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Successful financial year 2012
K+S Group expects slight increase
in revenues and earnings in the current year

Financial Statements
Press Conference

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Chairman of the Board of Executive Directors of K+S Aktiengesellschaft

Dr. Burkhard Lohr,
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The spoken word is binding.
Ladies and Gentlemen,

We welcome you to this year's annual results press conference. Today we have for the first time Dr. Burkhard Lohr here – our CFO. Welcome to this round!

You see behind us the cover pictures of our reports published today. You can see a glittering metropolis. At first sight, the link with K+S might not be immediately clear. However, anyone who considers what is necessary in order to make such a metropolis a home for people will understand the connection: People today need raw materials, including considerable amounts of those mined and processed by K+S – namely potash and salt.

That is why the motto of our financial report is "providing solutions". Our raw materials provide solutions for a multitude of tasks we are confronted with in our society today, even if we are only very seldom aware of these in everyday life:

- As a fertilizer, potash is one of the three most important nutrients for plants and thus contributes to ensuring the food supply in growing metropolitan regions in particular. Furthermore, potash is needed in industry – for example in the textile and mineral oil industries, as well as in metallurgical processes. High-purity po-
Potassium and magnesium salts are used not only in the production of food, but among others also in the cosmetics and other industries.

- **Salt** too serves far more than just one purpose: We know it not only as a flavour enhancer or preservative, but it would be impossible to imagine the health sector without high-purity pharmaceutical salt for infusion solutions. Furthermore, salt is required for electrolysis, water softening, manufacture of plastics, aluminium and glass and for many other industrial and commercial uses. Nor should we forget de-icing salt, used to keep our streets and footpaths safe in the winter.

Our raw materials therefore play an indispensable role in welfare of humans and in our society's prosperity. Together with other raw materials, potash salt and rock salt are amongst the necessary locational factors of a prosperous national economy and make economic success possible in the first place. Without raw materials, a fundamental prerequisite for creating our standard of living would be missing.
Ladies and Gentlemen,

From the producer's point of view it is of course an advantage that raw materials are needed: Therefore in the past year too, K+S has benefited from the fact that our world is the way it is: full of tasks, which require solutions, for them we can make a contribution.

In the following presentation I will inform you about the business operations of the K+S Group in 2012 and present to you our expectations and aims for the years 2013 and 2014 from today’s perspective. Dr. Lohr will explain the financial figures to you in detail.

First of all, however, I would like to cover a few important decisions, with which we further sharpened our profile as a potash and salt manufacturer in the past year.

We have continued to implement our two-pillar strategy consistently with the sale of the nitrogen fertilizer business. In July 2012, the divestment to the Russian agro-
chemical company EuroChem was successfully completed. We are now able to concentrate our resources – i.e. management capacities and financial means – completely on our two Potash and Magnesium Products and Salt business units.

Our **Legacy Project**, the installation of a new potash plant in the Saskatchewan province of Canada, strengthens one of the two pillars of our business. In only a few years, the project shall deliver exactly what our Company needs for further growth. In the past year, it has made good progress – I will go into details in a moment.

Not least, the 360 million € **package of measures on water protection** at Werra and Weser fits in with our two-pillar strategy. It is a major and important contribution to maintain a sustainable basis for long-term potash production in Germany. At the same time, this investment should improve future prospects for about 5,000 employees in the Hesse-Thuringia potash district.

Ladies and Gentlemen,

Also in the advantage of Germany as an industrial location, we continue to drive our Legacy Project in Canada forward with a great deal of effort:
In 2012 already, we reached the first milestones in establishing our new potash site in Western Canada. This included building up the water supply, establishing injection bores and connecting the first cavern. As well as that, we have started on further detailing the technical engineering planning, the so-called “basic engineering”.

At the end of 2012, about 120 K+S staff from various countries were working in Saskatchewan and the volume of capex amounted to over 140 million € in the whole year. Production is expected to start by the end of 2015 and in 2017 – representing the conclusion of the first phase – it should reach the two million tonnes mark. After that, a gradual expansion of production capacity towards 2.86 million tonnes per year in 2023 is intended. In a third expansion phase, about ten years later, a total production of a maximum of 4 million tonnes of potassium chloride per year could then be possible.

We are basing our current building phase also on the experience of our European salt subsidiary esco in the field of solution mining gained in Germany and in the Netherlands, as well as on the know-how of Morton Salt, which operates ten plants based on solution mining in the United States and in Canada. You can recognise from this as well, ladies and gentlemen, that the K+S Group is a strong corporate group – with two pillars of business, that not only strategically and from a sales point of view, but also in terms of technology, mining and geology complement each other perfectly.
In the past year, we have once again reached important advances also in the area of saltwater disposal.

After beginning implementing our package of measures on water protection in autumn 2011, the construction of the first large-scale was making great progress in 2012. We spent almost 50 million € in past year, and will invest about a further 140 million € this year. For K+S and particularly for the Werra potash plant and its team, these investments are an enormous effort. But we stand by our commitment to the Hesse-Thuringia potash district – we want the potash mining and thus the region to have a good future for several decades to come.

For this reason, we are also building the saltwater pipeline from Neuhof to Philippsthal to Werra potash plant and started with it in the middle of last year. Once it is finished, this pipeline will ensure that saltwater will no longer have to be transported by truck or train, as happens currently. This investment too is a contribution to securing a sustainable potash production.

In addition, we are also preparing applications for permits for saline wastewater pipelines; we submitted the first application to the relevant authorities at the end of 2012. We are all doing this for reasons of forward-looking due diligence, as the basis of an
investment decision, i.e. the test criteria agreed with Hesse and Thuringia and accepted by the Round Table, has still not been fulfilled.

In generally: We are working intensively to keep the inevitable impact on nature to a minimum. But we also expect others to fulfil their responsibilities for ensuring sustainable production in the Hesse-Thuringia potash district. Extreme positions are not helpful.

Ladies and Gentlemen,

Let us now look back at the business development of the K+S Group in 2012.
We have had a successful business year.

- At a good 3.9 billion €, revenues almost reached the high figures of the previous year

- Operating earnings at around 809 million € were very close to our most recent forecast of 820 million €.

From my point of view these are quite considerable results. The operating earnings enable to achieve very attractive margins and yields and they show that our business model is profitable. However: We cannot and will not stop the drive to increase our efficiency and profitability in our two business units – not just due to the expected reduction in earnings when compared to the previous year.
Adjusted Group earnings, including discontinued operations of the K+S Nitrogen, serve as a basis for the dividend proposal which the Supervisory Board and the Board of Executive Directors will present to the Annual General Meeting.

- These **adjusted Group earnings from continued and discontinued operations** have increased: They have improved by ten per cent to almost 640 million €; of that, about 100 million € resulted from the divestment of the nitrogen business (the blue-and-white shaded area in the left-hand table).

- That puts us in a position to recommend a higher **dividend** for financial year 2012. The dividend should increase by 10 cents and amount to 1.40 € per share, of which 1.19 € arise from continued operations.

- This proposal represents a dividend yield of about 4% and a **payout ratio** of 42 per cent, which lies within our target payout corridor of between 40 and 50 per cent.

- The total **dividend payment** thus amounts to 268 million €.
Ladies and Gentlemen,

A look at both business units shows the exact division of revenues and earnings:

- Our business with **Potash and Magnesium Products** has contributed a pleasing result. In the long history of our Company, 2012 was the second best year in this business unit, compared with 2008, which was extraordinarily in many respects.

- On the other hand, our **Salt business** was disappointing: here we recorded a significant drop in earnings, as had been expected from the first months of the past year – though after a strong previous year.

I will shortly go into the main reasons and causes for this, which led to very different business developments for potash and magnesium products on the one hand and salt on the other. Before that, however, a short look at

- our **Complementary Activities**, into which, alongside our Waste Disposal and Recycling business, we bundle further important activities for the company group. This business has performed well in the past year. With stable revenues, operat-
ing earnings rose by 18 per cent against the previous year, which had admittedly been affected by unscheduled depreciation in the logistics sector.

Now to the course of business in our two large business units – I shall start with our Potash and Magnesium Products.
Firstly, let’s look at the customer side - the farmers’ situation:

The global demand for agricultural products was high in the past year. Due to lower harvest expectations caused by the drought in the Midwest of the United States and Russia, the price level for agricultural products (except for palm oil) rose significantly in the middle of the year. The price quotations for wheat, corn and soybeans even reached highest levels since the middle of 2008. Only at the end of the year, prices fell slightly.

For the current economic year 2012/2013, USDA estimates that the production of cereals will again be insufficient to satisfy demand. Accordingly, the ratio of stocks to consumption ("stocks-to-use-ratio") will continue to remain on a low level – below the critical level of 20 per cent. For farmers, therefore, this offers attractive income prospects, as scarcity of supply should ensure good prices in the future too.

Looking back on 2012, the following is clear: the production of agricultural goods was a worthwhile business - with corresponding incentives for farmers to increase their yield per hectare also by the higher use of fertilizers.
What was the impact on potash producers from this? If we look at the **global potash market** we see an inconsistent picture for 2012:

After a cautious early stocking-up had taken place at the start of the year, demand picked up in the second quarter. The decisive factors were the potash supply contracts signed in March with China for the first half of the year as well as the attractive agricultural price level. Accordingly the international spot prices for potash were firmer and increased to 500 to 520 US Dollar per tonne.

In the third quarter, the situation changed again: deliveries decreased strongly, particularly in China and India, as there were still no contracts concluded between local importers and the main suppliers from North America and Russia. Therefore, the international potash prices came under pressure. For example in Brazil, prices declined to around 470 US Dollar in the course of the fourth quarter. At the end of December, Canpotex reached an agreement with China eventually for the first half of 2013 with prices for standard product including freight of 400 US Dollar which represents a reduction by 70 bucks. Right after that Canpotex announced spot market prices of 465 US Dollar for granulated and 450 US Dollar for standard product.

Due to the lower demand in the second half of 2012, production was not running at full capacity, particularly in North America and Russia. As a result, the estimates for global sales volumes of potash in 2012 were reduced to about 54 million tonnes.
Ladies and Gentlemen,

What was the impact on our business with Potash and Magnesium Products? As already mentioned, last year was very successful for our business unit. Why was business so strong for us, while there was a reduction in demand in the market as a whole?

It was helpful for us that we were less affected than most of our competitors by the buying restraint in China and India, thanks to our different regional portfolio. In all, we recorded a good demand in the markets relevant for K+S. In comparison with 2011, our sales volumes remained stable at 6.95 million tonnes, while other manufacturers had to absorb heavy volume losses.

The average price level was higher in 2012 than the previous year thanks to the positive development in the first half – and despite the price pressure which also we felt from the end of the third quarter on. Due to the higher average prices and a positive development of the exchange rates, our business unit achieved a moderate increase in revenues by about 7 per cent to approximately 2.3 billion €. Operating earnings climbed to about 774 million € – an increase of 5 per cent. Higher average prices more than compensated for cost increases.
Ladies and Gentlemen,

So much for the business with Potash and Magnesium Products. Now I like to go into the main events and developments in the Salt business unit.
Firstly, once more a word about the context: What was the winter like on this side and the other side of the Atlantic? What was happening on the international salt markets?

You can see it straight away from our choice of picture: At the beginning of 2012, in Europe as well as in North America, we experienced an extremely “green winter“ - with a correspondingly weak demand for de-icing salt.

In the second and third quarters, additional storage capacities of our customers in Europe led to an average volume of early stocking-up. In North America, on the other hand, high stocks led to volume decreases in the early stocking-up business as well, to which most producers reacted by reductions in output. Prices dropped on both sides of the Atlantic - both in the early stocking-up business as well as in tenders for the winter season 2012/13.

In the fourth quarter, the wintry conditions in Europe starting at the end of November led to an average start in all to the new de-icing salt season. In North America, on the other hand, the winter, which did not set in until late in December, was not sufficient to achieve the multi-year average sales volumes.

The industrial salt, food grade salt and salt for chemical use markets developed positively in all in the past year: While the demand for industrial salt was relatively stable – apart from a certain reluctance to purchase water-softening products in North America – the pressure of increased competition could be felt in the case of salt for chemical use. Even with food grade salt, there is – at least in Europe – stronger competition in evidence; however, the demand in all the food grade salt markets relevant for K+S was at a good level in 2012.
Ladies and Gentlemen,

The weak de-icing salt business had a significant effect on the development of our Salt business unit last year: For the year as a whole, we were unable to make up for the negative effects of the particularly mild winter in the first quarter.

**Sales volumes of crystallised salt** during the year under review fell to 17.6 million tonnes, some 5 million tonnes or almost a quarter below the high level of the previous year. This shortfall, considerable also when compared over many years, is attributable almost solely to the decline in de-icing salt: While sales of the remaining salt segments remained virtually stable, deliveries of de-icing salt fell by about 40 per cent.

Mainly because of this volume effect, **revenues** of the Salt business unit in 2012 fell by 13 per cent to about 1.5 billion € while the revenues of the previous year had benefited from an above-average winter.

**Operating earnings** fell even more: They were 71 per cent below the previous year’s level, and only reached 62 million € in 2012. Compared to a “normal” year based on long-term average figures, we have a shortfall of about 90 to 110 million € here. The
previous year had been some 20 to 30 million € above an average year. Also, we posted a one-off expenditure of 11 million € resulting from the divestment of three ships as part of the modernisation programme at our Chilean shipping company Em-premar.

The cost savings introduced as a result of the mild winter could slightly offset the decrease in earnings. Nevertheless, we are not satisfied with the development of our salt business in the past financial year 2012.

So much from me for the time being. Dr. Lohr will now give you the financial key figures of the annual financial statements.
Many thanks, Mr. Steiner.

Ladies and Gentlemen,

As Mr. Steiner has presented the figures for the whole of 2012, I will in particular focus on the fourth quarter. First, a look at the changes in revenues. As shown on the slide, significant volume-related declines of about 100 million € were offset by only slightly positive currency effects. The positive price effects in the salt business somewhat balanced the price declines in the potash business. This led to an overall revenue decrease of about 18 per cent in the quarter.
Let me now take a brief look at the most important key figures of the income statement in the fourth quarter. **EBIT** and **EBITDA** fell by 12 and 13 per cent, respectively. The reasons were price-related declines in earnings in the Potash and Magnesium Products business unit and especially volume-related lower earnings in the Salt business unit. Adjusted Group earnings from continued operations followed this trend.

At about 19 million €, the **financial result** was more or less at the previous year’s level.

**Adjusted Group earnings**, which also includes the discontinued operations, fell by almost 18 per cent.
Now let us take a look at the development of cash flow from continued operations in the whole year 2012.

In 2012, cash flow from operating activities amounted to 651 million € after having been 744 million € in the previous year. These numbers do not include the out-financing of pension obligations. Basically, this decline followed the earnings trend.

Cash flow from investing activities amounted to 408 million €, while previous year’s figure was 495 million €. The figure in 2012 was influenced by a higher capex due to the Legacy Project. The previous year contained the acquisition of Potash One in the amount of 243 million €.

As a result of this, the free cash flow, at 243 million €, was roughly at previous year’s level.
In line with the earnings development, our key return metrics fell slightly, but still remained at a high level. In detail: At 19.4 and 16.1 per cent respectively, the **return on equity** and **on total investment** almost reached the previous year’s high level. With a ROCE of 20 per cent, we exceeded our cost of capital by far and achieved a value added of 457 million €.
In the left-hand graph on the next slide, you can see that we still have with about 750 million € a low level of net debt. Particularly, if one considers that this – by definition – includes provisions for pensions and mining obligations. Without these non-current obligations, we even were in a net cash position of about 40 million € at the end of the year.

Our key financial figures also indicate a solid financial profile. At 0.7 times, the ratio of net debt to EBITDA remained low. At the end of 2012, the gearing was about 20 per cent and the equity ratio increased slightly to 52 per cent. All key figures have thus exceeded our targets and support our investment grade rating. Even in uncertain times, these facts, plus credit lines which have not been drawn yet, provide sufficient flexibility for future capital expenditure projects, particularly for the Legacy Project.

So much for our key financial figures.

I will now hand back to Mr. Steiner again, who will discuss the K+S Group’s prospects and the outlook for the years 2013 and 2014.
Many thanks, Dr. Lohr.

Ladies and Gentlemen,

The fundamental trends that form the basis of success of our business are intact – for our Salt business and also for our Potash and Magnesium Products, that I focus below:

• On the one hand, the **world’s population** continues to grow. According to UN estimates, there will be 9 to 10 billion people living on earth in the year 2050. That means that agriculture must feed a population that is increasing by about 80 million people each year.

• On the other hand, the **economic upturn** in the emerging market countries will continue. Thus, consumption and nutrition patterns will undergo a sustainable change there: Meat consumption is increasing all the time, so that more and more feed has to be grown additionally on limited cultivated land.

The challenges posed by these trends can only be mastered if agricultural productivity continues to grow. The UN Food and Agriculture Organisation (FAO) reckons that
crop yields must increase by about 70 per cent by the year 2050. Because an expansion of cultivated land will only have a limited effect, the FAO is banking primarily on a more efficient use of water and fertilizers, apart from a reduction in post-harvest losses and the development of resistant crop varieties.

Against this background, the demand for large parts of our product range should continue to increase in the coming years, especially on overseas markets. The growth rates in South America and South-East Asia should undergo an overproportionate increase over the medium to long term. We assume that in future we will sell a good third of our fertilizer products in these regions.

Ladies and Gentlemen,

Not least against this background, for us the Legacy Project is an important investment in the future. Once established, its potash capacities in Canada should improve our capability to better serve the world’s major growth regions.
However, our German potash sites will not lose their importance. Rather than that, the Legacy Project will supplement our existing German production network with an important North American location and will expand our global presence.

Thus, Legacy is opening for us the opportunity to:
• Participate in worldwide market growth,
• Further improve revenues and yields of this business unit,
• Reduce average production costs, and
• Extend the average lifetime of our mines.

By giving our production network a broader basis, this will also optimise our volume flow and logistics costs. We can take advantage of our existing distribution structures and make our production strategy, geared to higher-value products, more flexible to global market requirements.

Summarised in one sentence: With Legacy we are strengthening our international competitiveness in the medium and long term.
Ladies and Gentlemen,

What are the prospects now of the development in demand for potash and magnesium products in the near future? Let us view the outlook for our business unit:

After the important agreements in China and in the meantime also in India we expect a tangible recovery of global potash demand to approximately 59 million tonnes. Please keep in mind this includes – as usual – about 3 million tonnes of SOP and lower-grade potash products. Especially regarding markets relevant to us, prospects continue to remain attractive, so that from today’s point of view we expect sales volumes of about 7 million tonnes in 2013. Due to the pressure on international prices of potassium chloride in the fourth quarter of 2012 because no contracts were concluded between North American and Russian producers and Chinese and Indian customers, the average price level this year should be below the previous year’s level.

Thus, the business unit’s revenues in 2013 should fall due to price factors. All in all, given a stable cost level, we expect operating earnings to be below the previous year’s level.

In 2014, from today’s perspective, we expect a slight increase in sales volumes and an increase in revenues, which should also boost operating earnings.
And now let us look at the **Salt** business unit, on which the start of the de-icing business this year is already having a favourable impact:

In Europe, sales volumes of de-icing salt in the first weeks of this year were higher than usual, and in North America too, the winter weather starting at the beginning of February caused higher sales volumes especially in comparison with the unusually weak first quarter of 2012.

On the basis of the therefore expected normalisation of the de-icing salt business, in **2013**, we expect higher **revenues** than in the previous year, due to volume factors. This forecast is based on sales volumes of 22 million tonnes of crystallised salt and multi-year average figures for the early stocking-up business and the winter road clearance business in the fourth quarter. Thus, for 2013, we expect that sales volumes of de-icing salt in the magnitude of 12 to 13 million tonnes will exceed the below-average previous year by about 50 per cent. We also expect an almost stable development of revenues in the segments of food grade salt, industrial salt as well as salt for chemical use. Due to a higher proportion of fixed costs customary in the mining industry, the significantly higher capacity utilisation should lead to an improvement in **operating earnings**.
For 2014, we assume a normal winter business that follows the long-term average of historical volumes. Based on this, we are anticipating a price-related increase in revenues as well as a further improvement in operating earnings against 2013. The assumed price effect is based on the assumption that a normalisation of the de-icing business and of customers inventories should have a positive impact on tenders for the 2013/14 winter season.

Ladies and Gentlemen,

Summing up the outlook from today’s point of view:

In 2013, the improved figures resulting from the normalisation in the Salt business should more than compensate for the expected decrease in earnings in the Potash and Magnesium Products business unit. We therefore expect 2013 to be another good year for the K+S Group:

Revenues should be slightly higher in financial year 2013 than in the previous year, and, from today’s perspective, we also see a chance that operating earnings will increase slightly.
Based on these expectations, in 2013 we expect slightly increased **earnings per share** from continued operations. As the adjusted earnings per share will no longer benefit from the effects of the divestment of the Nitrogen business, the overall dividend payment should be below the level of the previous year.

Worth to mention is also the higher **capex** we plan to spend in 2013. We continue to expect capex of almost 1.1 billion € for the K+S Group. Of this, about 625 million € or about 830 million Canadian dollar should account for the Legacy Project. With the allocation of the budgeted total expenditure to individual years, however, there may still be considerable shifts in phasing.

Let us take a brief look at **2014**: Next year, **revenues** should again increase slightly in comparison to the previous year. We also see chances of a slight increase in **operating earnings**.

Ladies and Gentlemen,

Let me summarise:
We have every reason to look to the future with confidence. K+S is on the right track. The internal and external prerequisites for the successful continuation of our growth course exist. Why?

- In two strong business units we are profiting from global megatrends: The world's population is increasing and the standard of living, especially in the emerging market countries, is rising. Thus, the demand for raw materials for industry and agriculture will increase in the medium and long term.

- Our products are now indispensable in a modern society. Potash and rock salts are the basic ingredients for innumerable vital products and applications which enrich life. Our portfolio is in worldwide demand and we enjoy a good position on our markets.

- Our concentration on Potash and Magnesium Products as well as Salt creates strategic and operative synergies – this brings us advantages compared to our international competitors. As our Group becomes more international, the synergy potential will rise further.

- Our Legacy Project affords us additional opportunities of taking part in the growth of markets, especially in the “boom regions” of Asia and South America.

- And last but not least: We have a strong balance sheet. Our financial situation is excellent; this gives us broad scope for future projects. Leading the company to a good future – that is our objective.

Thank you for your attention. We will be pleased to answer your questions!

This presentation contains facts and forecasts that relate to the future development of the K+S Group and its companies. Those 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 the 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 making such disclosures as are required by the provisions of law.