H1 2011

HALF-YEARLY FINANCIAL REPORT OF THE K+S GROUP

JANUARY – JUNE

PERSISTENT HIGH DEMAND leads to rising fertilizer prices worldwide / COMPO disclosed as discontinued operation due to its sale / Quarterly revenues rise by 11 % to € 1.05 billion / Operating earnings EBIT I reach € 191.9 million in the second quarter (+38 %) / Adjusted earnings per share[1] at € 0.66 (Q2/10: € 0.45) / Adjusted earnings per share[1] for 2011 of between € 3.40 and € 3.75 expected (2010: € 2.34)

[1] from continued operations

Experience growth.

KEY DATA BUSINESS DEVELOPMENT

KEY FIGURES (IFRS)[1]

		Q2/11	Q2/10	%	H1/11	H1/10	%
Revenues	€ million	1,049.8	948.1	+10.7	2,676.7	2,346.9	+14.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	247.5	198.2	+24.9	672.4	520.8	+29.1
EBITDA margin	%	23.6	20.9	—	25.1	22.2	—
Operating earnings (EBIT I)	€ million	191.9	138.9	+38.2	560.3	398.5	+40.6
Operating EBIT margin	%	18.3	14.7	—	20.9	17.0	—
Result after operating hedges (EBIT II)	€ million	191.1	109.5	+74.5	589.7	364.3	+61.9
Earnings before income taxes	€ million	175.8	89.1	+97.3	559.2	314.6	+77.7
Earnings before income taxes, adjusted[2]	€ million	176.6	118.5	+49.0	529.8	348.8	+51.9
Group earnings from continued operations	€ million	126.2	64.7	+95.1	409.5	231.7	+76.7
Group earnings from continued operations, adjusted[2]	€ million	126.8	85.9	+47.6	388.4	256.4	+51.5
Group earnings after taxes[3]	€ million	28.6	76.2	(62.5)	322.2	248.6	+29.6
Group earnings after taxes, adjusted[2,3]	€ million	29.2	97.5	(70.1)	301.1	273.3	+10.2
Return on Capital Employed (LTM)[4]	%	—	—	—	24.8	14.3	—
Gross cash flow	€ million	201.7	163.1	+23.7	534.1	473.7	+12.8
Net indebtedness as of 30 June	€ million	—	—	—	768.6	862.1	(10.8)
Capital expenditure[5]	€ million	48.1	32.0	+50.3	76.1	57.0	+33.5
Depreciation and amortisation[5]	€ million	55.6	59.3	(6.2)	112.1	122.3	(8.3)
Working capital as of 30 June	€ million	—	—	—	725.3	954.5	(24.0)

KEY FIGURES (IFRS)[1] (CONTINUED)

		Q2/11	Q2/10	%	H1/11	H1/10	%
Earnings per share from continued operations, adjusted[2]	€	0.66	0.45	+46.7	2.03	1.34	+51.5
Earnings per share, adjusted[2,3]	€	0.15	0.51	(70.6)	1.57	1.43	+9.8
Gross cash flow per share	€	1.05	0.85	+23.5	2.79	2.48	+12.5
Book value per share as of 30 June	€	—	—	—	13.72	13.57	+1.1
Total number of shares as of 30 June	million	—	—	—	191.40	191.40	—
Outstanding shares as of 30 June[6]	million	—	—	—	191.40	191.20	—
Average number of shares[7]	million	191.32	191.33	—	191.25	191.28	—
Employees as of 30 June[8]	number	—	—	—	14,279	14,021	+1.8
Average number of employees[8]	number	14,248	13,992	+1.8	14,222	14,042	+1.3
Personnel expenses[9]	€ million	238.6	245.4	(2.8)	484.3	468.2	+3.4
Closing price as of 30 June	XETRA, €	—	—	—	53.00	44.93	+18.0
Market capitalisation as of 30 June	€ billion	—	—	—	10.1	8.6	+18.0
Enterprise value as of 30 June	€ billion	—	—	—	10.9	9.5	+14.7

FINANCIAL CALENDAR

	2011/2012
Quarterly Financial Report 30 September 2011	10 November 2011
Report on business in 2011	15 March 2012
Press and analyst conference, Frankfurt am Main	15 March 2012
Quarterly Financial Report 31 March 2012	9 May 2012
Annual General Meeting, Kassel	9 May 2012
Dividend payment	10 May 2012
Half-yearly Financial Report 30 June 2012	14 August 2012

← Footnotes Key Figures (IFRS)

[1] Unless stated otherwise, information refers to the continued operations of the K+S Group. Due to its sale, COMPO is in accordance with IFRS disclosed as "discontinued operations". The income statement and the cash flow statement of the previous year were restated accordingly, while the balance sheet and therefore the key figures of working capital, net indebtedness and the book value per share of the previous year were not restated and also include discontinued operations.
[2] The adjusted key figures unalteredly only include the realised result from operating forecast hedges of the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings. Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/11: 28.3 % (Q2/10: 27.9 %).
[3] Earnings from continued and discontinued operations.
[4] Return on capital employed of the last twelve months as of 30 June.
[5] Cash-effective capital expenditure in or depreciation on property, plant and equipment, intangible and financial assets of the continued operations.
[6] Total number of shares less the number of own shares held by K+S as of the balance sheet date.
[7] Total number of shares less the average number of own shares held by K+S.
[8] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.
[9] Personnel expenses also include expenditures connected with partial and early retirement.

CONTENT

MANAGEMENT REPORT

1

1.1 GROUP STRUCTURE AND BUSINESS OPERATIONS

For a comprehensive description of our Group structure and business operations, including our products and services, please see the relevant passages in our Financial Report 2010 on page 77.

According to the two-pillar strategy of the K+S GROUP, which provides for growth particularly in the Potash and Magnesium Products and the Salt business segments and for a corresponding focus of management resources and financial means on this, in June 2010, the examination of a disposal of COMPO was initiated. In preparation, in the second half of 2010, K+S worked out and implemented a concept for a company-law and corporate carve-out of COMPO from the K+S GROUP. At the start of this year, contact was made with potential interested parties. The sale of COMPO to the European private equity investor TRITON was announced on 20 June 2011. Consequently, in accordance with IFRS, COMPO is stated as a "discontinued operation".

/ DETAILED INFORMATION ABOUT THE DISPOSAL can be found in the Notes on page 34.

Changes in the scope of consolidation and further information about the acquisition of POTASH ONE can be found in the Notes on pages 34 and 35. Furthermore, in the second quarter, there were no significant changes in the Group structure or business activities described in the Financial Report 2010.

1.2 CORPORATE STRATEGY AND ENTERPRISE MANAGEMENT

There were no changes in the strategy of the Company or its enterprise management in the second quarter. For a detailed description of the corporate strategy and enterprise management, please see the relevant passages in our Financial Report 2010 on page 87.

1.3 OVERVIEW OF COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

In line with the expectations expressed in our Financial Report, the global economic recovery continued moderately in the second quarter. **/ TAB: 1.3.1**

However, the pace of growth in the eurozone slowed in comparison to the previous quarter. A slightly declining economic momentum in the main countries Germany, France, Belgium and the Netherlands was accompanied by the burdens of the debt crisis in Greece and Portugal. However, the economic upturn remains intact.

In the USA, the gross domestic product increased in the second quarter in comparison to the first quarter. High investment dynamics by companies counteracted the still difficult employment market situation and temporary burdens on industrial production resulting from the natural disaster in Japan.

In the emerging market countries, the economic expansion slowed down. The key factor here was a slower momentum of industrial production in China.

At the beginning of the second quarter, at 2.7 %, the inflation rate in Europe was above the target rate of slightly under 2 % set by the EUROPEAN CENTRAL BANK (ECB). Against this backdrop, in a first move on interest rates the ECB raised the main refinancing rate by 25 basis points to 1.25 % in mid-April. The FEDERAL RESERVE BANK (FED) continued to pursue its expansive monetary policy in the second quarter.

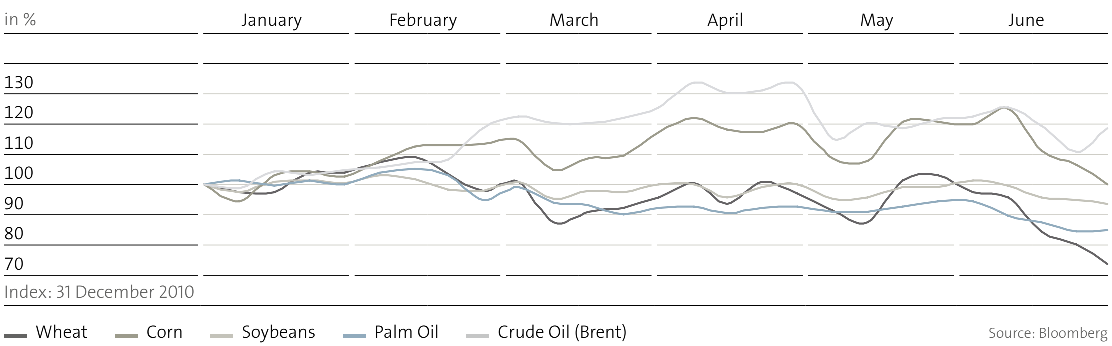
In the second quarter, prices on the raw materials markets declined from a very high level. The oil price (Brent), which had increased strongly against the backdrop of unrest in North Africa and the Middle East in the first quarter, fell due to the announcement of increased output from Saudi Arabia and the use of strategic reserves.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 1.3.1

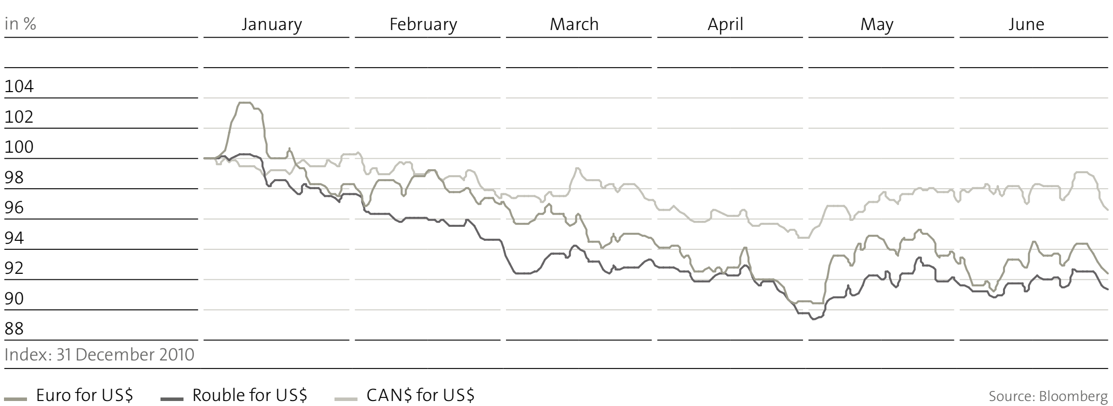
real; in %	2011e	2010	2009	2008	2007
Germany	+ 3.5	+ 3.6	(4.7)	+ 1.3	+ 2.5
European Union (EU-27)	+ 2.1	+ 1.8	(4.2)	+ 1.2	+ 3.1
World	+ 4.2	+ 5.0	(0.8)	+ 3.1	+ 4.8

Source: Deka Bank

DEVELOPMENT OF PRICES FOR AGRICULTURAL PRODUCTS AND CRUDE OIL FIG: 1.3.1



DEVELOPMENT OF EUR/USD VS. CAD/USD AND RUB/USD FIG: 1.3.2



A barrel did cost US$ 112 on 30 June 2011. However, it thus was significantly above the figures for the previous year (30 June 2010: US$ 75.01; 31 December 2010: US$ 94.75). In terms of averages too, in the second quarter, at US$ 117, the crude oil price significantly exceeded that of the same quarter a year before (US$ 80). As far as agricultural raw materials are concerned, in the second quarter, the prices for wheat and corn fell the sharpest due to a re-estimation of the global expansion in land available for cultivation by the US agricultural authority. / FIG: 1.3.1

The US dollar weakened against the euro in the second quarter of 2011 after a temporarily stronger phase due to the debt crisis in some European countries and was 1.45 USD/EUR as at 30 June 2011 (30 June 2010: 1.22 USD/EUR; 31 December 2010: 1.34 USD/EUR). This development can among other things be explained by the expected continuation of interest rate hikes by the ECB and the debt crisis in the USA. In terms of the average for the quarter, at 1.44 USD/EUR, the US dollar was significantly lower than the figure for the previous year (Q2/10: 1.27 USD/EUR). In addition to the USD/EUR currency relationship, a relative comparison between the euro and the currencies of our competitors (Canadian dollar, Russian rouble) each in relation to the US dollar is also of importance for us. A strong US dollar normally has a positive impact on the earnings capacity of most of the world's potash producers in their respective local currency; this is due to the fact that the bulk of worldwide potash output lies outside the US dollar zone while all sales, with the exception of the European market, are invoiced in US dollar.

Figure 1.3.2 shows that the weakness of the US dollar not only against the euro, but also in comparison to the currencies of our competitors from Canada and Russia, has tended to grow. / FIG: 1.3.2

IMPACT ON K+S

The impact of the changes in the macroeconomic environment on the course of business of K+S has been limited thus far:

+ Our production costs are affected to a not inconsiderable extent by energy costs, in particular for gas. As a result of the energy supply clauses agreed with our suppliers, changes in energy prices in the Potash and Magnesium Products business segment are often only reflected in our cost accounting with a delay of six to nine months. Against this background, the increase in energy prices observed in the second half of 2010 did not yet have any significant effects on the K+S GROUP's energy costs in the second quarter of 2011.

+ Thanks to the hedging instruments used by us, with an average of 1.34 USD/EUR including hedging costs, it proved possible to achieve a more favourable conversion rate for the Potash and Magnesium Products business segment than the average spot rate (1.44 USD/EUR). Against the backdrop of the weakness of the US dollar described, this was nonetheless somewhat less favourable than in the same quarter of the previous year (Q2/10: 1.29 USD/EUR including hedging costs). Thanks to the hedging instruments used by us, the worst case for the US dollar rate for 2011 as a whole is about 1.36 USD/EUR including hedging costs. For the translation risk in the Salt business segment too, there are hedging transactions, which make possible a worst case of 1.37 USD/EUR for us in 2011.

INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

The conditions on important markets and the competitive positions of the individual business segments described in the section 'Group Structure and Business Operations' of the Financial Report 2010 on page 77 essentially remain unchanged.

FERTILIZER BUSINESS SECTOR

The second quarter of 2011 was characterised by strong demand for fertilizers. The high level of agricultural prices favoured the income prospects of the agricultural sector, so that there was a significant incentive to raise yields per hectare through the increased use of fertilizers. This resulted in a very high utilisation of production capacities for potash and magnesium products throughout the world. This environment favoured the development of prices for potassium chloride. In Europe, during the second quarter, K+S implemented the price increase to 353 €/tonne for granulated potassium chloride announced mid-March. In mid-April, the North American export organisation CANPOTEX announced the price for granulated potassium chloride of 520 US$/tonne for Asia and Latin America for supplies starting from May and at the end of May, the Russian/Belarusian export organisation BPC announced a price for granulated potassium chloride of 550 US$/tonne for the Brazilian market starting from July. For Europe, in mid-June, K+S announced a further price increase of 10 €/tonne to 363 €/tonne for granulated potassium chloride. Due to existing supply commitments, price increases in Europe currently become effective with a delay of six to eight weeks. At the end of June, BPC and CANPOTEX agreed contracts with Chinese importers regarding the supply of potassium chloride standard at 470 US$/tonne for the second half of the year (H1/11: 400 US$/tonne).

The nitrogen fertilizer plants were also very highly utilised in the second quarter on a global basis. While demand for complex fertilizers recovered, the pronounced drought in Europe at the start of the quarter resulted in temporary decreases in demand for straight nitrogen fertilizers. The prices for nitrogen fertilizers were significantly higher compared to the previous year's quarter. On the raw materials side, however, there was also a significant price increase for ammonia, phosphate and potash in comparison with the same period last year.

SALT BUSINESS SECTOR

DE-ICING SALT – WESTERN EUROPE

In the Western European stocking-up business, the above-average wintry weather in the 2010/11 season led to strong demand for de-icing salt. It proved possible to raise the price level in the already concluded contracts for the winter season 2011/12 significantly.

DE-ICING SALT – NORTH AMERICA

The start to the pre-stocking business came relatively early on the East Coast of the United States. In Canada too, demand for de-icing salt improved in the second quarter in comparison to a year before. North American customers' inventories were at a normal level in the second quarter. However, there were slight price declines in the existing tenders.

INDUSTRIAL SALT

In Europe, South and North America, the market for industrial salt was characterised by an overall positive demand trend. In North America, only in the case of water-softening products a certain degree of reluctance to purchase and related competitive pressure due to a difficult economic environment were observed.

FOOD GRADE SALT

The demand for food grade salt in Europe and North America proved to be in good shape in the second quarter too. In South America, the market for food grade salt stabilised.

SALT FOR CHEMICAL USE

Continued high need for salt for chemical use in Europe enabled price increases in the second quarter. Demand for salt for chemical use in North and South America developed stable.

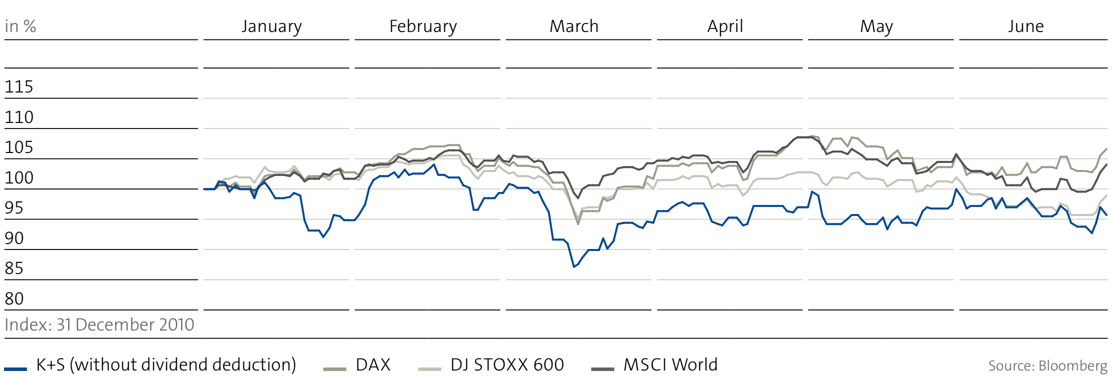
K+S ON THE CAPITAL MARKET

COURSE OF THE K+S SHARE PRICE IN THE SECOND QUARTER

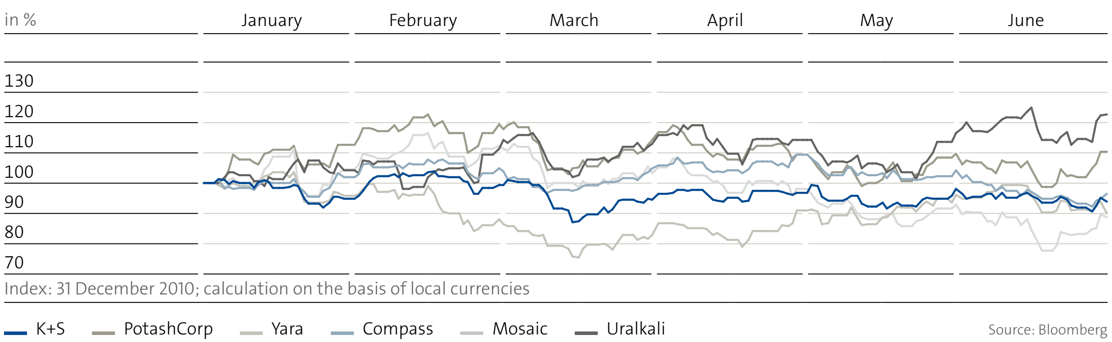
+ Starting from about € 54 at the beginning of the second quarter, the K+S share tended to move sideways initially. After a temporary price decline in mid-April, the share price rose again against the backdrop of speculation regarding potash price increases in Europe and the price increases for Asia and Latin America announced by competitors.
+ The key data on the first quarter published earlier within the framework of an ad hoc notification on 2 May, which were significantly higher than analysts' expectations, also had a positive impact on the K+S share price. The stock thus reached its highest level at € 56.10 in the second quarter.
+ However, against the backdrop of an overall difficult stock market environment, in particular due to the debt crisis in Europe, over the following weeks, there were significant price declines. After taking the dividend deduction of € 1.00 per share into consideration, the share price fell to a level of under € 52 in mid-May.
+ Supported by the price increases announced for the Brazilian market, which led to positive comments by analysts regarding the potash market, the K+S share price then recovered again at the end of May and reached a level of € 55.
+ The sale of COMPO to the investment company TRITON, announced on 20 June, and the conclusion of contracts between the potash producers and Chinese importers at the end of June regarding the supply of potassium chloride in the second half of 2011 were positively received by the capital market, but overshadowed by the generally weak stock market environment.
+ On 30 June, the K+S share closed at € 53.00. It was thus 6 % below the closing price of 2010. Without the dividend deduction of € 1.00 per share, this resulted in a minus of 4 %. Over the same period, the DAX and the MSCI WORLD rose by 7 % and 4 % respectively. The STOXX 600 closed down 1 % compared to year-end 2010. / FIG: 1.3.3

At the start of the second quarter, the positive price development of the shares of international fertilizer producers continued against the backdrop of high demand and accompanying price increases. However, lower prices for the most important agricultural raw materials, in particular wheat and corn, resulted in price losses during the further course of the second quarter. Since the start of the year, the share of our competitor URALKALI gained by 23 % as a result of the takeover of SILVINIT, followed by POTASHCORP, whose share price rose by 10 %. The share prices of our competitors YARA and MOSAIC fell tangibly, while that of COMPASS declined moderately. The K+S share was also unable to escape the negative impact of the tense stock market environment and declining raw material prices and fell moderately. / FIG: 1.3.4

PERFORMANCE OF THE K+S SHARE IN RELATION TO DAX, DJ STOXX 600 AND MSCI WORLD FIG: 1.3.3



PERFORMANCE OF THE K+S SHARE IN RELATION TO PEERS FIG: 1.3.4



In the last of the research surveys (2 August 2011) that we carry out regularly, 17 banks gave us a "buy / accumulate" recommendation, 6 a "hold / neutral" recommendation and 3 a "reduce / sell" recommendation. The average target share price was at about € 60.

SHAREHOLDER STRUCTURE

In the second quarter, there was no change in the shareholder structure. However, on 11 July 2011, MERITUS TRUST COMPANY LIMITED informed us that it had fallen below the threshold of 10 % of voting rights in K+S AKTIENGESELLSCHAFT and at that point in time held 9.88 %.

Our shareholder structure is currently as follows:

+ MERITUS TRUST COMPANY LIMITED via EUROCHEM GROUP SE: 9.88 % (notification of 11 July 2011)
+ BLACKROCK INC.: 5.46 % (notification of 22 March 2011)
+ CAPITAL RESEARCH AND MANAGEMENT COMPANY: 3.13 % (notification of 16 March 2011)

Under the free float definition applied by DEUTSCHE BÖRSE AG, the free float thus increases to about 90 %.

THE K+S BOND

Against the background of the global economic recovery and the expectation of rising base rates, yields on the bond market increased. On 30 June 2011, the K+S bond (issue volume: € 750 million; interest coupon: 5.00 % p.a.; maturity: September 2014) was quoted at 106.144 %. This corresponds to a decrease of 1.332 percentage points since the end of 2010. Thus, the yield as at the balance sheet date was 2.968 % p.a.

1.4 EARNINGS, FINANCIAL AND ASSET POSITION

COMPO STATED AS DISCONTINUED OPERATION DUE TO ITS SALE

If not stated otherwise, the description of the earnings, financial and asset position relates to the continued operations of the K+S GROUP without COMPO. In accordance with IFRS, due to its sale, COMPO is stated as a "discontinued operation". Detailed information about the disposal can be found in the Notes on page 34. The income statement and the cash flow statement of the previous year were restated accordingly. The balance sheet was not restated.

DEVELOPMENT OF ORDERS

Most of the business of the K+S GROUP is not covered by long-term agreements concerning fixed volumes and prices. The small proportion of the backlog of orders in relation to revenues – for example, less than 10 % at the end of the year in the Potash and Magnesium Products business segment – is customary in the industry. The business is characterised by long-term customer relationships as well as revolving framework agreements with nonbinding volume and price indications.

Thus, the disclosure of the backlog of orders of the K+S GROUP and its business segments is of no relevance for assessing the short- and medium-term earnings capacity.

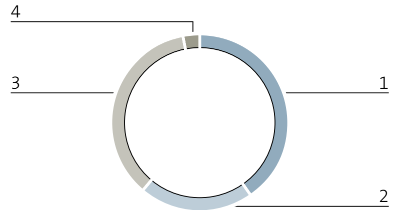
REVENUES AND EARNINGS POSITION

SECOND QUARTER REVENUES RISE BY 11%

At € 1,049.8 million, second-quarter revenues were up € 101.7 million or 11% on the figure for the same period last year. This increase is attributable to price and volume factors. The Potash and Magnesium Products and Nitrogen Fertilizers business segments achieved tangible and significant revenue increases respectively, after the prices for fertilizers increased in comparison to the same quarter last year. The Salt business segment managed to increase its revenues slightly due to volume factors. Revenues in the first six months of the year rose in particular due to price factors by 14% and reached € 2,676.7 million. / TAB: 1.4.1 / FIG: 1.4.1

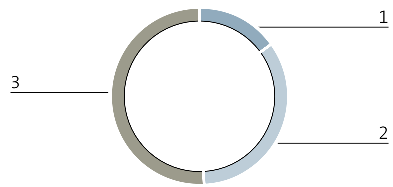
In the first six months of the year, 40% of revenues were generated in the Potash and Magnesium Products business segment, followed by Salt (36%) and Nitrogen Fertilizers (21%). The regional distribution of Group revenues continues to be very balanced. Thus, about 49% of total revenues were generated in Europe and 51% overseas. / FIG: 1.4.2

REVENUES BY BUSINESS SEGMENT JANUARY – JUNE 2011 FIG: 1.4.1



	in %	H1/11	H1/10
1	Potash and Magnesium Products	40.4	41.5
2	Nitrogen Fertilizers	20.8	17.7
3	Salt	36.0	38.0
4	Complementary Business Segments	2.8	2.8

REVENUES BY REGION JANUARY – JUNE 2011 FIG: 1.4.2



	in %	H1/11	H1/10
1	Germany	15.1	16.7
2	Rest of Europe	34.2	32.6
3	Overseas	50.7	50.7

DEVELOPMENT OF SELECTED COST TYPES

For the quarter under review, total costs rose by 6% and therefore disproportionately in comparison to revenues, which rose by 11% over the same period. The most important cost types have developed as follows: personnel expenses amounted to € 238.6 million in the second quarter or about 20% of revenues and were thus roughly at the level of the previous year (for note, see page 13). Material costs, measured in terms of revenues about 25%, rose significantly as a result of higher input prices, in particular in the Nitrogen Fertilizers business segment. Freight costs, measured in terms of revenues about 15%, were slightly below the level of the same quarter of the previous year. Energy costs, measured in terms of revenues about 5%, still remained stable as a result of the agreed energy supply clauses.

VARIANCE ANALYSIS TAB: 1.4.1

in %	Q2/11	H1/11
Change in revenues	**+10.7**	**+14.1**
volume/structure	+3.6	+3.3
prices/price-related	+12.7	+12.5
exchange rates	(5.6)	(1.7)
consolidation	–	–

EBITDA INCREASES BY 25% TO € 247.5 MILLION

During the second quarter of 2011, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 25% to € 247.5 million. In the first six months, EBITDA reached € 672.4 million, an increase of 29% (H1/10: € 520.8 million).

OPERATING EARNINGS EBIT I RISE BY 38 % IN THE SECOND QUARTER

In the second quarter of 2011, operating earnings EBIT I reached € 191.9 million and were able to increase by € 53.0 million or 38 % year on year. At € 55.6 million, depreciation and amortisation taken into account in EBIT I decreased by € 3.7 million in comparison to the previous year's figure, which had been adversely affected by special depreciation. The Potash and Magnesium Products business segment was able to strongly improve its result year on year; the decisive factor was the significantly higher level of potash prices. In the Nitrogen Fertilizers business segment, rising prices could more than make up for higher input costs. Against this backdrop, earnings rose by 5 %. The Salt business segment achieved a lower result than in the previous year, which, however, had been favoured by non-recurrent effects in the area of provisions of € 16.2 million. In the first six months of 2011, total operating earnings of € 560.3 million were achieved. This exceeded the previous year's figure (H1/10: € 398.5 million) by 41 %. At € 112.1 million, the depreciation taken into account in the first half of the year was € 10.2 million below the figure for the previous year, which had been adversely affected by special effects.

Operating earnings EBIT I include the hedging result of the respective reporting period actually realised from the operating derivatives used for the hedging of planned currency positions (mainly revenues in US dollars) or future translation risks. The hedging result actually realised corresponds to the exercise value of the derivative at the day of maturity (difference between the spot rate and hedged rate), less the premiums paid in the case of option transactions. The changes in the market value of the operating forecast hedges still outstanding are, however, only taken into consideration in the result after operating hedges (EBIT II).

RESULT AFTER OPERATING HEDGES (EBIT II)

At € 191.1 million in the second quarter (Q2/10: € 109.5 million), the result after operating hedges (EBIT II) was also very significantly higher than in the same period of the previous year. In the second quarter, EBIT II was adversely affected by earnings effects resulting from operating forecast hedges of just € 0.8 million (Q2/10: € (29.4) million), which have not yet been recorded as realised earnings in EBIT I. In the first six months of 2011, an EBIT II of € 589.7 million was achieved. This exceeded the previous year's figure (H1/10: € 364.3 million) by about 62 %. The included earnings effects resulting from operating forecast hedges amounted to € 29.4 million (H1/10: € (34.2) million).

Under IFRS, changes in the market value from hedging transactions have to be reported in the income statement. EBIT II includes all earnings arising from operating hedging transactions, i.e. both valuation effects as at the reporting date and earnings from realised operating hedging derivatives. Hedging transactions connected with financing activities are shown in the financial result.

FINANCIAL RESULT IMPROVES IN SECOND QUARTER

In the second quarter, the financial result was € (15.3) million after having been € (20.4) million in the same period of the previous year. This was impacted by lower interest expenses due to the financial liabilities repaid in the last twelve months as well as an improved result from the valuation of financial assets and liabilities. In addition to the interest expenses for pension provisions (Q2/11: € (1.0) million), the financial result also includes the interest expenses for other non-current provisions, mainly provisions for mining obligations (Q2/11: € (6.5) million); both are non-cash. In the first half of the year, the financial result amounted to € (30.5) million after having been € (49.7) million for the same period in the previous year.

/ **FURTHER DETAILS OF THE FINANCIAL RESULT** can be found in the Notes on page 38.

(ADJUSTED) EARNINGS BEFORE INCOME TAXES IMPROVE STRONGLY

In the quarter under review, earnings before income taxes totalled € 175.8 million (Q2/10: € 89.1 million). If the earnings are adjusted for the results from operating forecast hedges, which were not yet recorded as realised earnings in EBIT I (€ (0.8) million), this results in adjusted earnings before income taxes of € 176.6 million. It proved possible to increase this by € 58.1 million or 49 % in comparison to the same period in the previous year. In the first six months of the year, the earnings before income taxes amounted to € 559.2 million (H1/10: € 314.6 million) and the adjusted earnings before income taxes to € 529.8 million (H1/10: € 348.8 million).

(ADJUSTED) GROUP EARNINGS FROM CONTINUED OPERATIONS INCREASE STRONGLY

Group earnings after taxes from continued operations in the second quarter reached € 126.2 million (Q2/10: € 64.7 million). In the second quarter, tax expenses totalling € 49.5 million were incurred. These include a deferred, i.e. non-cash tax income of € 6.0 million (Q2/10: tax expense of € 24.2 million, of which € 3.2 million was deferred tax expense). It proved possible to increase adjusted Group earnings from continued operations by € 40.9 million or 48 % to € 126.8 million during the second quarter. In the first half of the year, Group earnings from continued operations of € 409.5 million (H1/10: € 231.7 million) were achieved. Tax expense in the first six months was € 149.5 million, of which € 5.3 million was deferred (income tax expense H1/10: € 82.5 million, of which € 14.0 million was deferred tax income). Adjusted Group earnings from continued operations of the first half of the year increased in comparison to the corresponding period of the previous year by € 132.0 million or 51 % to € 388.4 million.

ADJUSTED EARNINGS PER SHARE FROM CONTINUED OPERATIONS IN THE SECOND QUARTER AT € 0.66 (Q2/10: € 0.45) PER SHARE

For the quarter under review, adjusted earnings per share from continued operations amounted to € 0.66 and were thus about 47 % above previous year's figure of € 0.45. It was computed on the basis of 191.32 million no-par value shares, being the average number of shares outstanding (Q2/10: 191.33 million no-par value shares). In the first half of 2011, adjusted earnings per share from continued operations reached € 2.03, an increase of 52 % after having been € 1.34 in the previous year.

We held no shares of our own as of 30 June 2011. At the end of June, the total number of shares outstanding of the K+S GROUP was thus 191.40 million no-par value shares.

The average domestic Group tax rate was 28.3 % (Q2/10: 27.9 %), while the adjusted Group tax rate amounted to 28.2 % after having been 27.5 % in the same quarter of the previous year.

Undiluted, adjusted earnings per share are computed by dividing adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of K+S at the present time, undiluted earnings per share correspond to diluted earnings per share. No changes in accounting treatment needed to be taken into account in earnings per share.

ADJUSTED GROUP EARNINGS AND ADJUSTED EARNINGS PER SHARE

In the second quarter, adjusted Group earnings (including discontinued operations) reached € 29.2 million (Q2/10: € 97.5 million). The discontinued operations of COMPO, included in this, accounted for € (97.6) million which consist of the impairment loss as at 30 June 2011 in the amount of € 104.0 million and the net result of COMPO of € 6.4 million. In the first half of the year, adjusted Group earnings amounted to € 301.1 million (H1/10: € 273.3 million), while € (87.3) million was attributable to the discontinued operations.

For the quarter under review, adjusted earnings per share (including discontinued operations) amounted to € 0.15 and were thus lower than the figure of € 0.51 a year ago. The discontinued operations of COMPO accounted for € (0.51). Adjusted earnings per share (including discontinued operations) of the first half of the year achieved € 1.57 (H1/10: € 1.43), while € (0.46) was attributable to the discontinued operations of COMPO.

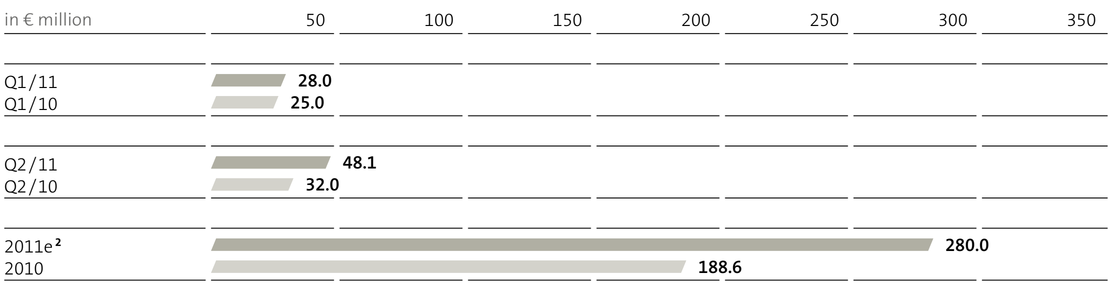
/ DETAILED INFORMATION ABOUT THE DISPOSAL OF COMPO can be found in the Notes on page 34.

FINANCIAL POSITION

SECOND QUARTER CAPITAL EXPENDITURE SIGNIFICANTLY HIGHER THAN THE LEVEL OF THE PREVIOUS YEAR

In the second quarter of 2011, the K+S GROUP invested a total of € 48.1 million (Q2/10: € 32.0 million) in the continued operations. The majority of capital expenditure was made in the Potash and Magnesium Products business segment. Projects for improving raw material exploitation and process optimisation were the focus here. Furthermore, in the first half of the year, infrastructure investments of about € 6 million were made for the Legacy Project in Canada. In the Salt business segment, the most important projects included the modernisation of a shaft winding engine at the Borth site in Germany, the expansion of grinding mills at the German Bernburg site, the expansion of storage capacity in Brazil and the refurbishment of a loading terminal at SPL in Chile. In the Waste Management and Recycling business segment, the development of a further field for underground re-utilisation was continued at the Bernburg site. About 80 % of the capital expenditure made was in measures relating to replacement and ensuring

CAPITAL EXPENDITURE [1] FIG: 1.4.3



[1] Cash-effective capital expenditure in property, plant and equipment, intangible and financial assets of the continued operations.
[2] Plus investments for the Legacy Project.

CASH FLOW OVERVIEW [1] TAB: 1.4.2

in € million	H1/11	H1/10
Gross cash flow	534.1	473.7
Cash flow from operating activities	468.5	587.6
Cash flow for investing activities	(386.7)	(54.6)
– of which acquisitions / divestments	(242.8)	–
Free cash flow	81.8	533.0
Free cash flow before acquisitions / divestments	**324.6**	**533.0**
Cash flow for financing activities	(257.3)	(438.1)
Change in cash and cash equivalents	(184.0)	+111.6

[1] Information refers to the continued operations of the K+S Group.

production; this share was thus significantly less than the depreciation of € 55.6 million. In the first half of the year, a total of € 76.1 million was invested, of which again about 80 % was used for measures relating to replacement and ensuring production. In the first half of the year, this share was therefore also significantly less than the depreciation of € 112.1 million. **/ FIG: 1.4.3**

CASH FLOW FROM CONTINUED OPERATIONS IN THE FIRST HALF YEAR INFLUENCED BY PURCHASE PRICE PAYMENT FOR POTASH ONE AND OUT-FINANCING OF PENSION PROVISIONS

Gross cash flow reached € 534.1 million in the first half of the year and was therefore up € 60.4 million on the figure for the same period last year (H1/10: € 473.7 million). Significantly increased operating earnings more than made up for higher income tax payments. **/ TAB: 1.4.2**

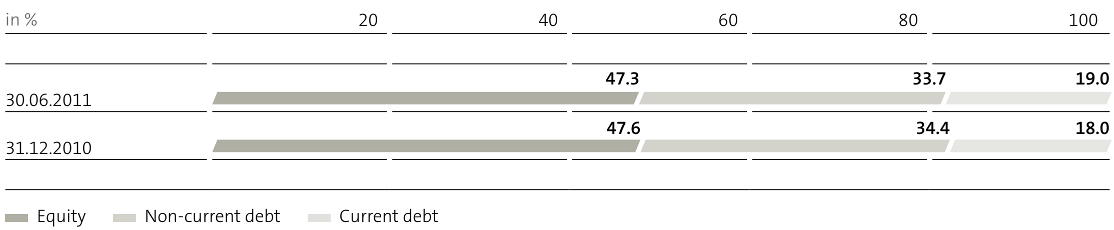
Cash flow from operating activities fell by € 119.1 million to € 468.5 million (H1/10: € 587.6 million) in the first half of the year. This is mainly attributable to the out-financing of pension provisions in the amount of € 99.9 million (H1/10: € (2.4) million).

Cash flow for investing activities amounted to € (386.7) million in the first half of the year and was thus significantly above the level of the same quarter in the previous year (H1/10: € (54.6) million). The increase is mainly attributable to outgoing payments in connection with the acquisition of 81.6 % of the shares in and the associated takeover of control over POTASH ONE (€ (242.8) million) as well as the purchase of securities and other financial investments (€ (65.7) million).

Free cash flow before acquisitions fell by € 208.4 million to € 324.6 million in comparison to the same period in the previous year. Without taking account of the out-financing of pension provisions as well as the purchase of securities and other financial investments, the decrease would have been € 45.2 million. After the inclusion of the cash flow for financing activities of € (257.3) million (H1/10: € (438.1) million), which principally resulted from the dividend payment for financial year 2010 and the acquisition of the remaining 18.4 % of shares in POTASH ONE (€ (59.3) million) and not, as in the previous year, from the repayment of financial liabilities, as at 30 June 2011, we disclose net indebtedness including provisions for pensions and mining obligations totalling € 768.6 million. Net indebtedness has therefore only increased slightly in comparison to the figure on 31 December 2010 (€ 732.5 million) despite the takeover of POTASH ONE.
/ FURTHER INFORMATION REGARDING NET INDEBTEDNESS can be found in the Notes on page 39.

The payments shown in the cash flow statement within the framework of the takeover of POTASH ONE are split as follows: in the cash flow for investing activities, the payment of € 242.8 million for taking over control of

EQUITY AND LIABILITIES [1] FIG: 1.4.4



[1] Information as at 30 June 2011 refers to the continued operations of the K+S Group; information as at 31 December 2010 was not restated.

POTASH ONE is shown in the item "Disbursements for the acquisition of consolidated companies" (purchase price for 81.6 % of shares in the amount of € 263.2 million less cash and cash equivalents acquired of € 20.4 million). The payments for the subsequent acquisition of the remaining, not yet controlling interests (18.4 %) in the amount of € 59.3 million are stated in accordance with IFRS in the cash flow for financing activities. Thus, the total purchase price for POTASH ONE amounted to € 322.5 million.

/ FURTHER INFORMATION REGARDING THE EFFECTS OF THE ACQUISITION OF POTASH ONE can be found in the Notes on page 35.

The inflow of the proceeds from the disposal of COMPO is expected with the closing of the transaction in the third quarter.

SOLID FINANCING STRUCTURE

The financing structure of the K+S GROUP has only changed immaterially in comparison to the end of 2010. The equity ratio is almost stable at 47 % of the balance sheet total, after having been 48 % at the end of the year. At 34 %, the proportion of non-current debt including non-current provisions has remained unchanged too. At 19 %, the proportion of current debt was slightly above the level at the end of the year (31 December 2010: 18 % of the balance sheet total). **/ FIG: 1.4.4**

/ FURTHER DETAILS OF THE CHANGE IN INDIVIDUAL BALANCE SHEET ITEMS can be found in the Notes on page 38.

As at 30 June 2011, 26 % of the K+S GROUP's debt consisted of bank loans and overdrafts, about 34 % of provisions and approximately 15 % of accounts payable trade. The main provisions of the K+S GROUP as of 30 June 2011 concern provisions for mining obligations (€ 535.0 million) as well as for pensions and similar obligations (€ 97.7 million). As of 30 June 2011, bank loans and overdrafts amounted to € 770.1 million, of which only € 2.4 million was classified as current.

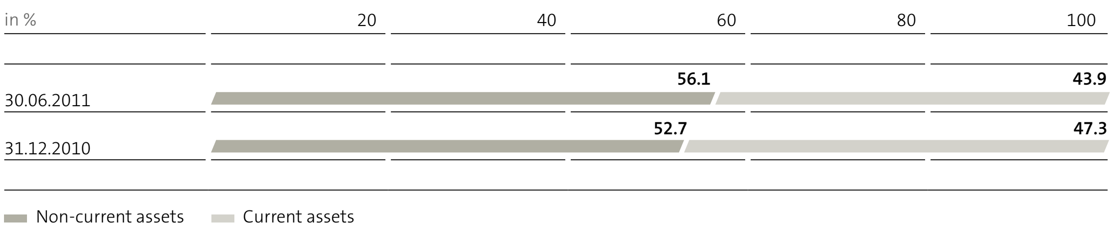
OFF-BALANCE SHEET FINANCING INSTRUMENTS/OFF-BALANCE SHEET ASSETS

Off-balance sheet financing instruments in the sense of factorisation, asset-backed securities, sale and lease back transactions or contingent liabilities in relation to special purpose entities not consolidated only exist to a negligible extent. Operating lease contracts exist which relate, for example, to factory and office equipment and cars. Given the relevant contractual arrangements, these assets are not to be carried under fixed assets.

ASSET POSITION

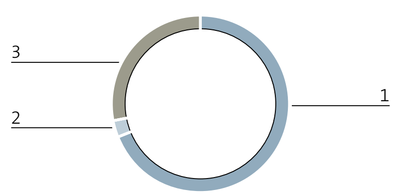
As at 30 June 2011, the balance sheet total of the K+S GROUP amounted to € 5,557.2 million. At 56:44, the ratio of non-current assets to current assets is still regarded as balanced. Property, plant and equipment increased mainly due to a rise in recognised raw material deposits, which were acquired within the framework of the acquisition of POTASH ONE, to € 2,014.3 million (31 December 2010: € 1,803.6 million). This was counteracted by the disclosure of COMPO as a discontinued operation. While at € 89.2 million, financial assets, securities and other financial investments increased (31 December 2010: € 24.1 million), inventories decreased to € 545.1 million (31 December 2010: € 740.2 million) primarily due to the disclosure of COMPO as a discontinued operation. At the end of the second quarter, cash on hand and balances with banks totalled € 550.8 million (31 December 2010: € 748.4 million), despite the acquisition of POTASH ONE for cash. All assets of COMPO were reclassified as current assets

ASSETS [1] FIG: 1.4.5



[1] Information as at 30 June 2011 refers to the continued operations of the K+S Group; information as at 31 December 2010 was not restated.

EMPLOYEES BY REGION AS OF 30 JUNE 2011 [1] FIG: 1.5.1



	in %	2011	2010
1	Germany	69	68
2	Rest of Europe	3	4
3	Overseas	28	28

[1] Information refers to the continued operations of the K+S Group.

into the item “Assets held for sale”. These amounted to € 274.0 million or just under 5 % of the balance sheet total as at 30 June 2011.

/ **FURTHER DETAILS OF THE MAIN CHANGES IN INDIVIDUAL BALANCE SHEET ITEMS** can be found in the Notes on page 38.

Including cash on hand and balances with banks (€ 550.8 million), non-current and current securities and other financial investments (€ 66.0 million), provisions for pensions and mining obligations (€ 97.7 million and € 535.0 million respectively) as well as bank loans and overdrafts (€ 770.1 million) and after taking into account claims for reimbursement in connection with a bond at MORTON SALT (€ 17.4 million), as of 30 June 2011, this results in net indebtedness of the K+S GROUP of € 768.6 million (31 December 2010: € 732.5 million). In comparison to the previous year’s figure, this decreased by € 93.5 million (30 June 2010: € 862.1 million). **/ FIG: 1.4.5**

1.5 EMPLOYEES

NUMBER OF EMPLOYEES INCREASED AGAINST THE LEVEL OF LAST YEAR

As of 30 June 2011, the K+S GROUP employed a total of 14,279 people in continued operations. In comparison to 30 June 2010 (14,021 employees), the number has thus risen by 258 employees or about 2 %. This is primarily attributable to an increase in personnel in the Potash and Magnesium Products business segment, which was necessary for the maintenance of the volume of crude salt extracted and for increased activities in the area of environmental protection. In terms of averages too, at 14,248, the number of employees increased when the quarters are compared (Q2/10: 13,992). As a result of the increased internationalisation of the K+S GROUP since 2006, almost one third of our employees are now located outside Germany and more than a quarter outside Europe. On 30 June 2011, the number of trainees was 478 and thus slightly above the high level of the previous year (30 June 2010: 474). **/ FIG: 1.5.1**

PERSONNEL EXPENSES

In the second quarter, personnel expenses from continued operations amounted to € 238.6 million and were at roughly the level of the previous year (Q2/10: € 245.4 million). In the first half of the year, personnel expenses from continued operations amounted to € 484.3 million and were thus up € 16.1 million or 3 % on the figure for the previous year (H1/10: € 468.2 million). The increase is particularly attributable to collective agreement pay increases and to a higher deferral being set for performance-related remuneration due to the very positive earnings prospects for this year.

1.6 RESEARCH AND DEVELOPMENT

Research costs for continued operations for the quarter under review came to € 3.3 million and thus were slightly higher than the level for the same quarter in the previous year (Q2/10: € 3.2 million). Capitalised development-related capital expenditure amounted to € 0.1 million in the second quarter. In the first half of 2011, research costs stood at € 6.7 million (H1/10: € 6.3 million) and capitalised development-related capital expenditure at € 0.3 million (H1/10: € 0.0 million). The R&D projects planned for 2011 and described in the Financial Report 2010 on page 146 have been going according to plan and are being continued. As of 30 June 2011, there was a total of 76 employees in R&D of the K+S GROUP. Compared with the previous year, the number thus increased moderately as intended (30 June 2010: 72).

/ FOR A COMPREHENSIVE DESCRIPTION OF THE RESEARCH AND DEVELOPMENT ACTIVITIES, please see the relevant passages in our Financial Report 2010 on page 95 and page 146.

1.7 SUBSEQUENT EVENTS

As a consequence of the expiry of anti-dumping protection in Europe, material changes have occurred in the economic environment or in the position of our industry since the close of the quarter under review. More details can be found in the Risk Report. Apart from this, no other events of material importance for the K+S GROUP requiring disclosure have occurred.

1.8 RISK REPORT

For a comprehensive description of the risk and opportunity management system as well as possible risks, please refer to the relevant passages in our Financial Report 2010 on page 129. Only individual risks to which changes have occurred since then are described below. The statements about the other risks described in the Financial Report essentially remain without change even after the announced disposal of COMPO. The risks to which the K+S GROUP is exposed, both in isolation or in conjunction with other risks, are limited and do not, according to current estimates, jeopardise the continued existence of the Company.

RISKS ARISING FROM THE CHANGE OR REFUSAL OF OFFICIAL APPROVALS

TAILING PILES EXPANSION

This individual risk described in the Financial Report 2010 on page 136 does no longer apply, since the covering of the tailing pile of the Sigmundshall potash plant does not endanger the environment. With this decision, the judges of the 7th Senate of the Lower Saxony Higher Administrative Court in Lüneburg followed the argumentation of the LANDESAMT FÜR BERGBAU, ENERGIE UND GEOLOGIE LOWER SAXONY (LBEG) and of K+S KALI GMBH. A different judgement of the Administrative Court of Hanover was overturned.

RISKS ARISING FROM THE REDUCTION IN ANTI-DUMPING PROTECTION

As described on page 137 of the Financial Report 2010, in the fertilizer business, the K+S GROUP also competes with producers from Russia and Belarus, which either are state-owned, receive considerable subsidies such as cheaper supplies of gas or subsidised rail transport or otherwise, directly or indirectly, enjoy the benefits of state financial support. These competitors can therefore offer their products on better terms than those manufacturers that do not receive comparable state support. In July 2006, the existing trade policy measures regarding the importation of potassium chloride from Russia and Belarus had therefore been consequently prolonged with adjustments by five years until 13 July 2011.

This April, the EUROPEAN POTASH PRODUCERS ASSOCIATION (APEP) submitted a timely application for the extension of these trade policy measures to the European Commission. Comprehensive consultations with the European Commission took place over the subsequent few weeks on the basis of this application. The outcome of this was that the structurally competition-distorting practices were superimposed by the currently positive market conditions in such a way that the chances of an extension of the trade policy measures had to be regarded as being small. The APEP has therefore withdrawn its application for the time being and will remain in constructive dialogue with the European Commission.

Due to the currently good overall state of the market, the potash producers grouped in the APEP consider the effects of the trade policy measures for potassium chloride, which expired in July, on the operating business to be moderate. The APEP is, however, reserving the right to once again submit an application for the re-introduction of trade policy measures for the protection of competition-distorting practices to the European Commission if the market situation changes. In this event, a prompt examination has already been promised to the APEP.

For the near future, we do not expect any serious changes on the markets of the EU. In the medium term, an increase in Russian and Belarusian delivery quantities above the level of previous deliveries is possible. Under the current market conditions, we assess the effects as moderate.

1.9 OPPORTUNITY REPORT

For a comprehensive description of possible opportunities, please see the relevant passages in our Financial Report 2010 on page 157. There is no offsetting of opportunities and risks or their positive and negative changes.

1.10 FORECAST REPORT

FUTURE MACROECONOMIC SITUATION

The following discussion about the future macroeconomic situation is essentially based on the assessments of the INSTITUTE FOR THE WORLD ECONOMY KIEL (Kiel Discussion Papers: Weltkonjunktur im Sommer 2011, June 2011) and of DEKA BANK (Makro Research, Volkswirtschaft Prognosen of 6 July 2011). / TAB: 1.10.1

After an accelerated upturn in the global economy in the first six months of this year, for 2011, leading economic research institutes are predicting moderate economic growth, which will lose some momentum over the course of the year. Temporary production losses due to the natural disaster in Japan should already have been overcome. Reconstruction should rather provide a boost to the global economy. Dampening effects can be observed in the emerging market countries, which generate a majority of the global gross domestic product. The negative impact of the high oil price should decline over the further course of the year. The forecasts of DEKA BANK for the global economy assume growth in the gross domestic product of 4.2 % for 2011 (previously: 4.1 %).

For the eurozone, following a relatively significant increase in economic activity at the start of 2011, the INSTITUTE FOR THE WORLD ECONOMY KIEL forecasts a slowdown in momentum during the further course of the year. Growth in production output should be tangibly lower primarily in those countries, which recently experienced a sharp upturn, while the situation in the countries with weaker economic growth should improve. The forecast is based on the assumption that the Greek debt crisis only has a limited negative impact on the European banking and financial system. For the year 2011, DEKA BANK expects a moderate GDP increase in Europe of 2.1 %.

In 2011, the growth rate in the USA should be 2.8 % according to estimates of DEKA BANK. An expansion of private consumption continues to be hampered by a high rate of debt ratio and continued high unemployment, which slows down the growth of wages. The situation on the real estate market remains difficult, while corporate investment is being supported by favourable monetary conditions.

For the emerging market countries, leading economic institutes continue to assume a strong economic devel-

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 1.10.1

	2011e	2010	2009	2008	2007
real; in %					
Germany	+ 3.5	+ 3.6	(4.7)	+ 1.3	+ 2.5
European Union (EU-27)	+ 2.1	+ 1.8	(4.2)	+ 1.2	+ 3.1
World	+ 4.2	+ 5.0	(0.8)	+ 3.1	+ 4.8

Source: Deka Bank

opment. However, the growth rate should slow down due to a tightening of monetary policy and a more restrictive financial policy.

After the interest rate increases by the ECB in April and July 2011 by 25 basis points in each case to 1.50 %, it is expected that the central bank will implement further moves on interest rates at the start of each quarter until January 2012. The FED, however, continues to see the necessity of continuing a low-interest-rate policy in the USA, and therefore interest rate hikes are only expected towards the middle of next year. Our corporate planning for 2011 is currently based on a USD/EUR exchange rate of an average of about 1.42 USD/EUR and an oil price level (Brent) of about US$ 105 per barrel.

The effects on the course of business of the K+S GROUP described on page 4 should therefore also hold under the forecast macroeconomic conditions. Furthermore, the prosperity of the emerging market countries will tend to increase further. This should also result in higher dietary expectations on the part of their populations. Moreover, the world's population continues to grow. Demand for agricultural products should therefore continue to grow largely independent of the economic situation. In the case of salt products, the impact of the general economic situation on demand is of minor importance, since the business in the de-icing salt sector is dependent on the weather conditions and business with the other salts is largely independent of economic conditions.

FUTURE INDUSTRY SITUATION

The important sales markets and competitive positions of the individual business segments described in the Financial Report 2010 in the 'Group structure and business operations' section on page 77 essentially remain valid.

FERTILIZER BUSINESS SECTOR

The medium- and long-term trends described in the Financial Report 2010 on page 149, which positively influence the demand for our products in the Fertilizer business sector, retain their validity.

After the normalisation of demand for fertilizers in 2010, we expect a further increase in demand in the current year. Although the prices of some agricultural products decreased in June from having been very high, they remain at a level, which should favour the income prospects of the agricultural sector and thus offer an incentive to increase the yield per hectare through a higher use of fertilizers. We therefore continue to assume global potash sales volumes of about 58 to 60 million tonnes in 2011 as a whole (2010: 58.3 million tonnes). Due to the fact that contracts have been concluded later than usual we expect sales volumes in India to be somewhat lower than previously forecast. However, there were already indications in the second quarter that we can assume higher sales volumes for 2011 primarily in South America and South East Asia. Correspondingly, a globally high level of utilisation of production capacities is to be expected also during the further course of the year. Against this background, the price increases described on page 5 were announced at the end of the second quarter.

For nitrogen fertilizers too, we are assuming high demand for the remainder of the year, which should lead to a good utilisation of the nitrogen fertilizer plants worldwide. The average prices of nitrogen fertilizers should be at a significantly higher level year on year. However, higher raw material costs for ammonia, phosphate and potash will probably counteract this.

SALT BUSINESS SECTOR

The future industry situation in the Salt business sector described in the Financial Report 2010 remains valid. After the close of the first quarter, the further de-icing salt business in 2011 will be influenced decisively by wintry weather conditions in Europe and North America in the fourth quarter. In this respect, we are assuming that sales volumes will be on their multi-year average level in the case of both the European and North American markets. While demand for food grade and industrial salt in Europe and North America should be stable, the South American industrial and food grade salt market will probably grow further in line with the regional population trend. Demand on the part of the chemical industry for salt for chemical use should develop positively in light of the forecast economic growth.

FUTURE EARNINGS, FINANCIAL AND ASSET POSITION

The following forecasts relate to the expected organic revenue and earnings development of the continued operations. The figures for the previous year were restated correspondingly. Only in the case of the adjusted Group earnings and the adjusted earnings per share, the activities of COMPO classified as discontinued operations are taken into consideration.

In line with the forecast policy discussed in the Financial Report on page 153, the outlook for the current year is quantified in the quarterly financial report for the second quarter for the first time. Ranges for the expectations regarding revenues, EBITDA, operating earnings EBIT I, Group earnings and earnings per share are stated.

IN 2011, REVENUES SHOULD INCREASE SIGNIFICANTLY IN COMPARISON WITH THE PREVIOUS YEAR'S FIGURE

Following the estimates in the outlook of the Financial Report 2010 and against the backdrop of the positive demand and price trends emerging during the course of the first half of 2011, revenues of the K+S GROUP should rise significantly in financial year 2011 against the previous year. A figure of between € 5.00 billion and € 5.30 billion seems realistic from today's perspective (previous year: € 4.63 billion). While in the Potash and Magnesium Products business segment we are assuming a significant increase in revenues and in the Nitrogen Fertilizers business segment (without COMPO) also a strong one, in the Salt business segment we expect stable revenues at a high level. The revenue forecast assumes an average US dollar exchange rate of 1.42 USD/EUR (2010: 1.33 USD/EUR).

COSTS WILL PROBABLY RISE TANGIBLY, BUT BY A LOWER PROPORTION

The following forecast of the development of costs is structured by cost type: The total costs of the K+S GROUP should rise tangibly year on year. As far as personnel expenses are concerned, in light of a slightly higher number of employees as well as the effects of pay settlements under collective bargaining agreements and higher performance-related remuneration, we anticipate a moderate (previously: tangible) increase. Energy costs should rise tangibly in relation to the preceding year, while freight costs should remain stable. Finally, higher input prices in the Nitrogen Fertilizers business segment will probably also result in a strong increase in material costs. At about € 230 million, depreciation/amortisation charges should remain stable in comparison to the previous year.

OPERATING EARNINGS LIKELY TO RISE STRONGLY

In financial year 2011, earnings before interest, taxes, depreciation and amortisation (EBITDA) and operating earnings EBIT I should increase strongly in comparison to the figures for the previous year. For the EBITDA of the K+S GROUP, we expect a figure of between € 1.15 billion and € 1.30 billion (previous year: € 953.0 million) and operating earnings EBIT I of between € 0.95 billion and € 1.05 billion (previous year: € 714.5 million). This is primarily due to probably strong growth in earnings in the Potash and Magnesium Products business segment as well as a strong improvement in operating earnings in the Nitrogen Fertilizers business segment. However, operating earnings of the Salt business segment will probably decline moderately. On the basis of our average US dollar estimate for 2011 of 1.42 USD/EUR (previously: 1.40 USD/EUR) and the hedging instruments used by us, this does not result in a material currency-related effect on earnings.

Our forecast is based on the following assumptions:

+ continued attractive agricultural prices;
+ in comparison to the previous year, significantly higher average prices and stable sales volumes in the Potash and Magnesium Products business segment (expected sales volume: 7.0 million tonnes);
+ sales volume of about 23 million tonnes (previously: 22 to 23 million tonnes) of crystallised salt in the Salt business segment, of which 14 million tonnes (previously: 13 to 14 million tonnes) should be accounted for by de-icing salt. For the fourth quarter, this, as customary, assumes the average of multi-year de-icing salt sales volumes;
+ significantly rising energy costs in 2011 on the basis of an oil price level of about 105 US$ (Brent, previously: 120 US$) per barrel. As a result of the energy supply clauses agreed with our suppliers, changes in energy prices in the Potash and Magnesium Products business segment are often reflected in our cost accounting only with a delay of six to nine months. Against this background, the expected oil price level should only affect the energy costs of the K+S GROUP in the second half of the year.

GROUP EARNINGS AFTER TAXES WILL PROBABLY IMPROVE STRONGLY

The adjusted Group earnings after taxes of the continued operations should also increase strongly in 2011 following the development of operating earnings and reach a figure of € 650 million to € 720 million (previous year: € 447.8 million). This would correspond to adjusted earnings per share for the continued operations of about € 3.40 to € 3.75 (previous year: € 2.34). Taking into consideration the discontinued operations including the expected book loss arising from the disposal of COMPO, we expect adjusted Group earnings after taxes in the amount of € 560 million to € 630 million (previous year: € 445.3 million). This would correspond to adjusted earnings per share of about € 2.95 to € 3.30 (previous year: € 2.33). Our projection is based not only on the effects described for revenues and operating earnings, but also on the following circumstances expected from today's perspective:

+ a significantly better financial result, after this had been negatively impacted by special effects in 2010;
+ a domestic Group tax rate of 28.3 % and an adjusted Group tax ratio of about 26 % to 27 % (2010: 26.2 %).

/ TAB: 1.10.2

DEVELOPMENT OF FORECASTS FOR 2011 AS A WHOLE TAB: 1.10.2

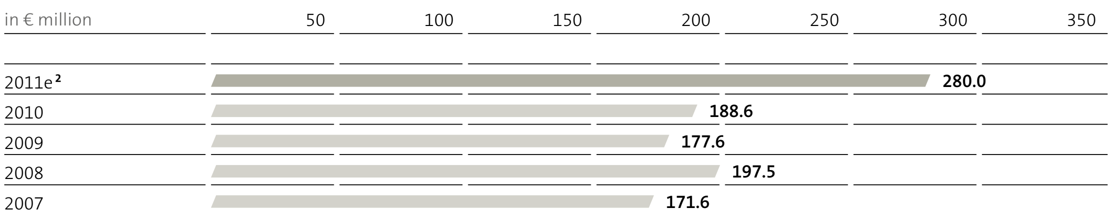
		Actual 2010	Forecast Financial Report 2010[1]	Forecast Q1/11[1]	Forecast H1/11
K+S Group					
Revenues	€ billion	4.63	tangible increase	significant increase	5.00 to 5.30
EBITDA	€ million	953.0	significant increase	strong increase	1,150 to 1,300
Operating earnings (EBIT I)	€ million	714.5	significant increase	strong increase	950 to 1,050
Financial result	€ million	(120.0)	significantly better	significantly better	significantly better
Group tax rate adjusted	%	24.7	26 – 27	26 – 27	26 – 27
Group earnings from continued operations, adjusted	€ million	447.8	significant increase	strong increase	650 to 720
Earnings per share from continued operations, adjusted	€	2.34	significant increase	strong increase	3.40 to 3.75
Group earnings after taxes, adjusted[2]	€ million	445.3	significant increase	strong increase	560 to 630
Earnings per share, adjusted[2]	€	2.33	significant increase	strong increase	2.95 to 3.30
Capital expenditure[3,4]	€ million	188.6	>300	>300	280
Depreciation and amortisation[3]	€ million	238.5	250	250	230
Energy costs	€ million	259.6	tangible increase	tangible increase	tangible increase
Personnel expenses	€ million	938.3	tangible increase	tangible increase	moderate increase
Freight costs	€ million	838.5[5]	stable[5]	stable[5]	stable
Potash and Magnesium Products business segment					
Sales volume	t million	7.06	7.0	7.0	7.0
Salt business segment					
Sales volume crystallised salt	t million	22.53	22 to 23	22 to 23	about 23
– of which de-icing salt	t million	13.49	13 to 14	13 to 14	about 14

[1] Forecast still includes the discontinued operations of COMPO.
[2] Earnings from continued and discontinued operations.
[3] Cash-effective capital expenditure in and depreciation on property, plant and equipment, intangible and financial assets.
[4] Plus investments for the Legacy Project.
[5] Freight costs for the year 2010 adjusted due to changed allocation of cost types.

PLANNED CAPITAL EXPENDITURE

The capital expenditure budget described below only relates to the continued operations of the K+S GROUP. The updated capital expenditure forecast for 2011 (previously: at least € 300 million) is reduced to about € 280 million (continued operations 2010: € 188.6 million). While the planned volume of capital expenditure is reduced due to the sale of COMPO, delays in investment projects – including delays in the realisation of the package of measures on water protection –, as well as shifts in investment projects in the Salt business segment, the replacement of a ship at the shipping company EMPREMAR results in an additional need for capital expenditure. Capital expenditure for the Legacy Project is not yet included in this figure. For the consistent continuation of the project, however, the first investments have already been made in the infrastructure and the first drillings have been carried out. For this, € 6 million was invested in the first half of the year. The determination of the investment funds necessary for the implementation of the first phase of expansion is planned for autumn 2011. Capital expenditure of about € 25 million (previously: € 35 million) are taken into consideration for 2011 for the package of measures on water protection in the Hesse-Thuringia potash district. Capital expendi-

CAPITAL EXPENDITURE [1] FIG: 1.10.1



[1] Cash-effective capital expenditure in and depreciation on property, plant and equipment, intangible and financial assets of the continued operations. The years 2007 to 2009 include the discontinued operations of COMPO.
[2] Plus investments for the Legacy Project.

ture relating to measures for replacement and ensuring production should account for about 80 % of the total amount; this share should thus be slightly below the expected depreciation of about € 230 million.

In the Potash and Magnesium Products business segment, the focus will be on projects aimed at increasing raw material exploitation and process optimisation. Furthermore, the planned capital expenditure budget for environmental protection includes e.g. expenditure within the framework of the package of measures on water protection aimed at decreasing solid and liquid production residue. In the Salt business segment, the following measures will be among the most important projects: The modernisation of a shaft winding engine and the expansion of capacities for the production of pharmaceutical salts at the Borth site in Germany, the expansion of grinding mills at the Bernburg site in Germany, the modernisation of the evaporated salt facility at the Hutchinson site in Kansas, USA, the expansion of brine fields and mining claims at five sites in the USA, the expansion of storage capacity at SPL in Brazil, the modernisation of a loading terminal, the expansion of sifting capacities in Chile and the replacement of a ship at the shipping company EMPREMAR. In the Waste Management and Recycling business segment, a further field for underground re-utilisation is being developed at the Bernburg site. / FIG: 1.10.1

EXPECTED DEVELOPMENT OF LIQUIDITY

The earnings development forecast for 2011 should also have a positive impact on the cash flow from operating activities. This and the cash inflow from the disposal of COMPO are likely to tangibly exceed the expenditure on investments (without capital expenditure for the Legacy Project), the purchase price payment for the POTASH ONE shares and the effects from the out-financing of pension provisions undertaken in the first half of 2011, so that in 2011, we should generate a positive free cash flow.

NET INDEBTEDNESS SHOULD DECLINE SIGNIFICANTLY

With net indebtedness (including non-current provisions) of € 768.6 million as of 30 June 2011 and thus a level of indebtedness of only 29.3 % and as a result of a high operating cash flow, the K+S GROUP has a strong financial base. This means that we are able to respond flexibly to investment and acquisition opportunities.

In light of the earnings development expected for 2011 in comparison to the previous year, our net indebtedness should decrease significantly (previously: stable). This assumption takes into consideration among others the capital expenditure budget expected for 2011, the purchase price payment made for the POTASH ONE shares in the first quarter, the dividend amount paid out in May and the cash inflow expected for the third quarter from the disposal of COMPO. It does not yet include capital expenditure for the Legacy Project, further acquisitions or share repurchase transactions. On the basis of these assumptions, with an equity ratio of about 50 % and a level of indebtedness of about 20 % (previously: under 30 %), we should once again achieve our unchanged capital structure goals defined in the Financial Report 2010.

FUTURE DIVIDEND POLICY

We pursue an essentially earnings-based dividend policy. According to this, a dividend payout ratio of between 40 % and 50 % of adjusted Group earnings after taxes (including discontinued operations) forms the basis for the amount of future dividend proposals to be determined by the Board of Executive Directors and the Supervisory Board. The increase of the adjusted Group earnings after taxes expected for 2011 should also have a corresponding impact on the future dividend payment.

FUTURE NUMBER OF EMPLOYEES, FUTURE PERSONNEL EXPENSES

In comparison to the number of people employed at the end of 2010 in the continued operations (14,186), for the end of 2011, we assume a slightly higher number of employees mainly due to an increase in personnel in the Potash and Magnesium Products business segment in order to maintain the volume of crude salt extracted and for increased activities in the area of environmental protection. The average number of employees should also increase slightly in 2011 (2010: 14,091). With regard to personnel expenses, we expect that the collective agreement pay increases and higher numbers of employees will result in a moderate increase.

K+S continues to regard vocational training as an important investment into the future. For our German companies, we continue to strive for a training ratio of about 6 %.

FUTURE RESEARCH AND DEVELOPMENT

In future too, we will consistently further pursue our research and development goals, defined in the Financial Report on page 95. At about € 15 million, research spending of the continued operations for the current year 2011 should be somewhat above the level of 2010. Our forecast for capitalised development-related capital expenditure is about € 2.3 million. The number of people employed in research should also rise in 2011 in particular in order to meet coming challenges in the area of the environment, to fill positions at the new INSTITUTE FOR APPLIED PLANT NUTRITION in Göttingen, Germany, according to plan, to further expand the research institute of MORTON SALT in Elgin, USA, as well as to further proceed with research in the area of solution mining. Against this background, about 85 employees should be working in research and development within the K+S GROUP at the end of the year. / TAB: 1.10.3

RESEARCH KEY FIGURES [1] TAB: 1.10.3

in € million	2011e	2010
Research costs	15.0	13.8
Capitalised development-related capital expenditure	2.3	0.7
Employees as of 31 Dec. (number)	84	73

[1] Information refers to the continued operations of the K+S Group.

In 2011, the following will be the main focuses of our research and development activities in the Fertilizer business sector: improvements in extraction and production processes in order to enhance efficiency and reduction of solid and liquid production residue in potash production, works at the new INSTITUTE FOR APPLIED PLANT NUTRITION, the development of new products for the industrial sector in the Potash and Magnesium Products business segment as well as research into the sustainability of nutrient management of the soil using complex fertilizers. In the Salt business sector, research into processes for improving the quality of rock salt for industrial applications shall be advanced through the collaboration between ESCO, SPL and MORTON SALT. At MORTON SALT, the further development of product alternatives for the reduction of sodium content in food and product innovations in the water softening salt and de-icing salt segments will be the focus.

1.11 GUARANTEE OF THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

To the best of our knowledge and in accordance with the applicable accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Kassel, 3 August 2011
K+S AKTIENGESELLSCHAFT
THE BOARD OF EXECUTIVE DIRECTORS

FORWARD-LOOKING STATEMENTS

This report 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 contained in the Management Report, save for the making of such disclosures as are required by the provisions of statute.

1.12 BUSINESS SEGMENTS OF THE K+S GROUP

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE FERTILIZER BUSINESS SECTOR can be found on page 5 in the 'Industry-specific framework conditions' section.

/ INFORMATION REGARDING THE ACQUISITION OF POTASH ONE can be found in the Notes on page 35.

REVENUES

In the second quarter, revenues of the Potash and Magnesium Products business segment rose by € 33.5 million or 7 % to € 502.4 million. Significantly positive price effects were able to more than compensate for negative volume and currency effects. In the case of our most important product in terms of volumes, potassium chloride, revenues rose by € 11.9 million or 5 % to € 245.9 million in the quarter under review. This is mainly attributable to a significant increase in the average price, while the sales volume was lower than it had been a year before. In the second quarter, revenues for fertilizer specialities increased by € 20.1 million to € 185.9 million (+12 %) primarily due to price factors. In the case of industrial products too, positive price effects led to higher revenues of € 70.6 million, an increase of € 1.4 million or 2 %. In the second quarter, total sales volume of potash and magnesium products were almost 5 % below the figure for the previous year and reached 1.66 million tonnes (Q2/10: 1.74 million tonnes). This decrease is attributable to production bottlenecks for some product groups as well as slight delays in delivery. In the first half of the year, revenues increased by a total of 11 % to € 1,080.4 million, while the sales volume was 3.67 million tonnes (H1/10: 3.71 million tonnes).

/ TAB: 1.12.1, 1.12.2, 1.12.3 / FIG: 1.12.1, 1.12.2

VARIANCE ANALYSIS TAB: 1.12.1

in %	Q2/11	H1/11
Change in revenues	**+7.1**	**+11.0**
volume/structure	(3.5)	+0.5
prices/price-related	+15.8	+12.4
exchange rates	(5.2)	(1.9)
consolidation	–	–
Potassium chloride	+5.1	+10.4
Fertilizer specialities	+12.1	+12.0
Industrial products	+2.0	+10.3

DEVELOPMENT OF EARNINGS

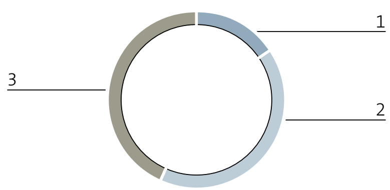
In the second quarter, the business segment's earnings before interest, taxes, depreciation and amortisation (EBITDA) reached € 205.9 million and thus rose by 47 % (Q2/10: € 139.9 million). In the first half of the year, EBITDA was € 430.1 million (H1/10: € 311.4 million), an increase of 38 %.

It proved possible to increase operating earnings EBIT I in the Potash and Magnesium Products business segment

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT TAB: 1.12.2

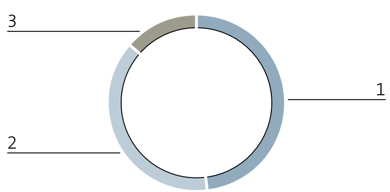
in € million	Q2/11	Q2/10	%	H1/11	H1/10	%
Revenues	502.4	468.9	+7.1	1,080.4	973.6	+11.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	205.9	139.9	+47.2	430.1	311.4	+38.1
Operating earnings (EBIT I)	184.4	119.2	+54.7	386.8	269.8	+43.4
Capital expenditure	30.0	14.6	+105.5	48.3	26.9	+79.6
Employees as of 30 June (number)	–	–	–	7,970	7,706	+3.4

REVENUES BY REGION JANUARY — JUNE 2011 FIG: 1.12.1



	in %	H1/11	H1/10
1	Germany	15.8	17.1
2	Rest of Europe	41.0	40.6
3	Overseas	43.2	42.3

REVENUES BY PRODUCT GROUP JANUARY — JUNE 2011 FIG: 1.12.2



	in %	H1/11	H1/10
1	Potassium chloride	48.1	48.4
2	Fertilizer specialities	38.3	37.9
3	Industrial products	13.6	13.7

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION [1] TAB: 1.12.3

		Q1/10	Q2/10	H1/10	Q3/10	Q4/10	2010	Q1/11	Q2/11	H1/11
Revenues	**€ million**	**504.6**	**468.9**	**973.6**	**422.8**	**470.7**	**1,867.0**	**578.0**	**502.4**	**1,080.4**
Europe	€ million	322.8	238.8	561.7	229.7	254.1	1,045.5	337.5	276.1	613.6
Overseas	US$ million	250.5	292.4	542.9	249.2	294.3	1,086.4	329.0	325.6	654.6
Sales volumes	**t eff. million**	**1.97**	**1.74**	**3.71**	**1.59**	**1.76**	**7.06**	**2.01**	**1.66**	**3.67**
Europe	t eff. million	1.29	0.91	2.19	0.84	0.96	3.99	1.19	0.87	2.06
Overseas	t eff. million	0.68	0.84	1.52	0.75	0.80	3.07	0.82	0.79	1.61
Average prices	**€/t eff.**	**256.6**	**269.0**	**262.4**	**266.2**	**267.1**	**264.4**	**287.6**	**302.3**	**294.2**
Europe	€/t eff.	251.3	263.1	256.1	273.8	264.5	261.8	284.4	314.7	297.3
Overseas	US$/t eff.	367.5	350.0	357.9	332.6	367.0	354.1	399.7	414.9	407.1

[1] Revenues include prices both inclusive and exclusive of freight costs and, in the case of overseas revenues, are based on the respective USD/EUR spot rates. For most of these revenues, hedging transactions have been concluded. The price information is also affected by the respective product mix and is therefore to be understood as providing a rough indication only.

by € 65.2 million or 55 % to € 184.4 million in the second quarter. This includes depreciation and amortisation of € 21.5 million which increased by € 0.8 million in comparison to those of the corresponding period of the previous year. The improvement in earnings can be attributed in particular to higher average prices for potash and magnesium products. The less favourable conversion rate of the US dollar in comparison to the previous year, despite the hedging instruments, had a slightly negative impact on earnings. In the first half of the year, it proved possible to increase operating earnings EBIT I by 43 % to € 386.8 million (H1/10: € 269.8 million). This includes depreciation and amortisation of € 43.3 million (H1/10: € 41.6 million). Higher average prices for potash and magnesium products were able to more than make up for price- and volume-related cost increases, especially in the case of materials, personnel and energy.

OUTLOOK

The prospects for the global development of demand for fertilizers containing potash and magnesium are very attractive from today's perspective, so that we continue to expect a full utilisation of our plants and a sales volume of 7.0 million tonnes of goods for 2011 (2010: 7.06 million tonnes). Based on the currently achieved potash price level, a significantly higher average price than in the previous year can be expected. On this basis, revenues of the Potash and Magnesium Products business segment too should increase significantly year on year. Even if energy costs were to rise significantly, total costs might only increase moderately. The positive effect on revenues should more than make up for the expected rise in costs and enable strong earnings growth.

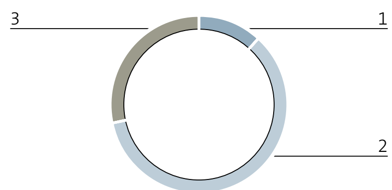
VARIANCE ANALYSIS TAB: 1.12.4

in %	Q2/11	H1/11
Change in revenues	**+33.2**	**+33.9**
volume/structure	+9.9	(2.2)
prices/price-related	+26.8	+37.3
exchange rates	(3.5)	(1.2)
consolidation	—	—
Complex fertilizers	+28.4	+18.9
Straight nitrogen fertilizers	+48.4	+52.7
Ammonium sulphate	+19.9	+31.9

NITROGEN FERTILIZERS BUSINESS SEGMENT TAB: 1.12.5

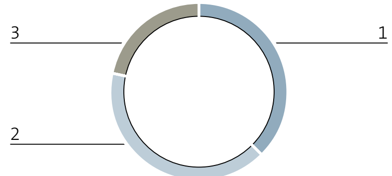
in € million	Q2/11	Q2/10	%	H1/11	H1/10	%
Revenues	228.5	171.5	+33.2	556.6	415.8	+33.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.4	10.0	+4.0	44.6	16.9	+163.9
Operating earnings (EBIT I)	9.9	9.4	+5.3	43.6	15.8	+175.9
Capital expenditure	0.1	0.1	—	0.2	0.2	—
Employees as of 30 June (number)	—	—	—	160	154	+3.9

REVENUES BY REGION JANUARY – JUNE 2011 FIG: 1.12.3



	in %	H1/11	H1/10
1	Germany	11.8	11.9
2	Rest of Europe	60.0	56.1
3	Overseas	28.2	32.0

REVENUES BY SEGMENT JANUARY – JUNE 2011 FIG: 1.12.4



	in %	H1/11	H1/10
1	Complex fertilizers	37.6	42.3
2	Straight nitrogen fertilizers	40.9	35.9
3	Ammonium sulphate	21.5	21.8

NITROGEN FERTILIZERS BUSINESS SEGMENT

On 20 June 2011, the sale of COMPO to the European private equity investor TRITON was announced. Detailed information about the disposal can be found in the Notes on page 34. In accordance with IFRS, COMPO will be stated as "discontinued operations".

Furthermore, on 1 March 2011, BASF announced that it intends the sale of major parts of its fertilizer production facilities. The existing contracts between BASF and K+S to supply K+S NITROGEN with complex fertilizers and straight nitrogen fertilizers are not affected by this and cannot be terminated before 31 December 2014. As the two-pillar strategy of the K+S GROUP provides for growth in the Potash and Magnesium Products and Salt business segments in particular and for a corresponding focus of management resources and financial means on this, the Company ruled out a purchase of these nitrogen fertilizer facilities.

/ **A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE FERTILIZER BUSINESS SECTOR** can be found on page 5 in the 'Industry-specific framework conditions' section.

REVENUES

Revenues in the Nitrogen Fertilizers business segment rose by 33 % year on year to € 228.5 million in the second quarter primarily due to price and volume factors. For complex fertilizers, revenues totalled € 81.4 million

(Q2/10: € 63.4 million), for straight nitrogen fertilizers € 91.1 million (Q2/10: € 61.4 million) and for ammonium sulphate € 56.0 million (Q2/10: € 46.7 million). In all three product sectors, significant price increases in comparison to the same quarter of the previous year could be achieved. While revenues for complex and straight nitrogen fertilizers also grew due to volume factors, in the case of ammonium sulphate there was a volume-related decrease in revenues due to the lower availability of goods. The sales volumes of complex fertilizers, straight nitrogen fertilizers and ammonium sulphate reached 0.97 million tonnes in the second quarter (Q2/10: 0.93 million tonnes). In the first half of the year, revenues increased by a total of 34 % to € 556.6 million, while the sales volume was 2.21 million tonnes (H1/10: 2.28 million tonnes). / TAB: 1.12.4, 1.12.5 / FIG: 1.12.3, 1.12.4

DEVELOPMENT OF EARNINGS

In the second quarter, earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Nitrogen Fertilizers business segment reached € 10.4 million after having been € 10.0 million in the same quarter of the previous year. In the first half of the year, EBITDA was € 44.6 million (H1/10: € 16.9 million).

Operating earnings EBIT I rose in the second quarter by € 0.5 million to € 9.9 million, which includes depreciation and amortisation of € 0.5 million (Q2/10: € 0.6 million). It proved possible to more than make up for higher input costs through price-related significantly higher revenues. In the first half of the year, operating earnings EBIT I could be increased by € 27.8 million to € 43.6 million (H1/10: € 15.8 million). This includes depreciation and amortisation of € 1.0 million (H1/10: € 1.1 million).

OUTLOOK

Deviating from the outlook given in the Financial Report 2010 and the Quarterly Financial Report Q1/2011, the outlook for the Nitrogen Fertilizers business segment exclusively relates to the continued operations. In accordance with IFRS, COMPO is stated as "discontinued operations". In financial year 2011, revenues should grow strongly in comparison to the restated figure for the previous year due to the price-related increase in the case of straight nitrogen fertilizers, complex fertilizers and ammonium sulphate. A high level of capacity utilisation and attractive price prospects should, despite increasing input costs, facilitate a strong increase in operating earnings compared to the good earnings in the previous year.

SALT BUSINESS SEGMENT

/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE SALT BUSINESS SECTOR can be found on page 5 in the 'Industry-specific framework conditions' section.

REVENUES

In the second quarter, revenues of the Salt business segment rose by € 7.1 million or 3 % to € 282.4 million, as a result of volume factors. In the case of de-icing salt, higher sales volumes in both Europe and North America due to good demand as a result of early stocking resulted in an increase in revenues to € 45.3 million (Q2/10: € 26.8 million). In the second quarter, a further significantly positive effect here came from additional claims against customers in Europe, which had exceeded their contractually agreed volumes for de-icing salt in the first quarter. Revenues with food grade salt fell in the second quarter by 8 % to € 76.1 million; positive volume effects due to newly gained customers at SPL were unable to make up for losses primarily due to currency factors. Revenues of € 119.1 million were achieved with industrial salt. This was almost 5 % below the figure for the same quarter of the previous year (€ 125.5 million) due to price and currency factors. While at € 28.0 million, revenues with salt for chemical use were € 4.3 million or 18 % higher than a year ago due to price and volume factors, revenues in the Other sector fell by € 2.6 million to € 13.9 million. Sales volumes of crystallised salt during the second quarter totalled 3.21 million tonnes and were up 17 % on the previous year's level (Q2/10: 2.75 million tonnes). In the first half of the year, total revenues of the

VARIANCE ANALYSIS TAB: 1.12.6

in %	Q2/11	H1/11
Change in revenues	**+2.6**	**+8.2**
volume/structure	+11.2	+8.5
prices/price-related	(0.5)	+1.5
exchange rates	(8.1)	(1.8)
consolidation	—	—
Food grade salt	(8.0)	(3.8)
Industrial salt	(5.1)	(0.3)
Salt for chemical use	+17.7	+19.3
De-icing salt	+68.8	+19.1
Other	(15.8)	(11.8)

business segment reached € 964.9 million, after having been € 891.7 million in the same period of the previous year. The sales volume of crystallised salt increased by 12 % to 13.40 million tonnes in the first half of the year. / TAB: 1.12.6, 1.12.7, 1.12.8 / FIG: 1.12.5, 1.12.6

DEVELOPMENT OF EARNINGS

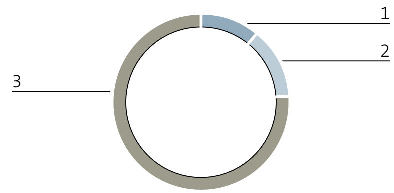
During the quarter under review, earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by almost 27 % to € 40.9 million. In the first half of the year, EBITDA reached € 210.8 million (H1/10: € 202.7 million).

In the Salt business segment, operating earnings EBIT I fell by € 10.8 million to € 11.0 million in the second quarter. It should be noted that the same quarter last year had benefited from non-recurrent effects in the area of provisions in the amount of € 16.2 million. In the second quarter, the additional claims against customers in Europe, which were mentioned in the description of revenue development, had a significantly positive effect. Operating earnings EBIT I include depreciation and amortisation of € 29.9 million (Q2/10: € 34.5 million). EBIT I of the first six months amounted to € 150.1 million after having been € 129.7 million in the previous year and included depreciation and amortisation of € 60.7 million (H1/10: € 73.0 million). The profitability of our global salt business varies depending on the respective regional mix, the utilisation of capacity, the local margin as well as on the exchange rates. Thus, for example, earnings in the first half of the year were favourably affected by € 30 million to € 40 million due to an above-average de-icing salt business in comparison to the long-term average figure.

SALT BUSINESS SEGMENT TAB: 1.12.7

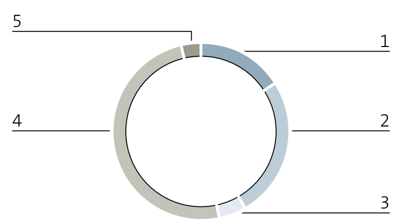
in € million	Q2/11	Q2/10	%	H1/11	H1/10	%
Revenues	282.4	275.3	+2.6	964.9	891.7	+8.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	40.9	56.3	(27.4)	210.8	202.7	+4.0
Operating earnings (EBIT I)	11.0	21.8	(49.5)	150.1	129.7	+15.7
Capital expenditure	13.2	14.9	(11.4)	20.2	26.0	(22.3)
Employees as of 30 June (number)	—	—	—	5,226	5,283	(1.1)

REVENUES BY REGION JANUARY – JUNE 2011 FIG: 1.12.5



	in %	H1/11	H1/10
1	Germany	10.9	14.0
2	Rest of Europe	13.1	13.7
3	Overseas	76.0	72.3

REVENUES BY PRODUCT GROUP JANUARY – JUNE 2011 FIG: 1.12.6



	in %	H1/11	H1/10
1	Food grade salt	16.1	18.1
2	Industrial salt	25.6	27.7
3	Salt for chemical use	5.0	4.5
4	De-icing salt	49.7	45.3
5	Other	3.6	4.4

OUTLOOK

As a result of the good start to the de-icing salt business both in North America and Europe due to weather conditions, we are expecting stable revenues at a high level for the Salt business segment in 2011 in comparison to the peak year 2010. This forecast assumes an average

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES [1] TAB: 1.12.8

		Q1/10	Q2/10	H1/10	Q3/10	Q4/10	2010	Q1/11	Q2/11	H1/11
De-icing salt										
Revenues	€ million	376.5	26.8	403.3	58.1	277.8	739.2	435.0	45.3	480.3
Sales volumes	t million	7.05	0.49	7.54	1.10	4.85	13.49	7.94	0.74	8.68
Average prices	€/t	53.4	54.5	53.5	52.8	57.3	54.8	54.8	61.0	55.3
Industrial salt, salt for chemical use and food grade salt										
Revenues	€ million	217.4	232.0	449.3	228.2	227.4	905.0	226.9	223.2	450.1
Sales volumes	t million	2.20	2.26	4.46	2.23	2.35	9.04	2.24	2.47	4.72
Average prices	€/t	98.9	102.8	100.9	102.4	96.8	100.1	101.2	90.3	95.5
Other										
Revenues	€ million	22.5	16.5	39.0	18.9	26.6	84.5	20.6	13.9	34.5
Salt business segment										
Revenues	€ million	616.4	275.3	891.7	305.2	531.8	1,728.7	682.5	282.4	964.9

[1] Revenues include prices both inclusive and exclusive freight costs. The price information is also affected by the respective product mix and is therefore to be understood as providing a rough indication only.

VARIANCE ANALYSIS TAB: 1.12.9

in %	Q2/11	H1/11
Change in revenues	**+12.7**	**+13.7**
volume/structure	+9.0	+10.4
prices/price-related	+3.7	+3.3
exchange rates	—	—
consolidation	—	—
Waste Management and Recycling	+21.7	+25.6
Logistics	(5.7)	(2.8)
Animal hygiene products	(3.8)	(1.8)
Trading	+23.3	+7.6

de-icing salt business in the fourth quarter as well as an overall relatively stable development in revenues in the food grade and industrial salt segments and in the salt for chemical use segment. On this basis, we expect a total sales volume level in the Salt business segment of about 23 million tonnes (previously: 22 to 23 million tonnes) of crystallised salt in 2011, of which about 14 million tonnes (previously: 13 to 14 million tonnes) should be accounted for by de-icing salt (long-term average sales volume based on historical de-icing salt sales volumes: crystallised salt. 21 million tonnes; of which de-icing salt 12 million tonnes). On the cost side, in particular a lower building-up of stocks should result in moderately declining operating earnings.

COMPLEMENTARY BUSINESS SEGMENTS

REVENUES

In the second quarter, revenues of the Complementary Business Segments with third parties stood at € 36.4 million and were thus 13 % up on the previous year (€ 32.3 million). Including intersegment revenues, total revenues amounted to € 46.4 million (Q2/10: € 41.9 million). In the first half of the year, revenues with third parties amounted to € 74.6 million (H1/10: € 65.6 million), while total revenues were € 95.9 million (H1/10: € 84.6 million). / TAB: 1.12.9, 1.12.10 / FIG: 1.12.7, 1.12.8

In the second quarter, it proved possible to increase revenues of the Waste Management and Recycling segment by 22 % to € 21.9 million due to volume and price factors. In the Animal Hygiene and Logistics segments, at € 7.5 million (Q2/10: € 7.8 million) and € 3.3 million (Q2/10: € 3.5 million) respectively, revenues declined slightly year on year due to volume factors. Trading increased revenues by € 0.7 million to € 3.7 million.

DEVELOPMENT OF EARNINGS

In the second quarter, earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Complementary Business Segments reached € 6.2 million, a decrease of € 1.6 million or 21 % compared to the same quarter last year. EBITDA of € 15.9 million in the first half of the year is slightly higher than the figure for the previous year (H1/10: € 15.7 million).

In the second quarter, operating earnings EBIT I fell by 26 % to € 4.6 million, which includes depreciation and amortisation of € 1.6 million (Q2/10: € 1.6 million). In comparison to the same quarter last year, the Waste Management and Recycling segment was able to increase its earnings due to positive volume and price effects. While earnings in the Animal Hygiene and Trading segments declined slightly, the contribution to earnings made by the Logistics segment decreased significantly against the background of falling prices for freight forwarding services and higher maintenance costs. In the first half of the year, stable operating earnings EBIT I of € 12.7 million (H1/10: € 12.6 million) were achieved. This includes depreciation and amortisation of € 3.2 million (H1/10: € 3.1 million).

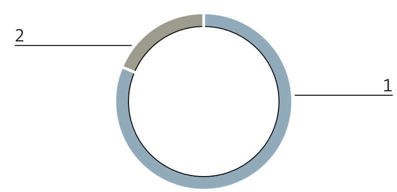
OUTLOOK

From today's perspective, we assume moderately higher revenues for 2011. Operating earnings should rise tangibly (previously: moderately) due to an improved margin situation in the Waste Management segment.

COMPLEMENTARY BUSINESS SEGMENTS TAB: 1.12.10

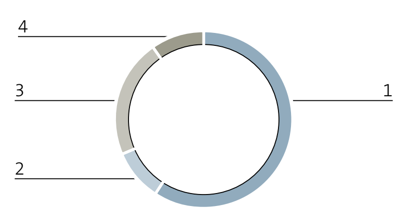
in € million	Q2/11	Q2/10	%	H1/11	H1/10	%
Revenues	36.4	32.3	+12.7	74.6	65.6	+13.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6.2	7.8	(20.5)	15.9	15.7	+1.3
Operating earnings (EBIT I)	4.6	6.2	(25.8)	12.7	12.6	+0.8
Capital expenditure	0.3	1.4	(78.6)	1.0	1.8	(44.4)
Employees as of 30 June (number)	—	—	—	281	277	+1.4

REVENUES BY REGION JANUARY – JUNE 2011 FIG: 1.12.7



	in %	H1/11	H1/10
1	Germany	81.5	79.0
2	Rest of Europe	18.5	21.0

REVENUES BY SEGMENT JANUARY – JUNE 2011 FIG: 1.12.8



	in %	H1/11	H1/10
1	Waste Management and Recycling	59.3	53.6
2	Logistics	9.4	11.0
3	Animal hygiene products	21.8	25.3
4	Trading	9.5	10.1

FINANCIAL SECTION

2

INCOME STATEMENT [1]

TAB: 2.1.1

in € million	Q2/11	Q2/10	H1/11	H1/10	LTM[6]/11	12M/10
Revenues	**1,049.8**	**948.1**	**2,676.7**	**2,346.9**	**4,962.5**	**4,632.7**
Cost of sales	642.0	597.1	1,603.1	1,417.9	3,050.7	2,865.5
Gross profit	**407.8**	**351.0**	**1,073.6**	**929.0**	**1,911.8**	**1,767.2**
Selling expenses	174.0	186.7	423.0	428.9	830.6	836.5
General and administrative expenses	39.5	41.2	84.4	77.9	178.7	172.2
Research and development costs	3.3	3.2	6.7	6.3	14.2	13.8
Other operating income	25.9	74.4	45.1	114.7	110.6	180.2
Other operating expenses	33.9	51.1	57.9	117.2	133.0	192.3
Income from investments, net	0.8	0.7	2.1	1.8	4.4	4.1
Result from operating forecast hedges	7.3	(34.4)	40.9	(50.9)	74.2	(17.6)
Result after operating hedges (EBIT II)[2]	**191.1**	**109.5**	**589.7**	**364.3**	**944.5**	**719.1**
Interest income	3.7	2.2	6.0	3.9	10.6	8.5
Interest expenses	(18.7)	(20.8)	(36.3)	(50.9)	(116.7)	(131.3)
Other financial result	(0.3)	(1.8)	(0.2)	(2.7)	5.3	2.8
Financial result	**(15.3)**	**(20.4)**	**(30.5)**	**(49.7)**	**(100.8)**	**(120.0)**
Earnings before income taxes	**175.8**	**89.1**	**559.2**	**314.6**	**843.7**	**599.1**
Taxes on income	49.5	24.2	149.5	82.5	214.2	147.2
– of which deferred taxes	(6.0)	3.2	5.3	(14.0)	(10.6)	(29.9)
Earnings after taxes from continued operations	**126.3**	**64.9**	**409.7**	**232.1**	**629.5**	**451.9**
Earnings after taxes from discontinued operations	(97.6)	11.5	(87.3)	16.9	(106.7)	(2.5)
Net income	**28.7**	**76.4**	**322.4**	**249.0**	**522.8**	**449.4**
Minority interests in earnings	0.1	0.2	0.2	0.4	0.6	0.8
Group earnings after taxes and minority interests	**28.6**	**76.2**	**322.2**	**248.6**	**522.2**	**448.6**
– thereof continued operations	126.2	64.7	409.5	231.7	628.9	451.1
– thereof discontinued operations	(97.6)	11.5	(87.3)	16.9	(106.7)	(2.5)
Earnings per share in € (undiluted ≙ diluted)	0.15	0.40	1.68	1.30	2.73	2.34
– thereof continued operations	0.66	0.34	2.14	1.21	3.29	2.36
– thereof discontinued operations	(0.51)	0.06	(0.46)	0.09	(0.57)	(0.02)
Average number of shares in million	191.32	191.33	191.25	191.28	191.33	191.34

INCOME STATEMENT [1] (CONTINUED)

TAB: 2.1.1

in € million	Q2/11	Q2/10	H1/11	H1/10	LTM[6]/11	12M/10
Operating earnings (EBIT I)[2]	**191.9**	**138.9**	**560.3**	**398.5**	**876.3**	**714.5**
Earnings before income taxes from continued operations, adjusted[3]	**176.6**	**118.5**	**529.8**	**348.8**	**775.5**	**594.5**
Group earnings from continued operations, adjusted[3]	**126.8**	**85.9**	**388.4**	**256.4**	**579.8**	**447.8**
Earnings per share from continued operations in €, adjusted[3]	**0.66**	**0.45**	**2.03**	**1.34**	**3.03**	**2.34**
Group earnings after taxes, adjusted[3,4]	**29.2**	**97.5**	**301.1**	**273.3**	**473.1**	**445.3**
Earnings per share in €, adjusted[3,4]	**0.15**	**0.51**	**1.57**	**1.43**	**2.47**	**2.33**

STATEMENT OF COMPREHENSIVE INCOME [4]

TAB: 2.1.2

in € million	Q2/11	Q2/10	H1/11	H1/10	LTM[6]/11	12M/10
Net income	**28.7**	**76.4**	**322.4**	**249.0**	**522.8**	**449.4**
Foreign currency translation	(32.9)	174.2	(150.2)	295.8	(297.2)	148.8
Earnings without recognition in profit or loss (after taxes)	**(32.9)**	**174.2**	**(150.2)**	**295.8**	**(297.2)**	**148.8**
Comprehensive income of the period	**(4.2)**	**250.6**	**172.2**	**544.8**	**225.6**	**598.2**
Minority interests in comprehensive income	0.1	0.2	0.2	0.4	0.6	0.8
Group comprehensive earnings after taxes and minority interests	**(4.3)**	**250.4**	**172.0**	**544.4**	**225.0**	**597.4**

OPERATING EARNINGS (EBIT I) [5]

TAB: 2.1.3

in € million	Q2/11	Q2/10	H1/11	H1/10	LTM[6]/11	12M/10
Result after operating hedges (EBIT II)[2]	**191.1**	**109.5**	**589.7**	**364.3**	**944.5**	**719.1**
± Result from operating forecast hedges[2]	(7.3)	34.4	(40.9)	50.9	(74.2)	17.6
± Realised result from operating forecast hedges[2]	8.1	(5.0)	11.5	(16.7)	6.0	(22.2)
Operating earnings (EBIT I)[2]	**191.9**	**138.9**	**560.3**	**398.5**	**876.3**	**714.5**

[1] Due to its sale, COMPO is in accordance with IFRS disclosed retroactively as "discontinued operations". Detailed data on the disposal can be found in the notes on page 34.
[2] Management of the K+S Group is handled, amongst others, on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded in table 2.1.3.
[3] The adjusted key figures unalteredly only include the realised result from operating forecast hedges of the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings. Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/11: 28.3 % (Q2/10: 27.9 %).
[4] Earnings from continued and discontinued operations.
[5] Information on operating earnings refers to continued operations.
[6] LTM = last twelve months (Q3/10 + Q4/10 + Q1/11 + Q2/11).

CASH FLOW STATEMENT[1] TAB: 2.2.1

in € million	Q2/11	Q2/10	H1/11	H1/10	LTM²/11	12M/10
Result after operating hedges (EBIT II)	**191.1**	**109.5**	**589.7**	**364.3**	**944.5**	**719.1**
Income (–)/expenses (+) from market value changes of hedging transactions not yet due	1.7	30.1	(27.0)	39.4	(65.6)	0.8
Neutralising previous market value changes of derecognised hedging transactions	(0.9)	(0.7)	(2.4)	(5.2)	(2.6)	(5.4)
Operating earnings (EBIT I)	**191.9**	**138.9**	**560.3**	**398.5**	**876.3**	**714.5**
Depreciation (+)/write-ups (–) on intangible assets, property, plant and equipment and financial assets	55.6	59.3	112.1	122.3	228.3	238.5
Increase (+)/decrease (–) in non-current provisions (without interest rate effects)	4.9	(12.9)	8.7	(6.0)	47.6	32.9
Interests, dividends received and similar income	3.4	2.2	4.9	4.2	6.0	5.3
Gains (+)/losses (–) from the realisation of financial assets and liabilities	(2.5)	(0.4)	(2.6)	(2.0)	(1.9)	(1.3)
Interest paid (–)	(2.0)	(2.3)	(3.1)	(6.5)	(51.2)	(54.6)
Income taxes paid (–)	(53.3)	(23.5)	(143.1)	(44.0)	(221.9)	(122.8)
Other non-cash expenses (+)/income (–)	3.7	1.8	(3.1)	7.2	(12.4)	(2.1)
Gross cash flow from continued operations	**201.7**	**163.1**	**534.1**	**473.7**	**870.8**	**810.4**
Gross cash flow from discontinued operations	8.1	18.5	25.6	29.1	16.3	19.8
Gross cash flow	**209.8**	**181.6**	**559.7**	**502.8**	**887.1**	**830.2**

CASH FLOW STATEMENT[1] (CONTINUED) TAB: 2.2.1

in € million	Q2/11	Q2/10	H1/11	H1/10	LTM²/11	12M/10
Gross cash flow	**209.8**	**181.6**	**559.7**	**502.8**	**887.1**	**830.2**
Gain (–)/loss (+) on the disposal of fixed assets and securities	1.8	0.7	1.7	0.3	0.8	(0.6)
Increase (–)/decrease (+) in inventories	(95.9)	(70.8)	34.6	60.3	(55.7)	(30.0)
Increase (–)/decrease (+) in receivables and other assets from operating activities	164.5	234.2	32.1	60.0	(146.0)	(118.1)
– of which premium volume for derivatives	1.7	(10.1)	12.3	(2.4)	(1.7)	(16.4)
Increase (+)/decrease (–) in liabilities from operating activities	(17.9)	(37.0)	(35.3)	5.3	131.8	172.4
– of which premium volume for derivatives	(1.6)	4.1	(2.4)	6.8	1.6	10.8
Increase (+)/decrease (–) of current provisions	(75.0)	(49.8)	(22.8)	(3.0)	(13.5)	6.3
Out-financing of plan assets	(13.6)	(0.5)	(99.9)	(2.4)	(100.2)	(2.7)
Cash flow from operating activities	**173.7**	**258.4**	**470.1**	**623.3**	**704.3**	**857.5**
– thereof continued operations	**118.9**	**193.4**	**468.5**	**587.6**	**707.3**	**826.4**
– thereof discontinued operations	54.8	65.0	1.6	35.7	(3.0)	31.1
Proceeds from disposals of fixed assets	(0.3)	3.6	1.6	5.0	3.1	6.5
Disbursements for intangible assets	(7.0)	(1.9)	(10.5)	(2.3)	(26.3)	(18.1)
Disbursements for property, plant and equipment	(43.0)	(32.5)	(68.9)	(59.4)	(185.7)	(176.2)
Disbursements for financial assets	—	(2.2)	(3.0)	(4.3)	(1.1)	(2.4)
Disbursements for the acquisition of consolidated companies	—	—	(242.8)	—	(242.8)	—
Disbursements for the purchase of securities and other financial investments	(65.7)	—	(65.7)	—	(65.7)	—
Cash flow for investing activities	**(116.0)**	**(33.0)**	**(389.3)**	**(61.0)**	**(518.5)**	**(190.2)**
– thereof continued operations	**(114.6)**	**(30.7)**	**(386.7)**	**(54.6)**	**(509.8)**	**(177.7)**
– thereof discontinued operations	(1.4)	(2.3)	(2.6)	(6.4)	(8.7)	(12.5)
Free cash flow	**57.7**	**225.4**	**80.8**	**562.3**	**185.8**	**667.3**

CASH FLOW STATEMENT[1] (CONTINUED) TAB: 2.2.1

in € million	Q2/11	Q2/10	H1/11	H1/10	LTM[2]/11	12M/10
Free cash flow	**57.7**	**225.4**	**80.8**	**562.3**	**185.8**	**667.3**
– thereof continued operations	**4.3**	**162.7**	**81.8**	**533.0**	**197.5**	**648.7**
– thereof discontinued operations	53.4	62.7	(1.0)	29.3	(11.7)	18.6
Dividends paid	(191.4)	(38.3)	(191.4)	(38.3)		
Disbursements for the acquisition of non-controlling interests	–	–	(59.3)	–		
Payments from other allocations to equity	4.8	6.1	4.8	6.1		
Purchase of own shares	–	–	(13.8)	(8.4)		
Sale of own shares	7.9	0.5	7.9	0.5		
Increase (+)/decrease (–) in liabilities from finance lease	(0.6)	(0.8)	(1.3)	(0.9)		
Taking out (+)/repayment of (–) loans	(0.6)	(39.6)	(6.4)	(397.7)		
Cash flow for financing activities	**(179.9)**	**(72.1)**	**(259.5)**	**(438.7)**		
– thereof continued operations	**(177.1)**	**(71.4)**	**(257.3)**	**(438.1)**		
– thereof discontinued operations	(2.8)	(0.7)	(2.2)	(0.6)		
Change in cash and cash equivalents affecting cash flow	**(122.2)**	**153.3**	**(178.7)**	**123.6**		
– thereof continued operations	**(172.8)**	**91.3**	**(175.5)**	**94.9**		
– thereof discontinued operations	50.6	62.0	(3.2)	28.7		
Change in cash and cash equivalents resulting from exchange rates	(0.2)	8.8	(8.5)	16.7		
Change in cash and cash equivalents	**(122.4)**	**162.1**	**(187.2)**	**140.3**		

[1] Due to its sale, COMPO is in accordance with IFRS disclosed retroactively as "discontinued operations". Detailed information on the disposal can be found in the notes on page 34.
[2] LTM = last twelve months (Q3/10 + Q4/10 + Q1/11 + Q2/11).

Explanations to the cash flow statement can be found on page 11.

NET CASH AND CASH EQUIVALENTS TAB: 2.2.2

in € million	Q2/11	Q2/10	H1/11	H1/10
Net cash and cash equivalents as of 1 January	**–**	**–**	**740.6**	**520.1**
Change in cash and cash equivalents	–	–	(187.2)	140.3
Net cash and cash equivalents as of 30 June	**–**	**–**	**553.4**	**660.4**
– thereof cash on hand and balances with banks	**–**	**–**	**550.8**	**666.7**
– thereof cash invested with associated companies	–	–	77.7	–
– thereof cash received from associated companies	–	–	(10.7)	(6.3)
– thereof net cash and cash equivalents from discontinued operations	–	–	(64.4)	–

BALANCE SHEET — ASSETS TAB: 2.3.1

in € million	30.6.2011	30.6.2010	31.12.2010
Intangible assets	935.0	1,063.2	999.7
– of which goodwill from acquisitions	591.3	649.8	615.3
Property, plant and equipment	2,014.3	1,811.6	1,803.6
Investment properties	7.7	8.0	7.8
Financial assets	23.2	26.3	24.1
Receivables and other assets	67.0	288.8	43.0
– of which derivate financial instruments	—	5.9	6.4
Securities and other financial investments	40.7	—	—
Deferred taxes	30.3	30.5	57.8
Reimbursement claims of income taxes	0.5	0.5	0.4
Non-current assets	**3,118.7**	**3,228.9**	**2,936.4**
Inventories	545.1	672.1	740.2
Accounts receivable – trade	766.6	815.8	949.8
Other receivables and assets	256.6	164.1	174.3
– of which derivate financial instruments	48.2	5.5	35.4
Reimbursement claims of income taxes	20.1	14.2	24.6
Securities and other financial investments	25.3	—	—
Cash on hand and balances with banks	550.8	666.7	748.4
Assets classified as held for sale	274.0	—	—
Current assets	**2,438.5**	**2,332.9**	**2,637.3**
ASSETS	5,557.2	5,561.8	5,573.7

BALANCE SHEET — EQUITY AND LIABILITIES TAB: 2.3.1

in € million	30.6.2011	30.6.2010	31.12.2010
Subscribed capital	191.4	191.4	191.4
Additional paid-in capital	646.4	646.2	647.5
Other reserves and accumulated profit	1,786.1	1,758.4	1,810.1
Minority interests	2.8	2.2	2.6
Equity	**2,626.7**	**2,598.2**	**2,651.6**
Bank loans and overdrafts	767.7	883.1	769.1
Other liabilities	19.2	18.9	22.8
– of which derivative financial instruments	2.8	5.9	4.6
Provisions for pensions and similar obligations	97.7	182.0	184.8
Provisions for mining obligations	535.0	432.5	528.4
Other provisions	145.6	245.4	152.4
Deferred taxes	310.2	277.3	261.6
Non-current debt	**1,875.4**	**2,039.2**	**1,919.1**
Bank loans and overdrafts	2.4	31.2	17.5
Accounts payable – trade	429.7	355.5	511.2
Other liabilities	90.1	145.4	86.7
– of which derivative financial instruments	4.8	48.0	12.5
Income tax liabilities	75.7	78.7	82.4
Provisions	229.3	313.6	305.2
Liabilities directly associated with assets classified as held for sale	227.9	—	—
Current debt	**1,055.1**	**924.4**	**1,003.0**
EQUITY AND LIABILITIES	5,557.2	5,561.8	5,573.7

STATEMENT OF CHANGES IN EQUITY

TAB: 2.4.1

in € million	Subscribed capital	Additional paid-in capital	Accumulated profit / other reserves	Differences from foreign currency translation	Total K+S AG shareholders' equity	Minority interests	Equity
Balances as of 1 January 2011	191.4	647.5	1,671.7	138.4	2,649.0	2.6	2,651.6
Net income	–	–	322.2	–	322.2	0.2	322.4
Earnings without recognition in profit or loss (after taxes)	–	–	–	(150.2)	(150.2)	–	(150.2)
Net income for the period	**–**	**–**	**322.2**	**(150.2)**	**172.0**	**0.2**	**172.2**
Dividend for the previous year	–	–	(191.4)	–	(191.4)	–	(191.4)
Issuance of shares to employees	–	(1.1)	–	–	(1.1)	–	(1.1)
Other changes in equity	–	–	(4.6)	–	(4.6)	–	(4.6)
Balances as of 30 June 2011	**191.4**	**646.4**	**1,797.9**	**(11.8)**	**2,623.9**	**2.8**	**2,626.7**
Balances as of 1 January 2010	191.4	648.8	1,263.0	(10.3)	2,092.9	1.8	2,094.7
Net income	–	–	248.6	–	248.6	0.4	249.0
Earnings without recognition in profit or loss (after taxes)	–	–	–	295.8	295.8	–	295.8
Net income for the period	**–**	**–**	**248.6**	**295.8**	**544.4**	**0.4**	**544.8**
Dividend for the previous year	–	–	(38.3)	–	(38.3)	–	(38.3)
Issuance of shares to employees	–	(2.6)	–	–	(2.6)	–	(2.6)
Other changes in equity	–	–	(0.4)	–	(0.4)	–	(0.4)
Balances as of 30 June 2010	**191.4**	**646.2**	**1,472.9**	**285.5**	**2,596.0**	**2.2**	**2,598.2**

2.5 NOTES

EXPLANATORY NOTES; CHANGES IN THE LEGAL GROUP AND ORGANISATIONAL STRUCTURE

The interim report of 30 June 2011 is prepared in accordance with the INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) as well as the interpretations of the INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC), insofar as those have been recognised by the European Union. The report is prepared as abridged financial statements with selected explanatory notes as stipulated by IAS 34. With the exception of adjustments made as a result of changes to accounting standards, the accounting and valuation principles used for this interim report correspond to those used for the consolidated financial statements 2010.

Foreign currency assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Income and expenses are translated applying the average exchange rates for the quarter.

Accounting standards and interpretations to be applied in the financial year 2011 for the first time are of no relevance to the consolidated financial statements of the K+S GROUP.

There were no noteworthy changes to the composition and responsibilities of the Board of Executive Directors and the Supervisory Board as described in the Financial Report 2010.

AUDITOR'S REVIEW

The interim financial statements and the interim management report were not reviewed by the auditor (Section 37w, Para. 5, Sent. 1 of the German Securities Trading Act).

CHANGES IN SCOPE OF CONSOLIDATION

The information regarding the scope of consolidation presented in the Financial Report 2010 on page 174 was changed as follows during the second quarter of 2011: KALI TRANSPORT GESELLSCHAFT MBH was renamed K+S TRANSPORT GMBH. The following changes arose within the framework of the carve-out of COMPO under company law: K PLUS S FRANCE SAS was renamed COMPO FRANCE SAS and K+S ARGENTINA S.R.L. was renamed COMPO ARGENTINA S.R.L.

DISPOSAL OF COMPO

The strategy of the K+S GROUP provides for growth in the Potash and Magnesium Products and Salt business segments in particular and for focusing management resources and financial means correspondingly on this. Against this background, last year, K+S initiated the examination of a disposal of COMPO. COMPO, based in Münster/Westphalia, is one of the leading suppliers of branded goods for home and garden. The company has one of the best-known brand and most innovative product portfolios in the sector and employs 1,075 employees globally. In the second half of 2010, preparations were made for the company-law and corporate carve-out of COMPO from the K+S GROUP, which was completed at the start of 2011.

Subsequently, contact was made with potential investors and, within the framework of a bidding process, a corresponding sale agreement was signed with TRITON on 20 June 2011 with the consent of the Supervisory Board. The closing of the transaction is expected to take place in the third quarter of 2011. With this, the examination of a disposal of COMPO begun last year will have reached its conclusion. After the deduction of assumed liabilities, K+S expects a cash inflow of probably about € 150 million.

After the conclusion of the sale agreement, COMPO meets the criteria under IFRS 5 "Non-current assets held for sale and discontinued operations" and must therefore be carried on the balance sheet as a disposal group held for sale and as a discontinued operation.

All assets and liabilities of COMPO were therefore reclassified and disclosed in the consolidated balance sheet as separate items "Assets held for sale" and "Liabilities in connection with assets held for sale" respectively. Comparative information for the balance sheets of the preceding periods was not restated in accordance with IFRS 5.

All income and expenses of COMPO, classified as a discontinued operation, were reclassified and disclosed in a separate item "Earnings after taxes from discontinued operations". Comparative periods were restated in accordance with IFRS 5.

Pursuant to IFRS 5, the cash flows of the discontinued operation are stated separately in the cash flow statement. The comparative figures of the cash flow statement for the preceding periods were also restated correspondingly.

On the reporting date 30 June 2011, an impairment loss of € 104 million after taxes is disclosed as a result of the valuation of assets of the disposal group COMPO at fair value less costs to sell already incurred (€ 2.2 million). Until the date of the closing, the assets held for sale and the related liabilities will change. Therefore, the final loss from the disposal cannot be established until the closing.

The composition of the earnings after taxes from discontinued operations is shown in table 2.5.1. / **TAB: 2.5.1**

EARNINGS AFTER TAXES FROM DISCONTINUED OPERATIONS TAB: 2.5.1

in € million	Q2/11	Q2/10	H1/11	H1/10
Revenues	**118.7**	**117.4**	**275.7**	**264.3**
Other income and expenses	(112.1)	(100.8)	(253.2)	(239.6)
EBIT	**6.6**	**16.6**	**22.5**	**24.7**
Financial result	(0.5)	(1.2)	(1.1)	(2.0)
Earnings before taxes	**6.1**	**15.4**	**21.4**	**22.7**
Taxes on income	(0.3)	4.0	4.7	5.8
Earnings after taxes for the period	**6.4**	**11.4**	**16.7**	**16.9**
Impairment deriving from the measurement of disposal group assets at fair value less costs to sell	(103.0)	–	(103.0)	–
Taxes on income	1.0	–	1.0	–
Impairment after income taxes deriving from the measurement of disposal group assets at fair value less costs to sell	**(104.0)**	**–**	**(104.0)**	**–**
Earnings after taxes from discontinued operations	(97.6)	11.4	(87.3)	16.9

Table 2.5.2 shows the assets and liabilities of COMPO, which are classified as held for sale. / **TAB: 2.5.2**

ASSETS AND LIABILITIES IN CONNECTION WITH ASSETS HELD FOR SALE TAB: 2.5.2

in € million	30.6.2011
Financial assets and other non-current assets	4.1
Inventories	117.3
Accounts receivable – trade	122.9
Other current assets	20.2
Cash on hand and balances with banks	9.5
Assets held for sale	**274.0**
Provisions for pensions and similiar obligations	17.5
Other non-current provisions	8.6
Bank loans and overdrafts	8.3
Accounts payable – trade	33.8
Other liabilities	109.7
Current provisions	50.0
Liabilities in connection with assets held for sale	**227.9**

ACQUISITION OF POTASH ONE

K+S CANADA HOLDINGS INC., an indirect wholly owned subsidiary of K+S AKTIENGESELLSCHAFT, took over control of 81.6 % of the shares of POTASH ONE INC. (Vancouver, Canada) with effect from 21 January 2011 under a public takeover bid. The purchase price paid in cash was € 263.2 million (CAD 4.50 per share). Acquisition-related ancillary costs of € 3.7 million were incurred up to the date of acquisition (21 January 2011), which were recognised as expenses (reported chiefly as other operating expenses); thereof, € 3.3 million were attributable to the fourth quarter of 2010 and € 0.4 million to the first quarter of 2011.

POTASH ONE holds several potash exploration licences in the Canadian province of Saskatchewan including the Legacy Project – an advanced greenfield project for the construction of a potash solution mine. The acquisition of POTASH ONE enables us to invest in low-cost deposits that are rich in raw materials, to increase our potash capacities and to participate in market growth over the medium to long term.

Ahead of the acquisition, on 24 November 2010, POTASH ONE issued a convertible bond at a nominal value of CAD 30 million, which was fully subscribed for by K+S CANADA HOLDINGS INC.

The proceeds from this convertible bond are being used to finance water supply facilities for the Legacy Project. This financing measure enabled POTASH ONE to avoid delaying the development of its Legacy Project. The conversion right was disclosed as a derivative in the financial statements of the K+S GROUP as at 31 December 2010 and valued at € 2.8 million. The derivative remained unchanged until the date of acquisition. POTASH ONE had disclosed this derivative on a mirror-image basis in equity.

The following companies were taken over as part of the acquisition:

+ POTASH ONE INC. (merged into K+S CANADA HOLDINGS INC. on 31 March 2011)
+ POTASH NORTH RESOURCE CORPORATION (merged into K+S CANADA HOLDINGS INC. on 31 March 2011)
+ 0799833 B.C. LTD (merged into K+S CANADA HOLDINGS INC. on 31 March 2011)
+ ISX OIL & GAS INC.
+ K+S LEGACY GP INC.
+ K+S POTASH CANADA GP

The operating business of POTASH ONE is full reflected in K+S POTASH CANADA GP. K+S POTASH CANADA GP is being consolidated for the first time as of 31 March 2011. From a Group perspective, ISX OIL & GAS INC. and K+S LEGACY GP INC. are of secondary importance and are being stated at their acquisition costs.

The fair values of the assets and liabilities taken over at the date of acquisition (21 January 2011) and the goodwill of POTASH ONE derived from them are shown in table 2.5.3. / TAB: 2.5.3

POTASH ONE TAB: 2.5.3

in € million	Fair values as of date of acquisition
Property, plant and equipment	386.1
Deferred taxes	0.1
Non-current assets	**386.2**
Other receivables and assets	0.9
Securities	0.7
Cash on hand and balances with banks	20.4
Current assets	**22.0**
Assets	408.2

POTASH ONE (CONTINUED) TAB: 2.5.3

in € million	Fair values as of date of acquisition
Deferred taxes	84.2
Non-current debt	**84.2**
Bank loans and overdrafts	19.5
Accounts payable – trade	0.8
Other liabilities	0.3
Current debt	**20.6**
Equity and liabilities	104.8
Net assets (interim)	**303.4**
Net assets of non-controlling interest of 18.4 % (interim)	**55.7**
Net assets of controlling interest of 81.6 % (interim)	**247.7**
Goodwill (interim)	**18.3**
Purchase price of 81.6 % of share	263.2
Conversion right arising from the convertible bond	2.8
Purchase price of 81.6 % of share including conversion right arising from convertible bond	**266.0**

Compared with the first quarter of 2011, an adjustment of the purchase price allocation was made, the reason is the revaluation of deferred taxes. The final purchase price allocation will take place within a period of twelve months from the date of acquisition. The main asset of POTASH ONE are the raw material deposits related to the Legacy Project; the existing resource basis for potassium chloride is a physical asset, which is disclosed under the item raw material deposits within property, plant and equipment.

A comparison of the acquisition costs and the revalued proportionate net assets results in temporary goodwill of € 18.3 million. The goodwill represents those assets that are not individually identifiable when allocating the purchase price and for which a future economic benefit is expected. The amount of goodwill is largely affected by the recognition of deferred taxes in connection with the re-measurement of assets and liabilities. The goodwill is assigned to the cash-generating unit Potash and Magnesium Products. A tax-deductible goodwill did not arise.

At the start of February, a further 9.3 % of the shares were acquired for cash at a price of € 30.1 million (CAD 4.50 per share). The remaining 9.1 % of POTASH ONE shares outstanding were acquired for cash in March by means of a compulsory acquisition within the framework of the Canada Business Corporations Act at a price of € 29.2 million (CAD 4.50 per share). The purchases made in February and March, however, had to be stated as equity transactions in accordance with the regulations of IAS 27. Use was not made of the right of choice to identify goodwill in relation to the shares of other shareholders (full goodwill method).

Since its inclusion in the financial statements of the K+S GROUP, K+S POTASH CANADA GP has generated operating earnings EBIT I of € (3.5) million and earnings after income taxes of € (3.6) million.

It is not possible to determine earnings assuming that the POTASH ONE acquisition had already occurred at the beginning of the year, as no reliable IFRS figures are available for that period.

SEASONAL FACTORS

There are seasonal differences over the course of the year that affect the sales volumes of fertilizers and salt products. In the case of fertilizers, we generally attain our highest sales volumes in the first half of the year because of the spring fertilisation in Europe. Sales volumes of salt products – especially of de-icing salt – largely depend on the respective wintry weather during the first and fourth quarters. In the aggregate, both these effects mean that revenues and particularly earnings are generally strongest during the first half of the year.

IMPORTANT KEY FIGURES (LTM[1]) TAB: 2.5.4

in € million	LTM 2011	2010
Revenues	4,962.5	4,632.7
EBITDA	1,104.6	953.0
EBIT I	876.3	714.5
Group earnings after taxes from continued operations, adjusted	579.8	447.8

[1] LTM = last twelve months (Q3/10 + Q4/10 + Q1/11 + Q2/11)

INFORMATION CONCERNING MATERIAL EVENTS SINCE THE END OF THE INTERIM REPORTING PERIOD

You will find such information in our Subsequent Events section on page 14.

FOREIGN CURRENCY HEDGING

Exchange rate fluctuations between the euro and the national currencies relevant to our business can lead to the value of the service performed not matching the value of the consideration received in transactions, because expenditure and income arise in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, play an important role for the Potash and Magnesium Products business segment. For these transaction risks, options and, in some cases, also futures are concluded for the time the revenues are expected to arise (plan hedging). The US dollar receivables that arise after billing are then, less expected US dollar expenditure, hedged for the agreed time of the incoming payment via futures (bill hedging).

FOREIGN CURRENCY HEDGING
POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT TAB: 2.5.5

	Q1/10	Q2/10	Q3/10	Q4/10	2010	Q1/11	Q2/11	2011e
USD/EUR exchange rate after premiums	1.39	1.29	1.33	1.39	1.35	1.35	1.34	1.36
Average USD/EUR spot rate	1.38	1.27	1.29	1.36	1.33	1.37	1.44	—

In the Salt business segment, currency risks normally result from the translation of the earnings achieved by MORTON SALT and SPL, which are predominantly denominated in US dollars, into the Group currency, which is the euro. Analogous to the hedging strategy for the Potash and Magnesium Products business segment, options and, in some cases, futures are concluded in relation to these translation risks (plan hedging). Within the framework of translation hedging in the Salt business segment, hedging transactions exist until the end of the first quarter 2012; for 2011 exists a worst case scenario of 1.37 USD/EUR.

OTHER OPERATING INCOME/EXPENSES

Material items of other operating income/expenses are shown in table 2.5.6. / TAB: 2.5.6

OTHER OPERATING INCOME / EXPENSES TAB: 2.5.6

in € million	Q2/11	Q2/10	H1/11	H1/10
Gains / losses on foreign currency exchange rates	(0.1)	0.6	(4.5)	9.1
Change in provisions	1.8	23.4	1.9	3.1
Other	(9.7)	(0.7)	(10.2)	(14.7)
Other operating income / expenses	(8.0)	23.3	(12.8)	(2.5)

FINANCIAL RESULT

Material items of the financial result are shown in table 2.5.7. / TAB: 2.5.7

FINANCIAL RESULT TAB: 2.5.7

in € million	Q2/11	Q2/10	H1/11	H1/10
Interest income	3.7	2.2	6.0	3.9
Interest expenses	(18.7)	(20.8)	(36.3)	(50.9)
– of which interest expenses for pension provisions	(1.0)	(1.0)	(2.7)	(2.4)
– of which interest expenses for provisions for mining obligations	(6.5)	(5.2)	(11.0)	(10.7)
Interest income, net	**(15.0)**	**(18.6)**	**(30.3)**	**(47.0)**
Income from the realisation of financial assets / liabilities	(2.5)	(0.3)	(2.6)	(1.9)
Income from the valuation of financial assets / liabilities	2.2	(1.5)	2.4	(0.8)
Other financial result	**(0.3)**	**(1.8)**	**(0.2)**	**(2.7)**
Financial result	(15.3)	(20.4)	(30.5)	(49.7)

DISCOUNT FACTORS FOR PROVISIONS

The actuarial measurement of pension provisions is performed applying the projected unit credit method in accordance with IAS 19. The average weighted discount factor for pensions and similar obligations was, unchanged compared to 31 December 2010, 5.1 % (30 June 2010: 5.7 %). The average weighted discount factor for provisions for mining obligations was 4.7 % (30 June 2010: 5.6 %).

TAXES ON INCOME

Material items of taxes on income are shown in table 2.5.8. / TAB: 2.5.8

TAXES ON INCOME TAB: 2.5.8

in € million	Q2/11	Q2/10	H1/11	H1/10
Corporate income tax	23.3	14.5	62.4	41.7
Trade tax on income	18.7	9.2	50.6	31.8
Foreign income taxes	13.5	(2.7)	31.2	23.0
Deferred taxes	(6.0)	3.2	5.3	(14.0)
Taxes on income	49.5	24.2	149.5	82.5

Non-cash deferred taxes result from tax loss carryforwards as well as other temporary tax-related measurement differences.

MATERIAL CHANGES IN INDIVIDUAL BALANCE SHEET ITEMS

Compared with the 2010 annual financial statements, the balance sheet total as of 30 June 2011 decreased by € 16.5 million. On the asset side, non-current assets increased by € 182.3 million, and current assets decreased by € 198.8 million. The increase in non-current assets results mainly from an increase in raw material deposits in property, plant and equipment, which were acquired within the framework of the acquisition of POTASH ONE. This was counteracted by the sale of COMPO. The decrease in current assets chiefly results from a decrease in inventories in the amount of € 195.1 million, of which € 139.6 million resulted from the reclassification of COMPO's inventories into the item "Assets held for sale". In addition, trade and other receivables decreased by € 183.2 million, of which € 122.9 million was attributable to the reclassification of COMPO. Moreover, cash on hand and balances with banks declined by € 197.6 million; the reclassification of COMPO accounts for € 9.5 million of this. On the other hand, other receivables and assets have increased by € 82.3 million as compared to 31 December 2010. The increase is mainly due to receivables from COMPO which are no longer consolidated.

On the equity and liabilities side, equity decreased by € 24.9 million; this is attributable primarily to the distribution of dividends in May 2011. Debt rose by € 8.4 million. This is primarily due to an increase in deferred taxes of € 48.6 million. The increase resulted mainly from K+S POTASH CANADA GP. On the other hand, there was a decrease in provisions for pensions and similar obligations of € 87.1 million. The reclassification of COMPO accounted for € 17.5 million of this.

MATERIAL CHANGES IN EQUITY

Equity is affected by both transactions contributing to profit or loss and those not recognised in profit or loss, as well as by capital transactions with shareholders. Compared with the annual financial statements for 2010, profit retained and other reserves increased by € 126.2 million. The increase is mainly due to the positive net income for the first half of 2011 (after taxes and minority interests) of € 322.2 million. Changes in equity without recognition in profit or loss also had to be accounted for, resulting from foreign currency translation of subsidiaries in the functional foreign currency (mainly the US dollar). Differences arising from currency translation are recorded in a separate currency translation reserve; this decreased by € 150.2 million as at 30 June 2011 because of exchange rate fluctuations.

NET INDEBTEDNESS TAB: 2.5.9

in € million	H1/11	H1/10
Net indebtedness as of 1 January	(732.5)	(1,338.9)
Cash on hand and balances with banks as of 30 June	550.8	666.7
Non-current securities and other financial investments as of 30 June	40.7	—
Current securities and other financial investments as of 30 June	25.3	—
Bank loans and overdrafts	(770.1)	(914.3)
Net financial liabilities as of 30 June	**(153.3)**	**(247.6)**
Provisions for pensions and similar obligations	(97.7)	(182.0)
Provisions for mining obligations	(535.0)	(432.5)
Reimbursement claim bond Morton Salt	17.4	—
Net indebtedness as of 30 June	**(768.6)**	**(862.1)**

CONTINGENT LIABILITIES

There have been no significant changes in contingent liabilities in comparison with the annual financial statements 2010 and they can be classified as immaterial overall.

RELATED PARTIES

Within the K+S GROUP, deliveries are made and services rendered on customary market terms. Besides transactions between K+S GROUP companies, business relations are maintained with non-consolidated subsidiaries as well as companies over which the K+S GROUP can exercise a significant influence (associated companies). Such relationships do not have a material influence on the consolidated financial statements of the K+S GROUP. In the K+S GROUP, related persons are mainly the Board of Executive Directors and the Supervisory Board. The remuneration received by this group of persons is disclosed annually in the Remuneration Report. There were no other material transactions with related parties.

TOTAL REVENUES Q2 TAB: 2.5.10

in € million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products	502.4	13.5	515.9
Nitrogen Fertilizers	228.5	—	228.5
Salt	282.4	1.1	283.5
Complementary Business Segments	36.4	10.0	46.4
Reconciliation	0.1	(24.6)	(24.5)
K+S Group Q2/11	**1,049.8**	**—**	**1,049.8**
Potash and Magnesium Products	468.9	12.1	481.0
Nitrogen Fertilizers	171.5	0.6	172.1
Salt	275.3	1.0	276.3
Complementary Business Segments	32.3	9.6	41.9
Reconciliation	0.1	(23.3)	(23.2)
K+S Group Q2/10	**948.2**	**—**	**948.2**

TOTAL REVENUES H1 TAB: 2.5.11

in € million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products	1,080.4	30.1	1,110.5
Nitrogen Fertilizers	556.6	1.9	558.5
Salt	964.9	2.3	967.2
Complementary Business Segments	74.6	21.3	95.9
Reconciliation	0.2	(55.6)	(55.4)
K+S Group H1/11	**2,676.7**	**—**	**2,676.7**
Potash and Magnesium Products	973.6	29.1	1,002.7
Nitrogen Fertilizers	415.8	2.7	418.5
Salt	891.7	2.1	893.8
Complementary Business Segments	65.6	19.0	84.6
Reconciliation	0.2	(52.9)	(52.7)
K+S Group H1/10	**2,346.9**	**—**	**2,346.9**

2.6 SUMMARY BY QUARTER[1]

REVENUES & OPERATING EARNINGS (IFRS)

TAB: 2.6.1

in € million	Q1/10	Q2/10	H1/10	Q3/10	Q4/10	2010	Q1/11	Q2/11	H1/11
Potash and Magnesium Products	504.7	468.9	973.6	422.7	470.7	1,867.0	578.0	502.4	1,080.4
Nitrogen Fertilizers	244.3	171.5	415.8	240.3	246.3	902.4	328.1	228.5	556.6
Salt	616.4	275.3	891.7	305.2	531.9	1,728.8	682.5	282.4	964.9
Complementary Business Segments	33.3	32.3	65.6	31.9	36.5	134.0	38.2	36.4	74.6
Reconciliation	0.1	0.1	0.2	0.3	0.0	0.5	0.1	0.1	0.2
K+S Group revenues	**1,398.8**	**948.1**	**2,346.9**	**1,000.4**	**1,285.4**	**4,632.7**	**1,626.9**	**1,049.8**	**2,676.7**
Potash and Magnesium Products	150.6	119.2	269.8	79.4	126.7	475.9	202.4	184.4	386.8
Nitrogen Fertilizers	6.4	9.4	15.8	11.5	16.0	43.3	33.7	9.9	43.6
Salt	107.9	21.8	129.7	31.8	76.6	238.1	139.1	11.0	150.1
Complementary Business Segments	6.4	6.2	12.6	4.3	4.3	21.2	8.1	4.6	12.7
Reconciliation	(11.7)	(17.7)	(29.4)	(9.6)	(25.0)	(64.0)	(14.9)	(18.0)	(32.9)
K+S Group EBIT I	**259.6**	**138.9**	**398.5**	**117.4**	**198.6**	**714.5**	**368.4**	**191.9**	**560.3**

INCOME STATEMENT (IFRS)

TAB: 2.6.2

in € million	Q1/10	Q2/10	H1/10	Q3/10	Q4/10	2010	Q1/11	Q2/11	H1/11
Revenues	**1,398.8**	**948.1**	**2,346.9**	**1,000.5**	**1,285.3**	**4,632.7**	**1,626.9**	**1,049.8**	**2,676.7**
Cost of sales	820.8	597.1	1,417.9	644.9	802.7	2,865.5	961.1	642.0	1,603.1
Gross profit	**578.0**	**351.0**	**929.0**	**355.6**	**482.6**	**1,767.2**	**665.8**	**407.8**	**1,073.6**
Selling expenses	242.2	186.7	428.9	192.3	215.3	836.5	249.0	174.0	423.0
General and administrative expenses	36.7	41.2	77.9	36.8	57.5	172.2	44.9	39.5	84.4
Research and development costs	3.1	3.2	6.3	2.9	4.6	13.8	3.4	3.3	6.7
Other operating income/expenses	(25.8)	23.3	(2.5)	(3.5)	(6.1)	(12.1)	(4.8)	(8.0)	(12.8)
Income from investments, net	1.1	0.7	1.8	0.6	1.7	4.1	1.3	0.8	2.1
Result from operating forecast hedges	(16.5)	(34.4)	(50.9)	47.1	(13.8)	(17.6)	33.6	7.3	40.9
Result after operating hedges (EBIT II)	**254.8**	**109.5**	**364.3**	**167.8**	**187.0**	**719.1**	**398.6**	**191.1**	**589.7**
Financial result	(29.3)	(20.4)	(49.7)	(51.7)	(18.6)	(120.0)	(15.2)	(15.3)	(30.5)
Earnings before income taxes	**225.5**	**89.1**	**314.6**	**116.1**	**168.4**	**599.1**	**383.4**	**175.8**	**559.2**
Taxes on income	58.3	24.2	82.5	30.8	33.9	147.2	100.0	49.5	149.5
– of which deferred taxes	(17.2)	3.2	(14.0)	2.9	(18.8)	(29.9)	11.3	(6.0)	5.3
Earnings after taxes from continued operations	**167.2**	**64.9**	**232.1**	**85.3**	**134.5**	**451.9**	**283.4**	**126.3**	**409.7**
Earnings after taxes from discontinued operations	5.4	11.5	16.9	(8.3)	(11.1)	(2.5)	10.3	(97.6)	(87.3)
Net income	**172.6**	**76.4**	**249.0**	**77.0**	**123.4**	**449.4**	**293.7**	**28.7**	**322.4**

INCOME STATEMENTS (IFRS) (CONTINUED)

TAB: 2.6.2

in € million	Q1/10	Q2/10	H1/10	Q3/10	Q4/10	2010	Q1/11	Q2/11	H1/11
Net income	**172.6**	**76.4**	**249.0**	**77.0**	**123.4**	**449.4**	**293.7**	**28.7**	**322.4**
Minority interests in earnings	0.2	0.2	0.4	0.2	0.2	0.8	0.1	0.1	0.2
Group earnings after taxes and minority interests	**172.4**	**76.2**	**248.6**	**76.8**	**123.2**	**448.6**	**293.6**	**28.6**	**322.2**
Operating earnings (EBIT I)	**259.6**	**138.9**	**398.5**	**117.4**	**198.6**	**714.5**	**368.4**	**191.9**	**560.3**
Earnings before income taxes from continued operations, adjusted [2]	**230.3**	**118.5**	**348.8**	**65.7**	**180.0**	**594.5**	**353.2**	**176.6**	**529.8**
Group earnings from continued operations, adjusted [2]	**170.5**	**85.9**	**256.4**	**48.7**	**142.7**	**447.8**	**261.6**	**126.8**	**388.4**
Group earnings after taxes, adjusted [2,3]	**175.8**	**97.5**	**273.3**	**40.4**	**131.6**	**445.3**	**271.9**	**29.2**	**301.1**

OTHER KEY DATA (IFRS)

TAB: 2.6.3

		Q1/10	Q2/10	H1/10	Q3/10	Q4/10	2010	Q1/11	Q2/11	H1/11
Capital expenditure [4]	€ million	25.0	32.0	57.0	43.0	88.6	188.6	28.0	48.1	76.1
Depreciation and amortisation [4]	€ million	63.0	59.3	122.3	53.6	62.6	238.5	56.5	55.6	112.1
Gross cash flow	€ million	310.6	163.1	473.7	89.3	247.4	810.4	332.4	201.7	534.1
Working Capital	€ million	956.4	—	954.5	897.9	—	879.1	788.1	—	725.3
Net indebtedness	€ million	1,048.6	—	862.1	789.1	—	732.5	708.8	—	768.6
Earnings per share from continued operations, adjusted [2]	€	0.89	0.45	1.34	0.25	0.75	2.34	1.37	0.66	2.03
Earnings per share, adjusted [2,3]	€	0.92	0.51	1.43	0.21	0.69	2.33	1.42	0.15	1.57
Gross cash flow per share	€	1.62	0.86	2.48	0.47	1.29	4.24	1.74	1.05	2.79
Book value per share	€	12.45	—	13.57	12.94	—	13.85	14.70	—	13.72
Number of shares outstanding [5]	million	191.20	—	191.40	191.40	—	191.40	191.15	—	191.40
Average number of shares [6]	million	191.23	191.33	191.28	191.40	191.40	191.34	191.20	191.32	191.25
Closing price	XETRA, €	44.93	—	37.88	43.92	—	56.36	53.27	—	53.00
Employees as of the reporting date	number	14,069	—	14,021	14,197	—	14,186	14,173	—	14,279

[1] Unless stated otherwise, infomation refers to the continued operations of the K+S Group. Due to its sale, COMPO is, in accordance with IFRS, disclosed as "discontinued operations". The income statement and the cash flow statement of the previous year were restated accordingly, while the balance sheet and therefore the key figures of working capital, net indebtedness and the book value per share of the previous year were not restated and also include discontinued operations.

[2] The adjusted key figures unalteredly only include the realised result from operating forecast hedges of the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings. Related effects on deferred and cash taxes are also eliminated; tax rate for Q2/11: 28.3% (Q2/10: 27.9%).

[3] Earnings from continued and discontinued operations.

[4] Cash-effective capital expenditure in or depreciation on property, plant and equipment, intangible and financial assets.

[5] Total number of shares less the number of own shares held by K+S as of the balance sheet date.

[6] Total number of shares less the average number of own shares held by K+S.

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