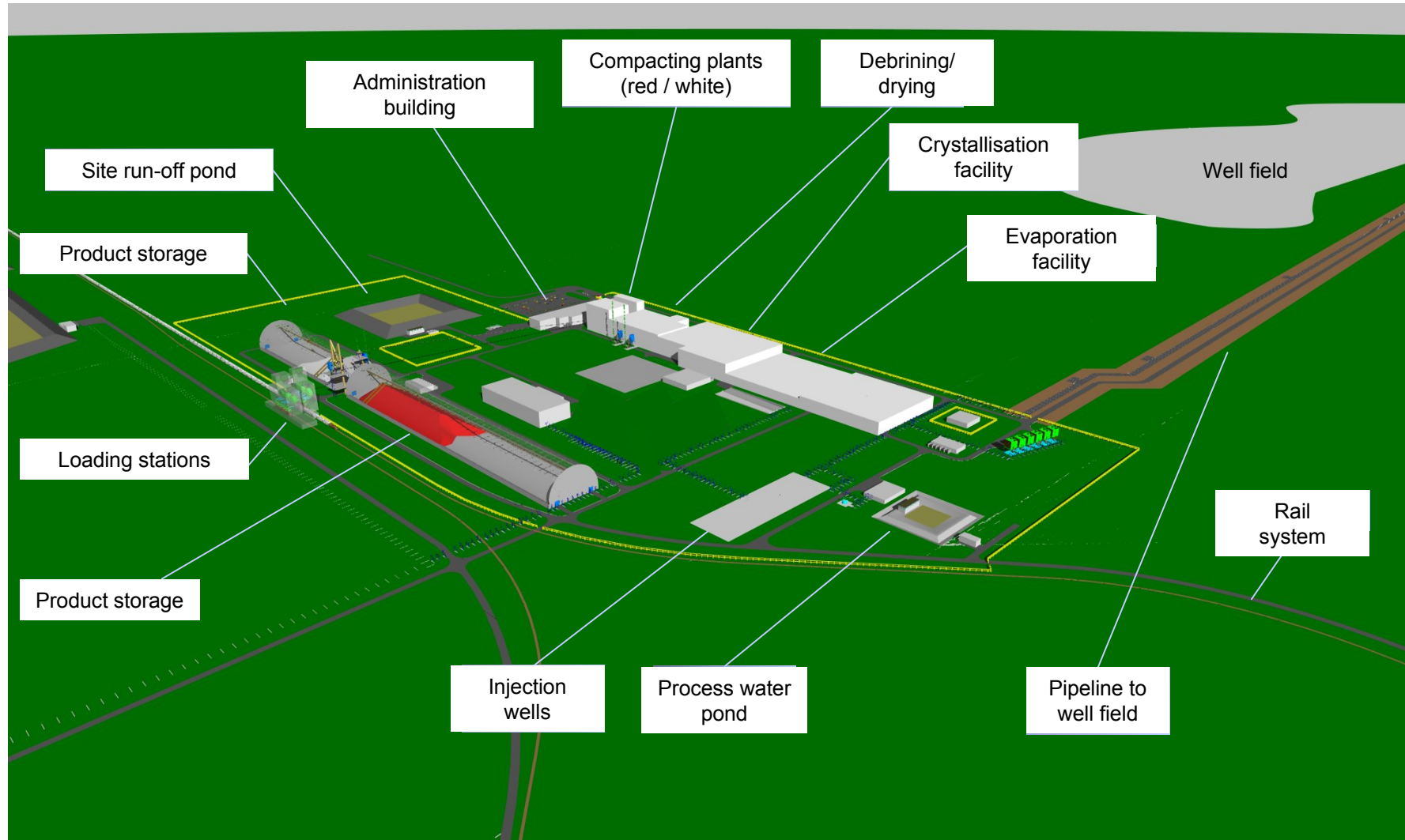
- Primary mining uses freshwater. The connection of two boreholes to a cavern with the corresponding creation of a surface is initially created by NaCl solution mining below the KCl-rich Esterhazy Seam. The deposit is gradually solution-mined in up to 3 m thick horizontal layers through the three potash seams. This process is controlled vertically by an oil barrier (a thin layer on the surface of the brine).
- During the primary mining process, the cavern expands to create an ideal form for commencing secondary mining.

Secondary Mining (NaCl brine mining / Crystallisation in the crystallisation pond)



- Secondary mining exclusively uses a NaCl-saturated brine in order to dissolve selectively KCl from the walls and roof of the existing caverns.
- Along with a lower energy intensity, secondary mining – in comparison to primary mining – is substantially more efficient with the use of water.

K+S Group Diagram of the Process Plant



The energy concept provides for the external procurement of natural gas and power

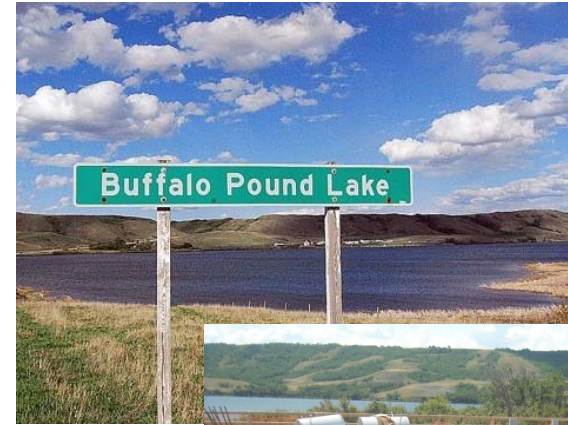
- The energy-intensive processing facilities were laid out with regard to an optimal relationship between heat and power consumption
- Natural gas will be used as the primary energy carrier, power will be obtained from the public grid
- As regards the procurement of natural gas, fixed prices can be secured for up to 24 months in advance via tranches. The use of financial instruments to hedge against higher natural gas prices will be examined at the appropriate time as part of our general hedging strategy
- As regards the procurement of natural gas, there are a number of suppliers we can use. Talks are already underway

Fresh water supply:

- Water is supplied from the nearby Buffalo Pound Lake via a lakeside pumping station and pipelines into a reservoir on the plant site from which the water can be used as needed

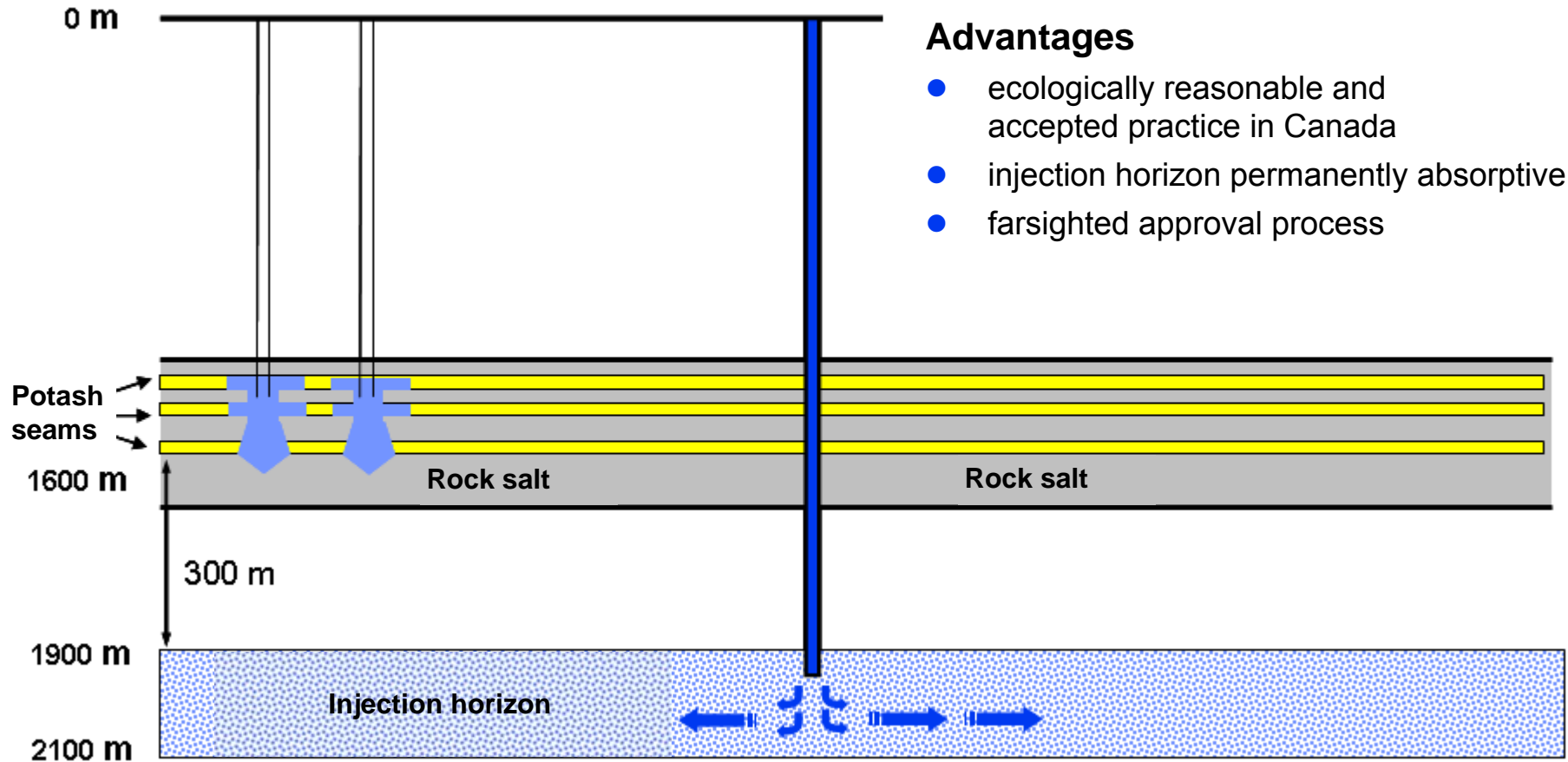
Benefits of solution/secondary mining:

- In the case of solution mining, in comparison to conventional mining, a better utilisation of the deposit is achieved, as almost the entire thickness (33 m average thickness versus about 4 m in a conventional mine) can be mined and insoluble elements remain underground
- Overall, there is less solid above-ground residue with solution mining
- Since, with secondary mining, potash can be mined by means of natural, climate-related cooling crystallisation without evaporation of the solution, water consumption is lower compared to that with primary mining and conventional mining



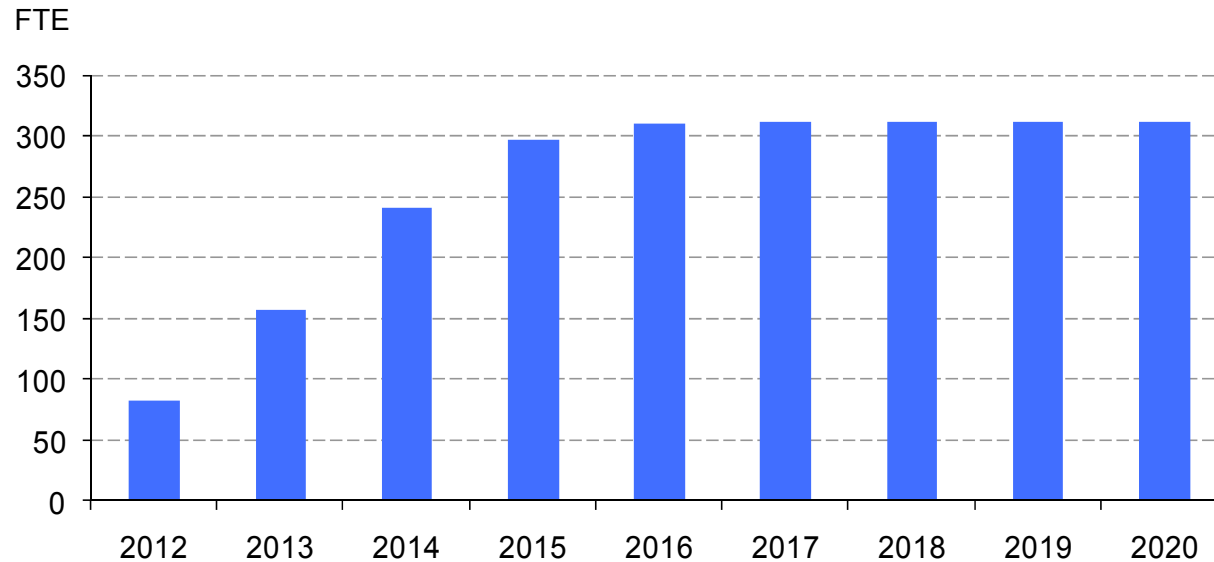
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Injection of Saline Waters



Environmental Impact Statement (EIS)

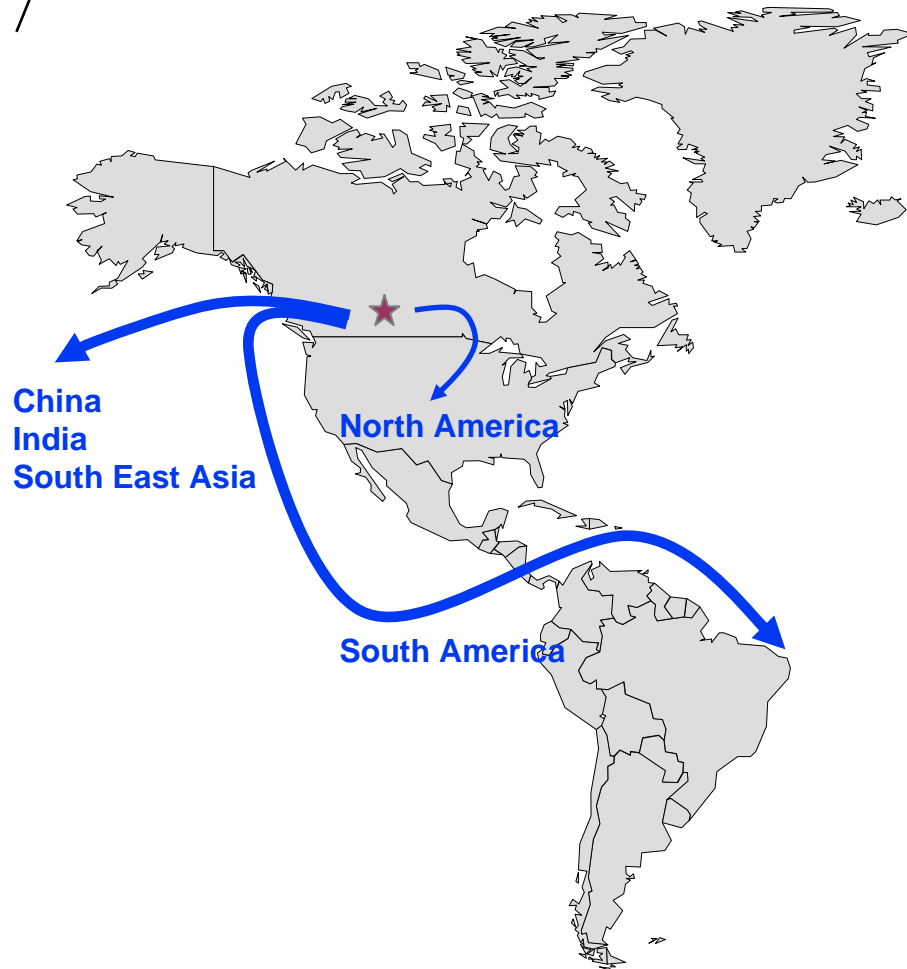
- The environmental impact statement was approved in November 2010
- The conditions of the approval are comparable with those of other competitors
 - All work in accordance with approved environmental impact statement and existing licensing requirements
 - The appropriate minister must be informed in the event of material changes
 - Cooperation with the industry or individually, search for alternatives for:
 - Storage of residue
 - Reduction in water consumption
 - Impact of mining subsidence
- ➔ As the process has proceeded and is proceeding, approval processes for subprojects (operational plans, e.g. for drilling) have been and are being initiated
- ➔ Thus far, all necessary approvals have been granted in time!



- 2011: First employees hired, in particular with qualifications in solution mining
- The number of operations employees will increase until 2017/18 in line with the ramp-up curve of the plant to just over 300 employees, incl. plant management, brine field, technology and production, maintenance and plant administration
- Additionally, contract workers (mostly in the well field and maintenance) will support the operations
- Construction workforce will peak at over 1,000 workers on site

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Strengthen global presence!

- Expansion of our existing production network by a North American production site → Potash supplier with production on two continents
- Increasing diversification of the country portfolio of the K+S Group:
 - North and South America
 - China, India and South East Asia
- Sale and distribution via existing distribution structures of the K+S Group
- Flexible multi-product strategy:
 - MOP standard pink
 - MOP granulated pink
 - KCI 99 granulated

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Good Logistical Connections



- Main transport route to the ports of Vancouver, Longview or Portland (2,000 kilometres) by rail
- At a production capacity of 2.86 million tonnes, about 1,000 railcars of 100 tonnes each or 6 trains are needed. A train with 170 railcars makes a 10-day return journey
- Negotiations for the provision of port storage capacity and loading facilities are in progress

- Continuation of K+S growth strategy, which provides for the expansion of the potash capacities and the extension of the average useful lives of our mines
- Strengthening the international competitiveness of the K+S Group in Europe and overseas



Strategic goals of the Potash and Magnesium Products business segment

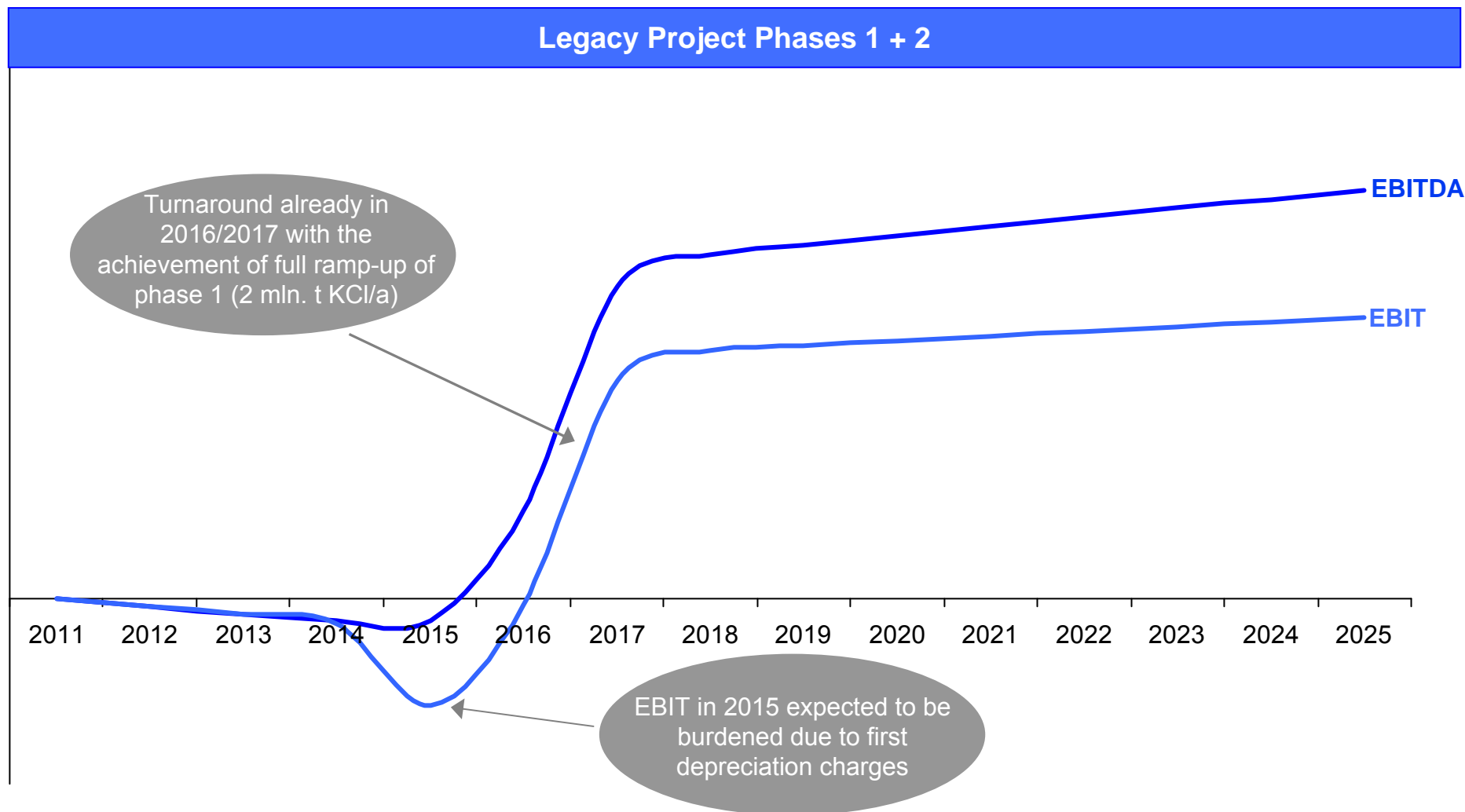
- Further development of refining strategy
- Consolidating our position for standard products
- Accessing attractive sales potentials
- Increasing flexibility
- Optimising costs

Contribution of the Legacy Project

- Industrial quality (KCL 99) from solution mining
- Strengthening of volume basis for MOP gran/std.
- Good logistics position for growth markets
- Solution mining permits flexible adjustment to demand
- Sustainably lower production costs

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Capex phase

- **Investments in USD (smaller part):**
Integration into USD long net position of Potash and Magnesium Products business segment,
→ natural cash flow hedge leads to a reduction in the necessary hedging volume
(general exchange rate hedging strategy: revolving one to two years in advance through the use of options and/or futures)
- **Investments in CAD (majority):**
Partly natural cash flow hedge through surpluses of salt business in Canada, remaining CAD short net position is hedged in accordance with general exchange rate hedging strategy

Operational phase

- The arising currency positions (revenues, costs, earnings, capex in CAD and/or USD) are hedged in accordance with general exchange rate hedging strategy
- **While our net position in CAD will be short especially in the construction phase, but also thereafter, our USD long net position will increase significantly as of 2017.**

Financing of the Legacy Project

- K+S, with a level of indebtedness (including provisions for pensions and mining obligations) of currently less than 25%, has a very solid balance sheet structure. The net financial liabilities are only about € 60 million (as at 30 September 2011)
- The financing of the Legacy Project is possible predominantly from liquidity and future cash flows. Refinancing of the bond maturing in 2014 is assumed. From today's perspective, we therefore expect an extension of borrowing, before positive cash flows are used for its repayment
- K+S intends to maintain its existing, essentially earnings-based dividend policy with a dividend payout ratio of about 40 to 50% of adjusted Group earnings after taxes
- Moreover, we are striving to retain our „Investment Grade“ rating

Thanks to our strong balance sheet, ongoing cash flow generation and positive paybacks from the project, the financing is standing on a solid basis

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- The acquisition of Potash One was an important milestone for K+S, creating the basis for an improvement in the competitive position and offering growth potential for the coming decades
- The Legacy Project enables us to ramp up production up to 4 million tonnes KCl/a at an attractive ratio of CAD 1 billion for 1 million tonnes KCl/a
- Average cash costs of the Legacy Project will improve overall cost position and flexibility of the Potash and Magnesium Products business segment
- With a potash price of between USD 400 and 450/tonne MOP gran. including freight, the project achieves a ROCE of 12% and an attractive premium on our costs of capital (9.6% before taxes). The Legacy Project is thus one of the world's economically most attractive greenfield projects
- Environmental Impact Statement approved
- K+S will be a potash producer with the widest product portfolio as well as one of the most diversified production networks and regional mix
- Financing of the project on a solid basis due to our strong balance sheet, ongoing cash flow generation and positive paybacks from the project itself

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 recent Risk Report – materialise, actual developments and events may deviate from current expectations. The Company assumes no obligation to update the statements contained in this presentation, save for the making of such disclosures as are required by the provisions of statute.

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