1:1 SCALE

12.5 mm
0.5 inch

genuine SUBSTANCE

FINANCIAL REPORT 2009

SUBSTANCE

Experience growth.

With the Financial Report for the fiscal year 2009, we would like to show you the substance of our Company from a special perspective. High-quality mineral raw materials form the basis of the operations of our core business sectors, fertilizers and salt. Our products are needed – yesterday, today and tomorrow. In order to make the substance of our Company tangible for you, this year's images depict parts of our world and reflect situations from K+S's everyday activities 1:1. This is because substance helped us, in a difficult year for the economy like 2009, to remain on course and in the future too, substance will remain a key cornerstone enabling us to be successful on the market.

COVER PICTURE
Lower Werra rock salt,
Flöz Thuringia,
240 million years old,
hard salt, sylvinite

BUSINESS SEGMENTS AT A GLANCE

Potash and Magnesium Products		2009	2008	2007	2006	2005
Revenues	€ million	1,421.7	2,397.4	1,407.9	1,238.9	1,197.2
EBITDA	€ million	317.2	1,286.3	255.1	235.7	236.1
EBIT I	€ million	231.7	1,203.2	177.9	158.6	151.8
Capital expenditure	€ million	107.4	111.1	79.7	83.8	70.9
Employees	number	7,776	7,800	7,626	7,550	7,490

Potash and magnesium raw salts are extracted at six mines. We use them to produce a wide range of fertilizers and in addition, we process our raw materials into products for industrial applications, high-purity potash and magnesium salts for the pharmaceuticals, cosmetics and food industries as well as elements of feed.

Nitrogen Fertilizers		2009	2008	2007	2006	2005
Revenues	€ million	1,016.2	1,652.4	1,265.4	1,108.6	1,110.0
EBITDA	€ million	- 94.4	133.9	68.2	56.5	53.6
EBIT I	€ million	- 108.1	121.4	57.3	45.9	39.8
Capital expenditure	€ million	11.2	10.7	16.8	12.1	12.6
Employees	number	1,249	1,318	1,311	1,321	1,350

The Nitrogen Fertilizers business segment distributes fertilizers for almost all agricultural crops. In addition to products for home and garden, plant care and plant protection, speciality fertilizers for public green areas, tree nurseries, horticulture and various special crops are offered.

Salt		2009	2008	2007	2006	2005
Revenues	€ million	1,014.6	618.6	545.1	485.8	398.0
EBITDA	€ million	200.3	77.6	76.5	92.0	85.9
EBIT I	€ million	140.4	45.2	47.8	67.6	62.7
Capital expenditure	€ million	48.0	58.6	47.9	21.2	12.4
Employees	number	5,279	2,394	2,294	2,194	1,385

Salt products of the highest purity and quality are used as food grade salt, industrial salt and salt for chemical use as well as de-icing salt by winter road clearance services to ensure safety on the roads. They are produced in Germany and in other Western European countries as well as in North America and South America.

Complementary Business Segments		2009	2008	2007	2006	2005
Revenues	€ million	120.7	125.3	125.1	123.9	110.1
EBITDA	€ million	21.7	31.2	42.4	41.8	30.3
EBIT I	€ million	15.2	25.1	37.7	37.1	25.9
Capital expenditure	€ million	6.3	10.0	17.2	7.7	5.2
Employees	number	278	285	273	306	294

In addition to recycling activities and the disposal of waste at potash and rock salt mines as well as the granulation of CATSAN® , the term “Complementary Business Segments” bundles together further activities of importance to the K+S Group. With Kali-Transport Gesellschaft mbH (KTG), Hamburg, the K+S Group possesses its own logistics service provider. Chemische Fabrik Kalk GmbH (CFK) trades in different basic chemicals.

TEN-YEAR SUMMARY K+S GROUP

		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues, Earnings, Cash Flow		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	HGB	HGB	HGB	HGB
Revenues	€ million	3,573.8	4,794.4	3,344.1	2,957.7	2,815.7	2,538.6	2,287.8	2,258.5	2,179.4	2,087.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	411.8	1,484.4	413.9	401.1	383.1	289.5	223.7	240.1	248.4	252.2
Operating earnings (EBIT I)	€ million	238.0	1,342.7	285.7	278.0	250.9	162.9	115.7	132.8	120.6	126.8
Result after operating hedges (EBIT II)	€ million	241.9	1,192.3	- 106.9	361.6	271.7	136.5	–	–	–	–
Earnings before taxes	€ million	126.5	1,199.1	- 142.6	341.5	259.6	123.4	111.6	113.9	121.1	130.4
Earnings before taxes, adjusted [1]	€ million	122.6	1,349.5	250.0	257.9	238.8	149.9	–	–	–	–
Group earnings	€ million	96.4	870.9	- 93.3	228.9 [2]	174.4	86.8	101.3	103.8	118.3	119.8
Group earnings, adjusted [1]	€ million	93.6	979.3	175.3	176.2 [2]	161.3	103.5	–	–	–	–
Gross cash flow	€ million	323.9	1,177.9	372.1	342.7	341.5	274.1	209.1	216.9	224.6	241.4
Capital expenditure [3]	€ million	177.6	197.5	171.6	130.5	107.1	131.9	126.6	129.0	157.9	141.7
Depreciation [3]	€ million	173.8	141.7	128.2	123.1	132.2	126.6	108.0	107.3	127.8	125.4
Working capital	€ million	985.7	962.3	570.6	603.1	456.4	333.1	250.9	300.5	262.1	257.6
Balance Sheet											
Equity [1], [4]	€ million	2,103.3	1,730.2	1,123.6	1,060.5	931.4	882.2	584.9	558.8	516.8	530.9
Property, plant and equipment and intangible assets	€ million	2,643.6	1,423.6	1,297.3	1,271.6	874.1	883.3	659.8	598.6	592.4	557.6
Net indebtedness	€ million	1,338.9	570.0	1,085.1	718.3	321.4	340.5	220.5	262.7	180.7	115.0
Balance sheet total	€ million	5,212.5	3,473.8	2,964.8	2,830.9	2,259.1	2,147.7	1,754.5	1,666.7	1,601.0	1,580.1
Employees											
Employees as of 31 Dec. [5]	number	15,208	12,368	12,033	11,873	11,012	10,988	10,554	10,536	10,178	9,645
- of which trainees	number	642	615	614	620	591	591	550	542	533	479
Average number of employees [5]	number	13,044	12,214	11,959	11,392	11,017	11,068	10,541	10,439	10,278	9,925
Personnel expenses [6]	€ million	756.4	738.5	687.3	663.5	671.1	613.3	562.7	531.2	522.6	488.1
Ratios											
Earnings per share, adjusted [1]	€	0.56	5.94	1.06	1.07 [2]	0.95	0.61	0.61	0.61	0.68	0.68
Dividend per share [7]	€	0.20	2.40	0.50	0.50	0.45	0.33	0.25	0.25	0.25	0.21
Dividend yield [7]	%	0.5	6.0	1.2	2.4	3.5	3.3	4.6	5.8	4.6	4.8
EBITDA margin	%	11.5	31.0	12.4	13.6	13.6	11.4	9.8	10.6	11.4	12.1
EBIT margin	%	6.7	28.0	8.5	9.4	8.9	6.4	5.1	5.9	5.5	6.1
Return on revenues [1]	%	2.6	20.4	5.2	6.0 [2]	5.7	4.1	2.8	4.6	5.4	5.7
Return on capital employed (ROCE)	%	9.3	64.0	15.5	17.4	19.5	14.2	12.7	14.7	14.1	15.7
Return on total investment	%	6.9	44.9	11.0	12.3	12.7	9.1	7.2	7.7	8.5	9.0
Return on equity after taxes	%	8.4	68.6	16.1	17.7 [2]	17.8	12.1	17.3	18.6	22.9	22.6
Book value per share	€	10.99	10.49	6.81	6.43	5.65	5.19	3.44	3.11	2.87	2.95
Gross cash flow per share	€	1.95	7.14	2.25	2.08	2.02	1.61	1.25	1.27	1.30	1.37
The Share											
Closing price as of 31 Dec. [8]	XETRA, €	39.99	39.97	40.69	20.55	12.76	9.78	5.44	4.33	5.48	4.50
Market capitalisation	€ billion	7.7	6.6	6.7	3.4	2.1	1.7	0.9	0.8	1.0	0.8
Enterprise value as of 31 Dec.	€ billion	9.0	7.2	7.8	4.1	2.4	2.0	0.9	0.8	1.0	0.7
Total number of shares as of 31 Dec.	million	191.40	165.00	165.00	165.00	170.00	170.00	170.00	180.00	180.00	180.00
Outstanding shares as of 31 Dec. [9]	million	191.40	165.00	165.00	165.00	165.00	170.00	170.00	166.08	173.20	171.20
Average number of shares [10]	million	166.15	164.95	164.94	164.96	169.24	170.00	167.08	171.28	173.60	176.40

[1] The adjusted key figures only contain the earnings actually realised on operating forecast hedges for 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. Any resulting effects on deferred and cash taxes are also eliminated.
[2] Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
[3] Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.
[4] Up to the end of 2003 incl. 50 % special reserves and balance from capital consolidation.
[5] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.
[6] Personnel expenses also include expenditures connected with partial retirement and early retirement.
[7] The figure for 2009 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.
[8] The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.
[9] Total number of shares less the number of own shares held by K+S as of the balance sheet date.
[10] Total number of shares less the average number of own shares held by K+S.

genuine SUBSTANCE

FINANCIAL REPORT 2009

SOURCE OF GROWTH AND LIFE THROUGH NUTRIENTS AND MINERALS.

ON THE BASIS OF OUR CORE VALUES, WE WANT:

- to mine and process raw materials and improve nutrition, health and quality of life with our products and services
- to occupy leading positions in the markets
- to be our customers' preferred partner
- to strengthen our raw material and production base and expand it globally
- to further increase the value added by developing new products and more efficient processes
- to achieve a fair balance of economic, ecological and social concerns
- to create sustainable values for our stakeholders and take on responsibility in society
- to be an attractive employer for employees from all over the world

1:1 SCALE

■ IMAGE DIRECTORY

Shaping:
THE FUTURE

1:1 SCALE

We have over a century of experience in mining crude salts. Worldwide, we are able to produce just under 40 million tonnes annually of these vital raw materials, with which we support modern life. With the acquisition of Morton Salt in 2009, we further expanded the Salt business segment and have become the world's biggest producer of salt. We have thus not only strengthened our second pillar, but are also creating even more stability and balance within the K+S Group as a whole. An important step in the right direction, which shows that a rock-solid basis makes it possible to shape the future, even in economically difficult times.

File TO OUR SHAREHOLDERS
Description Potassium chloride (right-hand) and rock salt (left-hand)
Location Hattorf-Wintershall mine, Werra plant, Germany

TO OUR SHAREHOLDERS

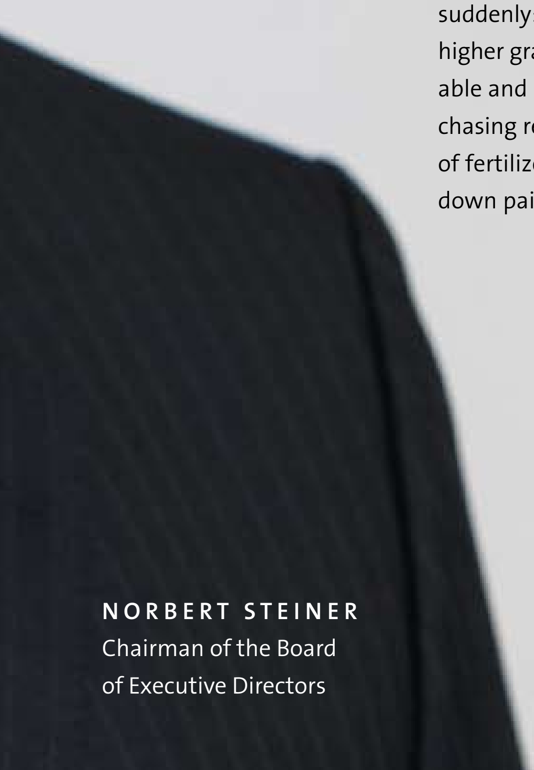
Dear Shareholders,

In these times, writing a foreword to a financial report and reporting on the past year 2009, could be tempting to see the reasons for last year's problems at our K+S exclusively in the global economic and financial crisis. There was, after all, the difficult economic environment, a lack of confidence in the financial markets, limited lending, strong inventory reduction etc., i.e. adverse external circumstances, which can be used to elegantly explain away disappointing business figures anywhere in the world.

Of course, we also had to battle with these challenges and, of course, 2009 will remain a painful memory for a very long time to come, due to the exceptionally drastic extent of these external pressures. But would that really be the end of the matter?

Let's therefore look at the specifics and examine the relationship between 2009, the year of crisis, and the equally exceptional 2008, a record year for K+S: on the agricultural markets, the first nine months of 2008 only knew one direction – the only way was up. Prices for agricultural raw materials such as wheat, corn and soy beans hit historic highs, the potash fertilizers we produced were sold out for many weeks, our plants operated at the limits of what was acceptable for workforce and equipment, and our customers placed orders going beyond their immediate needs in order to stock up against anticipated price increases. Initially, price rises did not cause any drop in demand. For the trade sector, the availability of goods was the overriding consideration. Thus, prices for potassium chloride roughly quadrupled during 2008, after individual producers attempted to hike the global market price at regular, frequent intervals even up to the magic figure of US$ 1,000 per tonne. In turn, the announcements of further price increases resulted in demand being brought forward – a wheel that turned faster and faster.

The turning point came with the collapse of the US investment bank Lehman Brothers, which caused the speculative bubble that had formed on the commodity futures exchanges to burst suddenly: The euphoria felt by farmers about the new appreciation expressed in the form of higher grain prices was – after years of feeling unimportant – only short-lived but understandable and deflated. In the light of a sudden drop in income levels, this triggered a strong purchasing restraint and, on the trading level, prompted great concern that above-average stocks of fertilizer would remain unsold and furthermore, in some cases, would have to be written down painfully.



NORBERT STEINER
Chairman of the Board
of Executive Directors

Of course, everyone wanted to participate in the boom first, and I cannot exclude us from that, because, although we warned against all too fast and large price rises being not sustainable, we nevertheless, albeit with some delay, finally implemented them. Admittedly, the first price rises brought with them a certain sense of relief and satisfaction, since for decades we had found ourselves confronted with stagnating fertilizer prices, the necessity to implement numerous cost-cutting programmes and redundancies since the German reunification and the integration of the East German potash plants, as well as detrimental unfair competition resulting from highly subsidised fertilizers imported from Russia and Belarus. And just as very few farmers are willing to sell their products at prices below prevailing market prices, just as few of our owners, and that means you, our respected shareholders, would have demonstrated a great deal of understanding if we had sold a product at prices below the global price level during a period of exceptional scarcity. Our employees too would have been right to ask why we would extract a finite resource in Germany at above-average cost and then practically give it away. A real dilemma!

At the start of the fourth quarter of 2008, the global economic and financial crisis then set in with a vengeance. The fertilizer markets, too, began to shrink at an unprecedented speed and to a previously unimaginable extent. Within a year, the sales volumes of globally operating potash producers plunged by about 50%. For an industry, which has a high share of fixed costs in its production costs, this was a hard blow, because a lower utilisation of capacity only leads to a disproportionate decrease in costs. Why then not simply bring fertilizer prices back to a very low level and hope that this will correspondingly boost demand? This idea was, of course, suggested to us by the agricultural sector in particular. However, the majority of our customers from the trade sector and the complex fertilizer industry were not so keen on this idea, because they still had very large stocks of fertilizers from 2008. As long as these stocks remained unsold, even the largest of price reductions on our part would not have resulted in a single extra tonne being sold and, as in the case of some of our customers, might even have led to inventory write-downs that would have threatened their very existence. And even from the viewpoint of the producers, there were good reasons: a reasonable price level is needed to achieve the inevitable, time-consuming and very expensive expansion of global potash capacities in future. It was only in 2008 that we experienced how quickly potash can become scarce.

What then could be done in 2009 to guide the K+S Group through this storm?

- Capacity utilisation: Since depots were, in any case, already full, production had to be cut back very sharply as well as being adjusted towards specific product groups and optimised in terms of sites.
- Costs: Every cost type had to be placed under scrutiny;
- Investments: Investment programmes were postponed and/or cut;
- Finances: It was necessary to ensure an adequate financial framework at any time, and tied-up capital was minimised as much as possible.

A standard prescription, that was followed by most of our competitors too, and one which was doubtless to be expected from the perspective of sound business management. However, we did not want to leave it at that and took several other steps that will move us significantly forward in the medium to long term:

- Exploratory and pre-processing works: Every crisis comes to and end, and sometimes more quickly than feared. We therefore used the first half of 2009 to return our underground infrastructure inventory, which had shrunk as a result of the high production demands of the preceding years, to the level customary at K+S. During this period, we thus used the tool of short-time working only to a limited degree.

- Honest communication: Especially in times of crisis, trust can be built up. We informed our stakeholders about the extent of the crisis immediately, realistically and without beating about the bush. Thus, among potash producers, we were the first to talk about a sharp decline in earnings, the first, to dismiss hope of a quick recovery in the second half of 2009 early on, and also the first to report lower price levels on overseas markets. As bringers of bad news, we were initially criticised for this. But that criticism has died down, and we are glad that the honest, straight-talking communication strategy we pursued is now being recognised for what it was. This is also a reason why we have given the subheading “Genuine Substance” to this year’s financial report.

- Grasp opportunities: The possibility to acquire Morton Salt was, without doubt, partly also the result of fortunate circumstances. However, without a certain degree of courage, the largest acquisition, with US$ 1.675 billion, in one of the most difficult years for the K+S Group would not have been carried out! Naturally, we knew Morton Salt as a high-margin salt producer in North America, an attractive market in which we had been thus far only present on a regional basis and only with a limited product portfolio. We also knew that Morton Salt had until then led rather a shadowy existence as part of a chemicals group, with underexploited potential if looked at through the eyes of a salt producer. Morton Salt was for sale, but the time window was narrow, and we knew that we had to grasp this opportunity: On the one hand, we were fascinated by the strategic fit with our existing salt business, the possibility to further broaden our markets and, overall, the potential to exploit the brands Umbrella Girl® and Windsor Castle® – plus making the K+S Group less dependent on developments in the fertilizer business. On the other hand, within the framework of our Company’s due diligence process, we recognised that a smooth and thus motivating integration should be possible due to the small amount of operating overlap with our existing salt activities and the hope felt by the employees of Morton Salt that they might finally become a full member of a producer with an equal passion for salt. Morton Salt has already changed us considerably, Morton Salt makes the K+S Group stronger and Morton Salt will show that it is not short-term action, but long-term and, where expedient, anti-cyclical action that promises success.

- Solidly financed: A strong balance sheet is a very own characteristic of K+S, which we are not willing to sacrifice for exaggerated yield expectations and risky demands on our capital structure. Mining involves a high level of capital intensity, a high proportion of fixed costs, limited possibilities to respond to decreasing revenues in the short term, but also great earnings opportunities when prices are rising. We want to take account of these fundamental conditions, which are in the nature of a mining company, with a solid equity base and moderate debt in relation to equity and earnings. We are therefore pleased that the capital markets see things in the same way; both our first-ever bond issue and our capital increase were very positively received by the capital market.

After there have been increasingly indications of a renewed strengthening of the demand for fertilizers, albeit for the time being at a lower price level than a year ago, I believe we can learn the following lesson from the crisis: During the coming phases of the upturn too, we should remember 2008 and bear in mind the extent to which our global economic system has to constantly meet new challenges, how quickly apparent self-evident truth can be swept away, and the degree to which every crisis presents an opportunity to do things better in future – in a value-based way and with a sense of proportion.

Against this backdrop, I would like to deliberately mention at this point only briefly that, in spite of the historically exceptional setback of the fertilizer markets, we have not made losses, that in the difficult year of 2009 the Company's second pillar salt made an important contribution to our earnings, that even in such a difficult year, we almost earned our cost of capital, and that we, apart from the already planned restructuring in the nitrogen fertilizer and salt segments, were able to continue without operations-related redundancies. Nevertheless, I would like to state outright that the earnings achieved have declined very sharply compared to the record year 2008, and that we are particularly dissatisfied with the earnings in the nitrogen fertilizers segment, in spite of comprehensive restructuring measures and contractually incorporated risk buffers.

And, of course, we have worked intensively to bring forward our € 360 million package of measures to reduce saline water at the Werra plant, which we presented in autumn 2008. To this end, we concluded a public law agreement with the federal states of Thuringia and Hesse and have worked on the contractually agreed "homework" accordingly – the creation of short-, medium- and long-term strategies. From 2015 onward, the concept will lead to a 50 % reduction in saline water and a 30 % reduction in the salt concentration if the necessary permits are granted in a timely manner. Although the technical possibilities for achieving these reductions are well known following almost two years of intensive work, at the start of February 2010, the Round Table decided by a majority to categorically call for K+S to completely cease the discharging of saline water into the river Werra and its underground injection from 2020 at the latest. Additionally, the construction of a pipeline to the North Sea, at the cost of several hundred million euros, has been demanded, but thereby dismissing the lack of any political consensus, the question of the economic viability for the sites concerned deliberately ignored, and with regard to ecological meaningfulness, the necessary proportionality has not been taken into consideration. How will it all end?

Well, ultimately, it could simply place too much strain on our sites, have a long-term adverse effect on the economic strength of the regions, provide further arguments why investing in Germany is made so difficult and, in future, make the security of supply of a raw material that is essential to feeding mankind dependent on the relations with Russia, Canada and Israel. This cannot and must not be the goal of our actions; that is why we shall remain committed to an even balance between ecological, economic and social factors.

The fact that we also value balance and sustainability in the sphere of our payout policy can be seen from our earnings-based dividend policy: Thus the sharp drop in earnings in 2009 will result in an equally sharp decrease in the proposed dividend. The Board of Executive Directors and the Supervisory Board will propose to the Annual General Meeting that a dividend of 20 cents per share be paid for the past financial year; this corresponds to a dividend ratio of 41% and thus falls within our target corridor of 40% to 50% that we are in principle seeking to achieve. In this way, we ensure that our shareholders participate fairly in profits, that the Company can create reserves for future growth but also for temporary crises, and that the substance of your K+S GROUP is not affected.

What are the current prospects for our Company? Your K+S GROUP is on track: this can also be seen from the rise in the enterprise value year on year. The fertilizer business is picking up again tangibly in terms of volumes, and the salt business this year is again profiting from good demand for de-icing salt. As to the development of the business in 2010, from today's perspective we therefore anticipate a significant increase in revenues, primarily due to the first-time inclusion for a whole year of MORTON SALT. In terms of earnings too, as a result of the operating turnaround indicated in the nitrogen fertilizer sector and the earnings contribution of MORTON SALT for a whole year for the first time, we are confident that there will be significant improvements on the previous year. In the medium to long term, the K+S GROUP is in the right position to exploit important global megatrends, namely a growing world population, rising living standards, the tendency for the emerging market countries to consume more meat and the associated increase in the demand for feed, as well as growing demand for biofuels. However, for us growth is not an end in itself, but has to be accompanied by the creation of values.

On behalf of my colleagues on the Board of Executive Directors too, I would especially like to whole-heartedly thank the employees of our K+S GROUP, which has now grown considerably after the takeover of MORTON SALT, for their tireless commitment, their determination and the exemplary flexibility that they have demonstrated during the serious crisis.

I would like to thank you, dear shareholders, customers and partners of the K+S GROUP, for your trust, support and the open dialogue of the past financial year.

In the future too, we want to shape what lies before us and convince you with our performance.

Norbert Steiner

File THE BOARD OF EXECUTIVE DIRECTORS
Description Board of Executive Directors meeting
Location Conference room, Kassel, Germany

1:1 SCALE

■ NORBERT STEINER (55)
Chairman of the Board of Executive Directors, Lawyer

- Corporate Development and Controlling
- Legal affairs and Compliance
- Investor Relations
- Communications
- International HR Coordination
- Salt Business Segment

■ JOACHIM FELKER (57)
Industrial Business Manager

- Potash and Magnesium Products Business Segment
- Nitrogen Fertilizers Business Segment

■ GERD GRIMMIG (56)
Engineering Graduate

- Mining and Geology
- Technology and Energy
- Research and Development
- Environmental Protection, Occupational Safety, Quality Management
- Inactive Plants
- Waste Management and Recycling
- Animal Hygiene Products
- Consulting

■ DR. THOMAS NÖCKER (51)
Personnel Director, Lawyer

- Personnel
- IT-Services
- Organisation and Project Management
- Health Management
- Property Management
- Knowledge Management
- Logistics (KTG)
- Trading Business (CFK)

■ JAN PETER NONNENKAMP (46)
Economics Graduate

- Finance and Accounting
- Purchasing, Materials Management and Warehousing
- Audit
- Taxes
- Insurance

Dear Shareholders,

Pursuant to Section 171 Para. 2 German Stock Corporation Act (AktG), the following report provides information about the activities of the Supervisory Board during financial year 2009 and the findings of the audit of the 2009 annual and consolidated financial statements. The main focuses of our meetings and discussions with the Board of Executive Directors were, in particular, the effects of the economic and financial crisis on the business situation of the K+S Group as well as the acquisition of the US salt producer Morton Salt and the related capital measures. Furthermore, there was intensive discussion of a number of matters including the medium-term outlook, currency hedging, the investment programme and projects on the expansion of the raw materials base.

Continuous and constructive dialogue with the Board of Executive Directors

In financial year 2009 too, the Supervisory Board diligently performed the control and consultancy tasks imposed on it by law, the Articles of Association and its bylaws. A large number of matters were discussed in depth, and resolutions were adopted regarding transactions requiring approval. We have advised the Board of Executive Directors on an ongoing basis on the management of the Company and monitored the latter's executive management. We were always involved in a timely and an appropriate fashion in all decisions of fundamental importance. The Board of Executive Directors informed us on a regular basis, promptly and comprehensively about the course of business, the earnings and financial position, the employment situation, as well as the planning and further development of the Company. Both the risk situation and the risk management were constantly in our focus in light of the global economic and financial crisis. Deviations from the planned course of business of the individual business segments were explained in detail by the Board of Executive Directors and alternative courses of action presented.

DR. RALF BETHKE
Chairman of the Supervisory Board

The Supervisory Board regularly received written reports from the Board of Executive Directors for the preparation of meetings. After thorough review and detailed discussion, the Supervisory Board, where necessary, adopted resolutions regarding the reports and proposed resolutions. Between meetings, the chairman of the Supervisory Board in particular maintained close contact with the Board of Executive Directors and discussed important events and particular upcoming decisions with it. The shareholders' and employees' representatives discussed on a case-by-case basis important matters on the agendas in separate meetings prior to the meetings of the Supervisory Board.

With regard to particular business transactions, which were of key importance to the Company, the Supervisory Board was also immediately and comprehensively informed in writing by the Board of Executive Directors between the regular meetings.

Attendance at the Supervisory Board meetings during the period under review was, on average, 91%. No Supervisory Board member participated in fewer than half of the meetings. Each of the committees met with all members in attendance.

Supervisory Board meetings

A total of eight Supervisory Board meetings were held during the course of financial year 2009.

At extraordinary meetings held on 16 January and 28 January 2009, the Supervisory Board dealt with different options and objectives for the strategic further development of the K+S Group.

At a meeting held on 11 March 2009, we reviewed the annual financial statements, the consolidated financial statements, the management reports and the proposal of the Board of Executive Directors for the appropriation of profits for the financial year 2008, and approved both sets of financial statements on the recommendation of the audit committee. The business situation and the outlook for the current year were discussed in depth, also in light of the economic and financial crisis. For the Potash and Magnesium Products business segment, in particular, the scope of short-time working, the effects of the necessary cuts in production on the workforce and the anticipated earnings were presented in detail by the Board of Executive Directors. Moreover, the Supervisory Board approved the resolutions proposed for the Annual General Meeting 2009.

On 31 March 2009, the Supervisory Board finally dealt with the acquisition of Morton International Inc. (Morton Salt) at an extraordinary meeting. The Board of Executive Directors provided comprehensive information about the factors that led to Dow Chemical wanting to separate from Morton Salt. The profile of the company, its strategic fit to the K+S Group, the essential findings of the due diligence, the main points of the purchase agreement, the financing and the considerations regarding the integration of Morton Salt into the K+S Group were dealt with comprehensively.

In its consultations with the Board of Executive Directors, the Supervisory Board paid particular attention to identifying and quantifying the environmental risks as well as the resultant impact on the transaction structure, the guarantees granted by Dow Chemical and the financing. In its valuation of Morton Salt, which was supported by an external expert opinion conducted by a reputable auditing company, the Supervisory Board critically queried the projected figures for the evaluation and, doing so against the background of the economic and financial crisis, too. The purchase price negotiated by the Board of Executive Directors on the basis of this evaluation corresponded to the requirement for acquisition projects of the K+S Group to earn an appropriate premium on the capital costs of the Group. Great attention was also paid to the productivity and the optimisation potential of the individual sites, the range of the salt deposits and the strategic development possibilities of the strong Morton Salt brands, the umbrella girl® and Windsor Castle®. Finally, the Supervisory Board dealt in depth with the integration plan elaborated by the Board of Executive Directors. The Supervisory Board supported this plan and suggested that the integration team should also be prepared specifically for the upcoming tasks from a cultural point of view.

On 12 May 2009, the Board of Executive Directors informed us about the results and business developments during the first quarter. Moreover, we dealt with the factual state of different projects, which could be suitable for expanding the future raw materials base of the Company. On the proposal of the personnel committee, it was decided to extend the contract of Mr. Steiner ending 11 May 2010 by five years. Additionally, Mr. Jan Peter Nonnenkamp was appointed as a further member of the Board of Executive Directors for three years with effect from 1 June 2009.

At an extraordinary meeting held on 6 August 2009, the Board of Executive Directors informed us about the developments of the business situation in the second quarter that had differed from the Company's planning. The declining trend of prices and sales volumes for straight and complex fertilizers was then discussed in depth. The Board of Executive Directors reported on the operational countermeasures taken, liquidity planning, the rating of the K+S Group and the general financial situation. Potential measures intended to improve the capital structure were identified.

In the meeting on 26 August 2009, we extensively analysed the business situation of the first six months of the year as well as the outlook for 2009 as a whole. The main subjects in this regard were, in particular, the significantly lower revenues and earnings in the fertilizer segment, the extent of the short-time working that was still necessary at this time in order to adjust production, negative one-off effects on nitrogen fertilizers, but also the welcome business trend in the salt business.

The Board of Executive Directors was supported in its intention to prepare a possible capital increase with or without subscription rights as a precautionary parallel measure in order to ensure flexibility of action, if needed. Furthermore, following the corresponding report of the Board of Executive Directors, the Supervisory Board approved the issuance of a corporate bond, its scope and terms. The Board of Executive Directors then reported on the status and prospects of saline water disposal in the Hesse-Thuringia potash district as well as the high investments and costs that will – independent of the development of the business – be associated with this in the coming years and with which K+S will be at the limits of economic viability for the plants concerned. In order to even better protect sensitive information and regulate more closely the handling of possible conflicts of interest in the Supervisory Board, a "Guideline on Handling Confidential Information and Conflicts of Interest in the Supervisory Board of K+S Aktiengesellschaft" was resolved. Finally, the chairman of the audit committee reported on the status of compliance organisation and the compliance programme of the K+S Group as well as the opinion of the committee that the topic is being dealt with appropriately by the Board of Executive Directors.

At the last meeting of the year, on 25 November 2009, the Board of Executive Directors explained the current business situation and provided an outlook on the expected annual revenues and earnings of the K+S Group. The difficult situation on the fertilizer markets, in particular the declining price trend due to the strong reluctance on the global markets to purchase potash fertilizers, and its reasons were again focused on. The Board of Executive Directors then informed the Supervisory Board about the status of the integration of Morton Salt as well as the reorganisation of the Salt business segment. Moreover, the Supervisory Board dealt with the planning for 2010 as well as the medium-term outlook, including the framework for investment and financing for subsequent years. The plans were carefully examined for whether they agree with the strategic objectives and were acknowledged and approved. Additionally, the Supervisory Board was informed by the Board of Executive Directors about the status of the comprehensive package of measures on the reduction of saline water in the Werra. We then dealt in depth with the planned capital increase from authorised capital. It was agreed to ensure a solid balance sheet structure and the maintaining of an investment grade rating by means of the capital increase, even in the case of a further decline in fertilizer prices. Following intensive discussion, the Supervisory Board therefore agreed to the resolution of the Board of Executive Directors to carry out a capital increase with subscription rights with target gross proceeds of just under € 690 million and decided to amend the Articles of Association correspondingly. We then dealt with the currency hedging policy and the instruments used for this, the contractual relationships with BASF SE for nitrogen fertilizers and the declaration on conformity 2009/2010. Finally, we discussed the outcome of the assessment of the efficiency review questionnaire answered by the members of the Supervisory Board. The findings provided important ideas regarding future work in the Supervisory Board and in its committees.

Committee meetings

The Supervisory Board established four permanent committees for the performance and support of its responsibilities: The audit committee, the personnel committee, the nomination committee and the mediation committee. In 2009, a temporary special committee on the subject of the capital increase was also created, which was composed of the members of the audit committee and chaired by the chairman of the Supervisory Board. The committees prepare resolutions of the Supervisory Board and topics, which are to be dealt with at plenary sessions. Apart from the audit committee, the chairman of the Supervisory Board chaired all committees. The content and results of the committee meetings were reported on at the subsequent plenary sessions. You can find an overview of the permanent committees together with their composition in the Notes on page 240 and on the website of K+S Aktiengesellschaft under Corporate Governance.

The audit committee met three times in 2009. Moreover, on 5 May, 5 August and 4 November, the members of the audit committee and the chairman of the Board of Executive Directors held telephone conferences in which they discussed the respective quarterly reports awaiting publication. On 3 March 2009, in the presence of the chairman of the Board of Executive Directors and the auditor, the committee examined the 2008 annual financial statements of K+S AG, the 2008 consolidated financial statements, the respective management reports and the proposal for the appropriation of profits. Both the old and the new currency hedging measures as well as the development of the provisions for mining obligations received particular attention. Moreover, the audit committee resolved the recommendation to the plenary session for the nomination of the auditor for financial year 2009 to be proposed to the Annual General Meeting. In this context, the declaration of independence from Deloitte & Touche GmbH was obtained that is provided for by Item 7.2.1 of the German Corporate Governance Code. On 26 August 2009, the committee dealt with the compliance system of the K+S Group. Here the chairman of the Board of Executive Directors provided information about the current organisation, including the guideline "Compliance Organisation in the K+S Group" resolved by the Board of Executive Directors, and the compliance programme. Moreover, the committee discussed the main focuses for the 2009 audit and discussed the remuneration of the auditor. Finally, the Board of Executive Directors reported on the effects of the German Accounting Law Modernisation Act (Bilanzmodernisierungsgesetz – BilMoG). On 25 November 2009, the audit committee informed itself about the development of donations, consultancy fees and other one-off costs as well as the internal audit procedures. The committee also dealt with the nomination of the auditor to be proposed to the 2010 Annual General Meeting.

The personnel committee, which prepares personnel decisions of the Supervisory Board and is responsible for other matters concerning the Board of Executive Directors, met a total of five times in 2009.

It dealt with expiring mandates, the recommendation to the plenary session of the appointment of Jan Peter Nonnenkamp as a member of the Board of Executive Directors, the amendment of the "change of control" clause in the employment contracts of the members of the Board of Executive Directors as well as dealing with the necessary adjustments arising from the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG).

No meetings of either the nomination committee or the mediation committee to be formed in accordance with the German Co-Determination Act (Mitbestimmungsgesetz) were called in the past financial year.

Remuneration system of the Board of Executive Directors

Detailed information regarding the level of remuneration of the Board of Executive Directors in 2009 and the current structure of the remuneration system can be found on page 48 et seqq. of this financial report. At its meeting held on 10 March 2010 and on the recommendation of the personnel committee, the Supervisory Board – in particular also with regard to the innovations resulting from the German Act on the Appropriateness of Management Board Remuneration – resolved to practise a partially modified remuneration system in relation to upcoming amendments to Board of Executive Directors contracts and those to be newly concluded. This particularly concerns the incentive system for sustainable corporate development as well as the pension commitments.

In good time prior to our ordinary Annual General Meeting on 11 May 2010 at which a separate agenda item will be devoted to the remuneration system, the Supervisory Board will publish this modified remuneration system and report on the status of its implementation.

Corporate governance

At regular intervals, the Supervisory Board considers the application and further development within the Company of the provisions contained in the German Corporate Governance Code. Detailed information concerning the Supervisory Board can be found in the Corporate Governance section of this financial report. During the past year, the Supervisory Board and the Board of Executive Directors discussed the German Corporate Governance Code in its revised version of 18 June 2009 and, at the meeting held on 25 November 2009, resolved the joint declaration on conformity 2009/2010, which, with only one exception, corresponds to all the recommendations of the respective version of the Code. The suggestions of the Code are also being followed, with only two exceptions. You can find the declaration on conformity on the website of K+S Aktiengesellschaft under Corporate Governance and on page 40 of this financial report.

No conflicts of interest on the part of members of the Board of Executive Directors or the Supervisory Board about which the Annual General Meeting would have to be informed were disclosed to the Supervisory Board during the period under review.

The bylaws of the Supervisory Board were adjusted to legal changes. For example, the responsibilities of the audit committee now arise from Section 107 Para. 3 Sent. 2 of the German Stock Corporation Act (AktG) and Item 5.3.2 of the German Corporate Governance Code.

Audit of the 2009 annual financial statements and consolidated financial statements

Deloitte & Touche GmbH, Hanover, audited the annual financial statements and the management report of K+S Aktiengesellschaft, which were prepared by the Board of Executive Directors in accordance with the rules of the German Commercial Code (HGB) as well as the consolidated financial statements and the Group management report for financial year 2009, which were prepared in accordance with the International Financial Reporting Standards (IFRSs), and issued unqualified audit certificates for both of them. The aforementioned documents, the Board of Executive Directors' recommendation concerning the appropriation of the retained profit and the audit reports of Deloitte & Touche GmbH, each of which had been submitted to the members of the audit committee and the Supervisory Board on time, were dealt with comprehensively at the audit committee meeting held on 2 March 2010 as well as at the Supervisory Board meeting held on 10 March 2010, at which the chairman of the audit committee and the auditor Deloitte & Touche GmbH reported about the result of their audits in depth. Neither Deloitte & Touche nor the audit committee identified weaknesses in the control and risk management system relating to the accounting process. All questions raised at the meeting were answered exhaustively by the Board of Executive Directors and the auditor. After its own examination and discussing the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board did not find grounds to raise any objections. It agreed with the Board of Executive Directors in its assessment of the position of K+S Aktiengesellschaft and of the Group, and also followed the proposal made by the audit committee to the extent that it approved the financial statements for financial year 2009; the 2009 annual financial statements of K+S Aktiengesellschaft were thus ratified. The resolution on the appropriation of profits proposed by the Board of Executive Directors was also examined with regard to the present and future expected financial situation of the K+S Group. Following extensive discussion, the Supervisory Board approved the proposal made by the Board of Executive Directors.

Changes in the Supervisory Board

Both Heinz-Gerd Kunaschewski and Friedrich Nothhelfer tendered their resignations from the position of employee representative on the Supervisory Board as of 31 July 2009. At the joint request of the Mining, Chemicals and Energy Trade Union and the Group Works Council, Ralf Becker and Harald Döll were appointed as members of the Supervisory Board by the District Court of Kassel replacing them.

As of 31 August 2009, Dr. Uwe-Ernst Bufe resigned from his position as shareholder representative on the Supervisory Board. Underlying Dr. Bufe's decision was a desire on the part of MCC/EuroChem, the largest shareholder in the Company, to obtain a seat on the Supervisory Board of K+S Aktiengesellschaft. After intensive discussion by the bodies, Dr. Bufe stated his readiness to resign from office, in order to pave the way for MCC/EuroChem to be represented on the Supervisory Board. The Supervisory Board is extremely grateful to Dr. Bufe for taking this step.

Following discussion with the members of the nomination committee and in the Supervisory Board, at the request of the chairman of the Supervisory Board, Mr. George Cardona was appointed as a member of the Supervisory Board by the District Court of Kassel until the end of the next Annual General Meeting. We have thanked the retired Supervisory Board members for their good cooperation and the constructive way in which they accompanied the Company and the Board of Executive Directors.

The Supervisory Board expresses its thanks to the members of the Board of Executive Directors, all employees and the employee representatives for their high level of commitment and the work done in a very difficult environment.

Kassel, 10 March 2010
On behalf of the Supervisory Board

Dr. Ralf Bethke
Chairman

Supervisory Board

Dr. Ralf Bethke (67), business administration graduate
Chairman
Former chairman of the Board of Executive Directors of K+S Aktiengesellschaft

Michael Vassiliadis (45), chemical laboratory technician
Vice Chairman
Chairman of the Managing Board of the Mining, Chemicals and Energy Trade Union

Ralf Becker (44), trade union secretary
(since 1 August 2009)
District Manager North of the Mining, Chemicals and Energy Trade Union

Jella S. Benner-Heinacher (49), lawyer
Federal Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

Dr. Uwe-Ernst Bufe (65), chemist
(until 31 August 2009)
Former chairman of the Board of Executive Directors of Degussa/Hüls AG

George Cardona (58), economist
(since 9 October 2009)
Member of the Board of Directors of OJSC EuroChem Mineral and Chemical Co.

Harald Döll (45), power plant electronic technician (since 1 August 2009)
Member of the Works Council of K+S KALI GmbH's Werra plant

Dr. Rainer Gerling (51), engineering graduate
Head of K+S KALI GmbH's Werra plant

Rainer Grohe (69), engineering graduate
Assistant Professor at the Bundeswehr University, Munich

Dr. Karl Heidenreich (68), business administration graduate
Former member of the Board of Executive Directors of Landesbank Baden-Württemberg

Rüdiger Kienitz (49), mining technologist
Member of the Works Council of K+S KALI GmbH's Werra plant

Klaus Krüger (55), mining technician
Chairman of the Group Works Council of the K+S Group

Dieter Kuhn (51), mining engineer
Vice Chairman of the Group Works Council of the K+S Group

Heinz-Gerd Kunaschewski (57), fitter
(until 1 August 2009)
Chairman of the Works Council of K+S KALI GmbH's Werra plant

Dr. Bernd Malmström (68), jurist
Lawyer

Dr. Rudolf Müller (66), agricultural engineering graduate
Former member of the Board of Executive Directors of Südzucker AG

Friedrich Nothhelfer (49), trade union secretary (until 1 August 2009)
District Manager of the Mining, Chemicals and Energy Trade Union

Renato De Salvo (45), shop fitter
Member of the Works Council of K+S KALI GmbH's Sigmundshall plant

Dr. Eckart Sünner (65), lawyer
Chief Compliance Officer of BASF SE

As of 31 December 2009

VALUES
File K+S ON THE CAPITAL MARKET
Description Freshly mined potash salt
Location Hattorf-Wintershall mine, Werra plant, Germany
200 mm
12 inch

Promoting: VALUES

1:1 SCALE

Long-term thinking and forward-looking economic actions have been of the greatest importance to the K+S Group, especially during the past difficult business year. Demand for the raw materials we offer will increase due to the growing global population and constantly rising living standards. Our fertilizer specialities form the basis for an efficient and high-yield agriculture, while salts are needed for the production of the latest synthetic materials as well as glass, paper and medicines. With the extraction and processing of these vital raw materials, we have a solid basis for a value-oriented development on the capital market in the future too.

K+S ON THE CAPITAL MARKET

- Share performance is 5.6 % year on year (incl. dividend + 11.9 %)
- A € 5,000 investment in K+S shares yielded € 24,691 in five years; + 37.6 % p. a.
- Corresponding to reduced earnings, proposed dividend of € 0.20 significantly below that of the previous year
- Capital increase with gross proceeds of € 688.8 million successfully completed in December
- First K+S bond successfully placed on the capital market
- Analyst coverage again further extended

Capital market Key Indicators

		2009	2008	2007	2006	2005
Earnings per share, adjusted [1]	€/share	0.56	5.94	1.06	1.07[2]	0.95
Dividend per share [3]	€/share	0.20	2.40	0.50	0.50	0.45
Gross cash flow per share	€/share	1.95	7.14	2.25	2.08	2.02
Book value per share, adjusted [1]	€/share	11.21	10.49	6.81	6.43	5.65
Year-end closing price (XETRA) [4]	€	39.99	39.97	40.69	20.55	12.76
Highest price (XETRA) [4]	€	53.04	95.90	40.69	20.55	14.78
Lowest price (XETRA) [4]	€	29.85	27.72	18.50	13.05	9.05
Year-end market capitalisation	€ billion	7.7	6.6	6.7	3.4	2.1
Total stock exchange turnover	€ billion	16.9	33.4	10.2	4.3	1.9
Average daily turnover	€ billion	66.4	131.6	40.6	16.9	7.4
Index weighting as of 31 Dec.: DAX; 2005 -2007: MDAX	%	1.1	1.2	5.9	3.2	2.6
Total number of shares as of 31 Dec.	million	191.40	165.00	165.00	165.00	170.00
Outstanding shares as of 31 Dec. [5]	million	191.40	165.00	165.00	165.00	165.00
Average number of shares [6]	million	166.15	164.95	164.96	164.96	169.24
Total dividend payment [3]	€ million	38.3	396.0	82.5	82.5	74.3
Distribution ratio [3, 7]	%	40.9	40.4	47.1	46.8	47.2
Dividend yield (closing price) [3]	%	0.5	6.0	1.2	2.4	3.5
Return on equity after taxes [1]	%	8.4	68.6	16.1	17.7[2]	17.8
Return on capital employed (ROCE)	%	9.3	64.0	15.5	17.4	19.5
Enterprise value (EV) as of 31 Dec.	€ billion	9.0	7.2	7.8	4.1	2.4
Enterprise value to revenues (EV/revenues)	x	2.5	1.5	2.3	1.4	0.9
Enterprise value to EBITDA (EV/EBITDA)	x	21.8	4.8	18.8	10.2	6.3
Enterprise value to EBIT (EV/EBIT)	x	37.8	5.3	27.3	14.8	9.7

1) The adjusted key figures only contain the earnings actually realised on operating forecast hedges for 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. Any resulting effects on deferred and cash taxes are also eliminated.
2) Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
3) The figure for 2009 corresponds to the dividend proposal.
4) The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.
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.
7) Refers to adjusted earnings after taxes.

K+S Share

Type of shares: no-par value shares
Total no. of shares: 191,400,000 units
WKN / ISIN: 761 200 / DE0007162000
Market segment: Prime Standard
Prime industry: chemicals
Industrial group: chemicals, commodities
Listing: all exchanges in Germany
Bloomberg ticker symbol: SDF GR and SDF GY
Reuters ticker symbol: SDFG
ADR CUSIP: 48265W108

Bond

WKN / ISIN: A1A 6FV / DE000A1A6FV5
Stock exchange listing: Luxembourg Stock Exchange
Issuing volume: € 750 million
Denomination: € 1,000
Issue price: 99.598
Interest coupon: 5.000 %
Maturity: 24 Sept 2014
Rating: S&P: BBB; Moody's: Baa2

Company Rating

S&P: BBB (outlook: stable)
Moody's: Baa2 (outlook: negative)

The Share

Significant recovery in stock exchange year 2009

Following significant losses on the equity markets in 2008, economic stimulus packages worldwide supported the economic recovery in 2009, although the sustainable impact of these measures remains to be seen. The important US S&P 500 share index experienced a significant turnaround, gaining 23.5 % after having lost 38.5 % in 2008. Germany's leading index, the DAX, also surged again. While the financial crisis still had a negative impact on the world's stock exchanges at the start of the year, an upward trend followed, accompanied by minor setbacks, so that the last year ended with almost all important stock indices showing price gains.

After also the stock markets of the emerging market countries had to put up with very large losses as a result of the financial crisis, they recovered even more rapidly and markedly in the course of the year, since the effects of the financial crisis on the real economy as a whole were not as serious there as in the industrialized nations. Commodity prices increased too, primarily the price of gold which, at US$ 1,218.30 per troy ounce, soared to new heights in 2009 and, at US$ 1,096.20 per troy ounce, ended the year 22.9 % up on the previous year. The price of oil also experienced an increase, rising by 70.9 % from the start of 2009 to just under US$ 77.93 per barrel at the end of the year.

DAX, DJ STOXX 600 and MSCI World Standard gained significantly over the course of the year

The important German share index, the DAX, a benchmark for K+S, closed on 30 December 2009 at 5,957 points and thus rose by 23.8 % in the course of the year following the losses of the previous year. With 275 points, the DJ STOXX 600 European stock index also closed the year with a significant gain of 28.0 %. The global MSCI World Standard index rose as well by 27.0 % to 1,168 points. Over the course of the year, the performance of the K+S share thus lagged behind the DAX, DJ STOXX 600 and MSCI World Standard. In the longer term, however, the K+S share significantly outperformed the three indices: the value of the K+S share has more than quadrupled during the last five years, while the DAX and DJ STOXX 600 only managed to gain 40 % and 1 % respectively, and the MSCI World Standard even experienced a moderate loss. This effect becomes even clearer when compared with the past ten years (see table below).

Performance*

Performance in %	1 year 2009	5 years 2005-2009	10 years 2000-2009
K+S share (excluding dividends)	+ 5.6	+ 331.9	+ 1,106.0
K+S share (including dividends)	+ 11.9	+ 372.9	+ 1,252.3
DAX (performance index)	+ 23.8	+ 40.0	(14.4)
DJ STOXX 600	+ 28.0	+ 1.1	(33.1)
MSCI World Standard	+ 27.0	(0.1)	(17.8)

* Since the capital increase of December 2009, the price of the K+S share has been traded ex subscription right. Historical values were adjusted. Source: Bloomberg

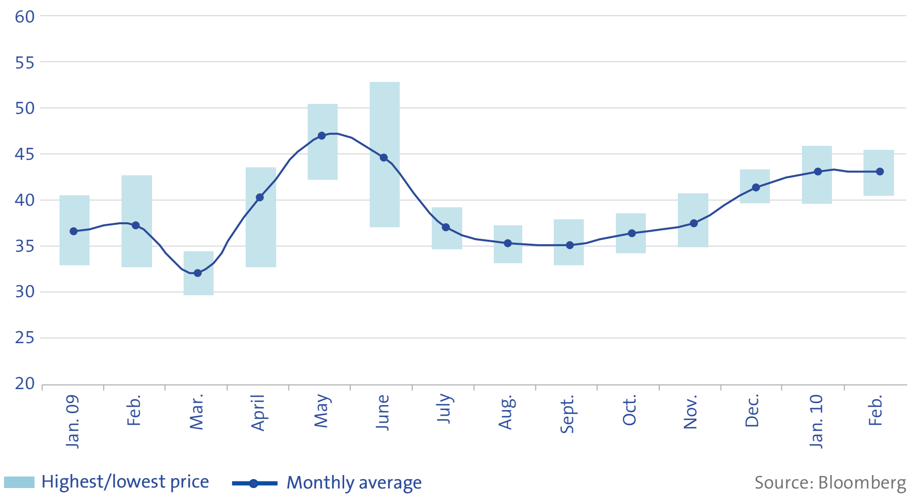
Fig. 1: Performance of the K+S Share* in relation to DAX, DJ STOXX 600 and MSCI World

(Index: 31 December 2008; in %)

Source: Bloomberg

* Since the capital increase of December 2009, the price of the K+S share has been traded ex subscription right. Historical values were adjusted.

Fig. 2: Monthly highest, lowest and average price of K+S Share* (in €)



Source: Bloomberg

* Since the capital increase of December 2009, the price of the K+S share has been traded ex subscription right. Historical values were adjusted.

K+S share performance is 5.6 % over the year (incl. dividend +11.9 %)

At € 39.99, the 2009 closing price was higher than the price at the end of the previous year following adjustment for the subscription right (€ 37.87). However, price performance was by no means straightforward.

The following important events impacted the price trend in 2009:

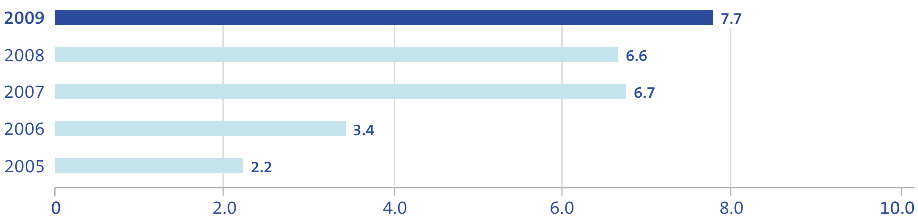
- Following a short-term recovery at the beginning of the year, the K+S share price fluctuated between € 32 and € 42 until the start of February. As a result of general market turmoil, the price then fell again significantly. Additionally, the cautious outlook published within the framework of financial reporting in March had an adverse effect on the price trend, so that the share closed at an annual low of € 29.85 on 12 March 2009.
- At the start of the second quarter, the announcement of the takeover of the US salt producer Morton Salt on 2 April had a positive effect on the K+S share price. This development was supported by the figures for the first quarter, published on 13 May, which turned out to be better than the capital market had expected. In spite of the dividend markdown of € 2.40 on 14 May, the K+S share rose to over € 50 during the course of the month.
- The high for the year of € 53.04 was reached on 2 June, before an ad-hoc disclosure on 17 June regarding lower sales volumes and results prospects resulted in a significant price decline.
- At the start of July, falling grain prices and a weaker market environment weighed on the K+S share price. On 10 July, the trade press reported the conclusion of a contract between India's state import company IPL and IPC, the export company of the Russian potash producer Silvinit, regarding the delivery of potassium chloride standard at a price of US$/t 460 including freight. As this price was tangibly below the price level prevailing on the global markets until the beginning of July 2009, the share prices of potash producers came under renewed pressure.
- While the equity markets again experienced an upswing starting from mid-July, uncertainties about the duration of weak demand on the market for potash continued to impact negatively on the K+S share.
- On 18 September, Canadian competitor PotashCorp published a profit warning, which also had an adverse effect on the K+S share price, even though the capital markets had already been informed by K+S in June about the anticipated poor earnings position.
- The figures for the third quarter, published in November, matched expectations with an unchanged outlook. Nevertheless, rumours concerning a possible capital increase prevented a price recovery.

- The announcement of a capital increase from authorized capital on 25 November finally put an end to these speculations and ushered in an upward trend.
- News about the conclusion of a contract between Chinese state importers and the Russian/Belarusian BPC on the delivery of potassium chloride standard at a price of US$/t 350 including freight resulted in a moderate price decline shortly before Christmas. On 30 December 2009, our share was quoted at € 39.99 and was thus slightly above the level at the end of 2008 (€ 37.87; retroactively adjusted for the subscription right markdown of the 2009 capital increase). If the dividend paid in May 2009 is taken into consideration, the growth in value amounted to 11.9 % in total.

At the start of 2010, the K+S share price rose by just under 12 %

The year 2010 began with a marked price increase. The reasons for this were analysts' positive comments regarding the outlook for the fertilizers business in 2010. This was also helped by the prospects for good earnings in the Salt business segment due to the cold weather conditions in Europe at the beginning of the year. After a short phase of weakness at the end of January, the price rose to € 44.62 up to the end of February. In comparison to the end of 2009, the K+S share closed 11.6 % up; the DAX lost 6.0 % in the same period.

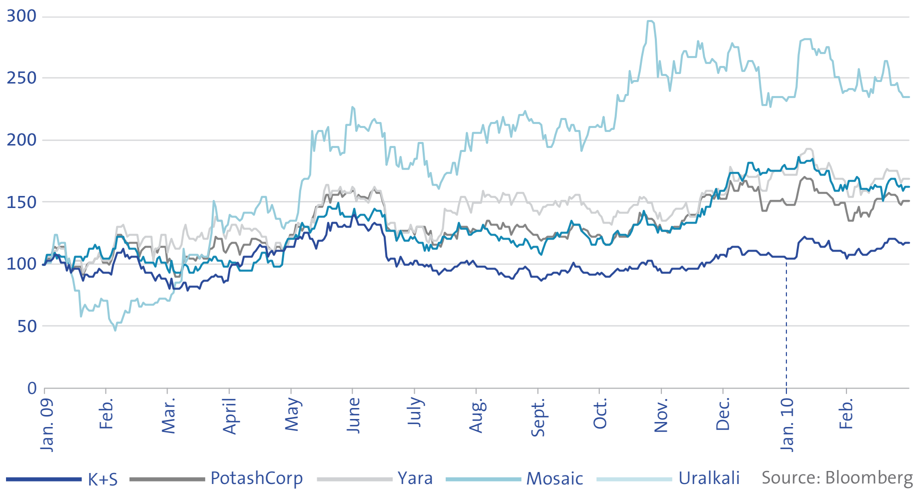
Fig. 3: Market capitalisation of the K+S Aktiengesellschaft as of 31 December
(Basis: XETRA, in € billion)



Performance of the K+S share since the start of the year in relation to competitors

We are consistently following the relative performance of our share compared to our publicly traded competitors, the so-called peer group. Among others, it includes North American fertilizer producers PotashCorp and Mosaic, Russian potash producer Uralkali and Norwegian fertilizer supplier Yara.

Fig. 4: Performance of the K+S Share* in relation to peers
(Index: 31 December 2008; in %)



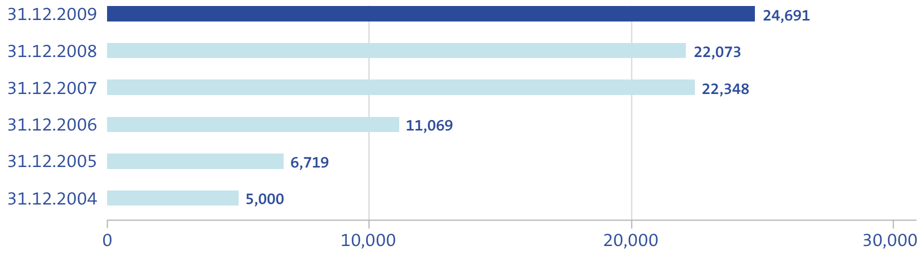
* Since the capital increase of December 2009, the price of the K+S share has been traded ex subscription right. Historical values were adjusted.

The share prices of K+S and of our competitors displayed an often significant upward trend during the first five months, which was not even slowed down for a significant period of time by poorer market prospects in the middle of the year. While the peer companies ended the year with partly significant price gains, the K+S share price tended to move sideways and closed 5.6 % up. One factor in this was certainly the far better performance of the K+S share in 2008 even compared to those of our competitors, resulting in the related potential for these other stocks to catch up. In this two-year period, at +4 %, the K+S share, as at 31 December 2009, performed even better than the shares of potash-producing peer companies (PotashCorp: (25) %, Mosaic: (37) %, Uralkali: (44) %).

Financial investment in K+S shares has grown on average by 37.6 % per year over the past five years

An investment in K+S shares has paid off extraordinarily well during the last five years. A K+S shareholder who acquired K+S shares for € 5,000 on 31 December 2004 and reinvested dividend payments made and subscription rights allocated over the following five years in K+S shares found his portfolio worth about € 24,691 on 31 December 2009. The value of the portfolio rose by an average 37.6 % per year over those five years. By comparison: The DAX only achieved an annual yield of +7.0 % in the same period.

FIG. 5: PERFORMANCE OF PORTFOLIO OF K+S SHARES* (in € as of 31 December)



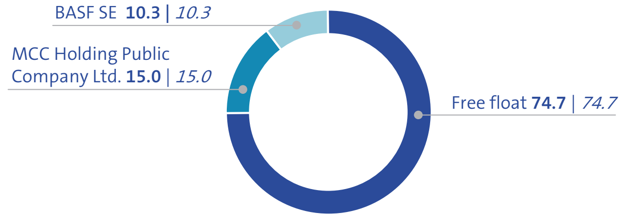
* Incl. reinvestment of dividends on the day after the AGM and assuming the exercise of granted subscription rights without affecting expenditure within the framework of the 2009 capital increase; plus cash remaining.

Shareholder Structure: High Free Float

There were no significant changes in our shareholder structure in 2009. According to notifications in accordance with § 21 of the GERMAN SECURITIES TRADING ACT (WpHG), the BANK OF N.T. BUTTERFIELD AND SON LIMITED, Bermuda, continues to own about 15% of the shares via MCC HOLDING PUBLIC COMPANY LIMITED and its attributable subsidiaries. MCC manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. BASF SE continues to hold about 10% of our shares. In addition, BLACKROCK INC. announced that, through subsidiaries, on 8 December 2009, it had exceeded the 3% reporting threshold and holds 3.24% of the shares of K+S.

FIG.6: SHAREHOLDER STRUCTURE AS OF 28 FEB 2009

in %; previous year in italics



Under the free float definition applied by Deutsche Börse AG, the free float amounts to just under 75%. A shareholder identification survey carried out in October 2009 produced the following results: a good 22% of the shares are held by domestic institutional investors, and about 28% by foreign ones. We continue to assume that just under 23% is held by private investors.

In terms of geographical distribution, just under 58% of our shares are held in Germany. This assumes that the private shareholders are exclusively German residents. The proportion of shares held in Germany has thus increased moderately in comparison to last year. The proportion of shares held by MCC and thus attributed to Russia continues to be about 15%. Moreover, a good 10% of K+S shareholders reside in the USA and Canada respectively, and a further 6% in the UK and Ireland.

2009 capital increase

The K+S Aktiengesellschaft's capital increase announced on 25 November was received very positively by our shareholders. 26.4 million bearer shares of no-par-value common stock (no-par value shares) with a calculated share of the capital stock of € 1.00 each were issued; the new shares already carry full dividend rights for financial year 2009. The subscription rate was 99.42 % and, since 11 December 2009, the new shares have been included in the existing listing of the K+S shares on the Frankfurt Stock Exchange as well as on the regional stock exchanges of Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart. After entering the implementation of the capital increase in the commercial register on 9 December 2009, the share capital of K+S Aktiengesellschaft rose to € 191.4 million.

Ratios for capital structure management as well as the definition of their respective target ranges can be found on page 101 et seq.

The gross issue proceeds were € 688.8 million. The capital increase was intended primarily to improve the capital base of the K+S Group, also in relation to the target capital structure that it has set itself. In connection with this, the proceeds from the capital increase of the K+S Group created the option of paying off the bank loans taken out to finance the acquisition of Morton Salt and make possible financial and strategic flexibility for further growth in the future.

ADR programme established in the United States

Further information can be found on our homepage at www.k-plus-s.com in the section entitled Investor Relations/The Share/ADR Programme as well as on the webpage of OTCQX trading platform at www.otcqx.com

On 23 February 2009, K+S Aktiengesellschaft established an American Depositary Receipts (ADR) programme in the United States. The goal is to simplify trading in K+S securities for US investors and thus expand the international shareholder base. As the ADRs are listed in US dollars and the dividends are also distributed in US dollars, their form is essentially similar to that of US stocks. Two ADRs underlie one K+S share. The ADRs are traded on the OTC (over-the-counter) market in the form of a "level 1" ADR programme. The K+S ADRs are listed on OTCQX, a trading platform which offers issuers an efficient possibility of increasing the liquidity of their ADRs.

Listing in stock market indices

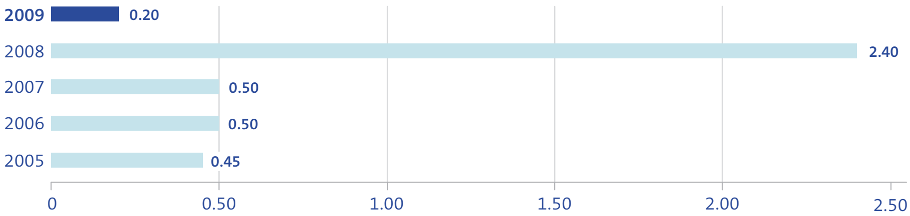
According to the stock exchange ranking of February 2010, we are currently in 21nd place on the DAX in terms of market capitalisation (previous year: 20th) and, in terms of trading volume, in 16th place (previous year: 15th). Furthermore, the K+S share is quoted on the following stock market indices:

- DAX
- DJ STOXX 600
- DJ EURO STOXX
- HDAX
- CDAX Gesamtindex
- Prime Sector Chemicals
- Industry Group Chemicals/Commodity
- MSCI World Standard
- MSCI Europe Standard
- MSCI Germany Standard
- ECPI Ethical Index Global

At € 0.20, dividend proposal significantly lower than previous year

We pursue an essentially earnings-based dividend policy. With this measure, a distribution level of between 40 % and 50 % of adjusted Group earnings forms the basis for the amount of future dividend recommendations to be determined by the Board of Executive Directors and the Supervisory Board. The Board of Executive Directors will thus propose to the Annual General Meeting that a dividend of € 0.20 per share be paid for the past financial year following adjustment for the significantly lower earnings.

Fig. 7: Dividend per K+S Share (in €)



This corresponds to a dividend payout ratio of about 41 %. With 191.4 million shares outstanding, this therefore results in a total dividend payment of € 38.3 million. Based on a share price of € 39.99 at the end of the year, the dividend proposal will lead to a dividend yield of 0.5 %.

Bond and Rating

The K+S bond

K+S Aktiengesellschaft placed its first bond on the capital market in September 2009. The bond has a volume of € 750 million and a term of five years. With a coupon payment of 5.0 % p.a. and an issue price of 99.598 %, the yield on issue was 5.093 % p.a. As a result of strong demand on the part of institutional investors, the bond was several times oversubscribed. The proceeds from the bond issue were used to finance part of the purchase price for the takeover of Morton Salt. The placing enabled the Company to create a balanced maturity structure of the outstanding financing instruments.

In spite of better economic data, the bond market does not initially appear to be assuming an end to the historic low-interest phase. Against this backdrop, the declining risk premiums for corporate bonds contributed to the K+S bond being quoted at 105.306 % on 31 December 2009. This means that the yield as at the balance sheet date was 3.75 % p.a.

Rating

At the start of the year, we submitted ourselves to an external rating process for the first time. On 23 April 2009, we received the following ratings in the investment grade segment: Standard & Poor's rated K+S as "BBB+", Moody's rating was "Baa2". The outlook predicted by both agencies was "stable" at this point. During the further course of the year, Standard & Poor's lowered its rating to "BBB" with a "negative" outlook due to poorer market prospects and the higher indebtedness that resulted from the acquisition of Morton Salt. Moody's also lowered the outlook of the "Baa2" rating to "negative". The capital increase carried out in December then prompted Standard & Poor's to reinstate the outlook of the "BBB" rating as "stable".

Investor Relations

Regular research coverage of K+S further expanded

During the past year, the regular research coverage of K+S has been expanded by another six banks against the backdrop of its further increasing international importance. This should make it easier to gain access to new groups of investors.

The following 32 banks analyse K+S on a regular basis:

- B. Metzler seel. Sohn & Co.
- Bankhaus Lampe
- Bank of America | Merrill Lynch
- Berenberg Bank
- BHF-Bank
- BMO Capital Markets (new)
- CA Cheuvreux
- Citigroup
- Commerzbank
- Credit Suisse
- Deutsche Bank
- DZ Bank
- Equinet (new)
- Equita
- Exane BNP Paribas
- Goldman Sachs
- HSBC Trinkaus & Burkhardt
- Independent Research
- J.P. Morgan Cazenove
- Kepler Capital Markets
- LBBW
- Main First Bank
- Merck Finck & Co.
- Morgan Stanley (new)
- Nomura (new)
- Sal. Oppenheim Research
- Silvia Quandt Research
- Société Générale (new)
- SRH Alster Research (new)
- UBS Investment Research
- UniCredit (HVB) Equity Research
- WestLB

You can find further information on our homepage at www.k-plus-s.com in the Investor Relations/Share section.

In the last of the research surveys that we carry out regularly, nine banks gave us a "buy/accumulate" recommendation, six a "hold/neutral" recommendation and nine a "reduce/sell" recommendation. The "Investor Relations" section of our homepage carries a constantly updated overview of current research recommendations as well as consensus forecasts for revenues and earnings.

Proactive investor relations in a year of crisis

We have responded to the greater need for information on the part of the capital market prompted by the economic and financial crisis with a further increased number of 44 roadshows and conference days. In addition to these events in Germany, the UK, France, Switzerland, Ireland, the Benelux countries, Scandinavia, Austria, Italy, North America, Japan and Singapore, we conducted numerous personal one-on-one interviews and conference calls with investors. Additionally, we intensified contact with private shareholders through participation in stock exchange days and share forums. The aim of our Investor Relations work is transparent financial communication with all market participants, in order to maintain and strengthen confidence in the quality and integrity of our management, and provide comprehensive, fast and optimally objective information about our strategy as well as about all events relevant to the capital markets that concern the K+S Group.

Awards

Our efforts were also recognised last year by third parties:

- The K+S 2008 Financial Report again made the top ten among 30 companies quoted on the DAX in the highly regarded competition held by the German manager magazine coming 5th (2008: 2nd place in the MDAX), and in the total ranking of about 200 companies examined, we came 7th (previous year: 4th place).
- With our Investor Relations website, in 2009, we came 8th among DAX-listed companies in the prestigious online investor relations study by NetFederation, and also came 8th in the total ranking of about 200 companies that are regularly examined.
- Capital magazine, together with the DVFA, and on the basis of comprehensive evaluations by banks and fund management companies from all over Europe, awarded us with 8th place in the DAX (previous year: 3rd in the MDAX) for our IR work; in the case of the renowned Thomson Extel Survey Beste IR Deutschland 2009, we ranked 15th in the DAX (2008: 5th place in the MDAX). In the BIRD (Beste Investor Relations Deutschland) survey carried out by BÖRSE ONLINE among private investors, K+S came 7th in the overall ranking (previous year: 18th place) and 2nd place in the DAX (previous year: 5th place).

We are delighted to have received the awards, which, nevertheless, both motivate and oblige us at the same time to further improve our service for our shareholders, bondholders and other interested parties.

Finally, regular anonymous surveys of our shareholders and analysts show a high degree of satisfaction with our investor relations work and, furthermore, provide us with good ideas for constantly improving our financial market communication. The keen interest in K+S is also evident from the fact that in 2009 a total of approximately 46,000 financial and quarterly reports, of which 16,000 were in English, were downloaded from our homepage.

It pays to visit our homepage

You can find further information on our homepage at **www.k-plus-s.com** in the Investor Relations section.

We publish all our financial and interim reports on the Internet at www.k-plus-s.com. Anyone who wishes to find out more about us will, among other things, find answers on our investor relations page to frequently asked questions, as well as current Company presentations, recordings of conference calls and video webcasts. It is also possible to subscribe to podcasts. A special newsletter also ensures an automatic and immediate supply of current press releases and news concerning the Company by e-mail. Just give it a try!

K+S Aktiengesellschaft
Investor Relations
Bertha-von-Suttner-Strasse 7, 34131 Kassel | Germany
phone: +49 (0) 561/9301-1100
fax: +49 (0) 561/9301-2425
e-mail: investor-relations@k-plus-s.com
Internet: www.k-plus-s.com/en/ir

File CORPORATE GOVERNANCE
Description Rockface milling cutter in use
Location Hattorf-Wintershall mine, Werra plant, Germany

STRUCTU

Creating: STRUCTURE

1:1 SCALE

The success of a company is also always to some extent based on its organisation. Corporate governance is an important area of responsibility for us, because already for years, value-oriented and transparent corporate management and control has been an integral part of our corporate culture.

Furthermore, within the framework of a compliance programme, we have created a Code of Conduct, which is based on the principles and fundamental values that hold for all employees of the K+S Group. A structure that creates trust, both within and outside the Company, and which we have supplied with concrete goals in our vision and mission.

CORPORATE GOVERNANCE

- Only one deviation from Code recommendations
- Two deviations from Code suggestions
- Pro-active and transparent communication is our demand

The term Corporate Governance denotes responsible and transparent management and control, oriented towards the creation of long-term value. These principles have formed the basis of all our decision-making and control processes for a long time.

In accordance with Sec. 289a of the German Commercial Code (Handelsgesetzbuch – HGB), the Board of Executive Directors issues the following declaration on governance in the management report of K+S Aktiengesellschaft; together with this statement, a report in accordance with Item 3.10 of the German Corporate Governance Code is also provided:

Declaration of Compliance and Corporate Governance Report

Declaration on conformity 2009/2010

In December 2009, the Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft submitted the following joint declaration on conformity in accordance with Sec. 161 of the German Stock Corporation Act (Aktiengesetz – AktG):

This and all earlier declarations on conformity are published on the Website at www.k-plus-s.com in the Corporate Governance section.

"We declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the German Ministry of Justice in the official section of the electronic Federal Gazette were complied with in 2009 and will be complied with in 2010, in each case subject to the following:

2009

The recommendations of the German Corporate Governance Code, as amended on 6 June 2008, were complied with in 2009, except that merely for the supervisory board's audit committee, the chairmanship and membership are taken into account for remuneration purposes (Clause 5.4.6 of the Code); for the remaining committees, no additional remuneration beyond the payment of a separate meeting remuneration is deemed necessary.

2010

The recommendations of the German Corporate Governance Code, as amended on 18 June 2009, will be complied with in 2010, except that merely for the supervisory board's audit committee, the chairmanship and membership are taken into account for remuneration purposes (Clause 5.4.6 of the Code); for the remaining committees, no additional remuneration beyond the payment of a separate meeting remuneration is deemed necessary."

With regard to the numerous non-obligatory suggestions contained in the Code, the following two are the only ones not to have been or not to have fully been implemented by K+S:

- The Annual General Meeting has not as yet been carried live on the Internet in its full length (Code Item 2.3.4), but it was only carried up to the end of the speech by the chairman of the Board of Executive Directors.
- The variable remuneration of the Supervisory Board is linked to the return on total investment of a given financial year and therefore does not contain any components that are based on the long-term success of the Company (Code Item 5.4.6 Para. 2 Sent. 2).

Compliance

Our compliance system creates the organisational prerequisites for applicable law, our internal regulations and guidelines, and the regulatory standards recognised by the Company to be known throughout the Group and compliance with them to be monitored. We thus want not only to avoid the risks of liability, penalties and fines as well as other financial disadvantages for the Company, but also to ensure a positive perception of the Company and its employees in the public eye. We regard it as a matter of course that breaches of compliance are systematically pursued and consistently punished.

The Board of Executive Directors has entrusted a chief compliance officer with the task of coordinating and documenting compliance activities throughout the Group. He heads the central compliance committee to which the compliance representatives of the holding and the business segments as well as the heads of those holding units belong, who identify compliance-relevant tasks (internal audit, risk management, legal affairs, personnel, environmental protection/work safety/quality management, company organisation, data protection, IT security).

For K+S, the relevant legal provisions, especially the legislation that governs stock corporations, co-determination and the capital markets, our Articles of Association, the German Corporate Governance Code as well as the bylaws of the Supervisory Board and of the Board of Executive Directors form the basis on which management and control within the Company has been shaped. Over and above the legal obligations, we have defined for ourselves core values and principles of conduct derived from them which form a compulsory framework for our conduct and our decisions as well as provide orientation for our corporate actions. Our core values and the principles of conduct are published on our homepage at www.k-plus-s.com in the section About K+S. Every employee is made familiar with these core values and principles of conduct (THE CODE OF CONDUCT) applying throughout the Group, as well as with the Company guidelines derived from them. Compulsory training on special subjects is given for the employees (potentially) concerned (e.g. in anti-trust law, combating corruption, and environmental protection/work safety law). The employees have the possibility of seeking advice in compliance-related matters through internal helplines. We plan to set up external and anonymous hotlines (whistle-blowing) in 2010.

Corporate bodies

The corporate bodies are the Annual General Meeting, the Board of Executive Directors and the Supervisory Board. The powers vested in these bodies are governed by the GERMAN STOCK CORPORATION ACT, the Articles of Association and the respective bylaws of the Board of Executive Directors and the Supervisory Board.

Shareholders and the Annual General Meeting

You can find further information regarding the AGM on our homepage: www.k-plus-s.com/en/ir/hauptversammlung

The shareholders assert their rights at the Annual General Meeting and decide on fundamental matters affecting K+S AKTIENGESELLSCHAFT by exercising their voting rights. Each share carries one vote (one share, one vote principle). All documents of decision-making importance are also made available in good time to the shareholders on our website. The Annual General Meeting is also carried live on the Internet up to and including the speech by the chairman of the Board of Executive Directors. The shareholders can have their voting rights exercised by an authorised representative of their choice, for example through a proxy designated by K+S, to whom instructions can be issued. Shortly after the end of the Annual General Meeting, we publish details of attendance and the results of the voting on the Internet.

Operations of the Board of Executive Directors

You can find the bylaws of the Board of Executive Directors on our website in the CORPORATE GOVERNANCE section.

The Board of Executive Directors is responsible for managing the Company in accordance with the law, the Articles of Association and its bylaws, taking into account the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. The K+S GROUP is managed through regular strategic consultations at the Board of Executive Directors level as well as with the heads of the business segments, in order to then systematically and in a timely manner implement the appropriate results in the form of annual and medium-term plans as well as agreed targets. The Board of Executive Directors and the heads of the business segments are informed about the development of essential financial indicators as well as of operational early indicators of the Group and its business segments on a monthly basis – the commentaries on developments and divergences from targets with respect to production, sales volume, revenues, costs, earnings, personnel, capital expenditure and other financial indicators focus on this. More information on enterprise management can be found on page 73 et seq. The Board of Executive Directors is required to take appropriate measures, particularly establishing a monitoring system, to ensure the timely identification of developments that might place the continued existence of the Company at risk. This system is being continually developed and adjusted to take account of changed conditions. Details about risk management can be found in the risk report on page 122 et seqq.

More information on the distribution of divisional responsibilities of the members of the Board of Executive Directors can be found on page 12 et seq.

The Board of Executive Directors consists, in accordance with Sec. 5 Para. 1 of the Articles of Association of the Company, of at least two members. The number of members is determined by the Supervisory Board; the Board of Executive Directors currently consists of five members. The bylaws govern its cooperation and the allocation of business responsibilities. According to them, every member of the Board of Executive Directors is responsible for the fulfilment of the tasks assigned to his department and determines the particular area and scope of responsibility for the heads of the business segments and holding functions in function descriptions. The affected members of the Board of Executive Directors are required to be informed about matters concerning various departments; measures which also concern other departments or deviate from the usual day-to-day business are required to be agreed with the other members of the Board of Executive Directors. Such matters should be discussed at meetings of the Board of Executive Directors as far as possible, and measures decided on there, if necessary; a vote or resolution should always be passed concerning important personnel and structural organisational measures as well as business transactions and measures requiring the consent of the Supervisory Board.

Operations of the Supervisory Board

The bylaws and more information on the composition of the Supervisory Board and its committees can be found on our website in the Corporate Governance section.

The Supervisory Board of the Company is composed in accordance with Sec. 8 Para. 1 of the Articles of Association of the Company, pursuant to statutory provisions. It consists of 16 members and is subject to co-determination in accordance with the German Co-Determination Act (Mitbestimmungsgesetz). The Supervisory Board members are elected as representatives of the shareholders by the Annual General Meeting and as employees' representatives by the employees of the K+S Group in Germany on a 50-percent basis. They are elected to serve for a term of office that lasts until the end of the Annual General Meeting that resolves on the discharge from liability for the fourth fiscal year following the commencement of the term of office, excluding the fiscal year in which the term of office commenced.

The Supervisory Board oversees and advises the Board of Executive Directors in connection with the carrying on of business. It is involved in all decisions of fundamental importance, always appropriately and in sufficient time. The Board of Executive Directors informs it at regular intervals in a timely and comprehensive manner about the course of business, the earnings and financial position, the employment situation and the planning and further development of the Company. The Supervisory Board regularly receives written reports from the Board of Executive Directors for the preparation of meetings. After careful review and consulting, the Supervisory Board adopts resolutions on the reports and proposals, where necessary. In the case of particular business procedures of great importance to the Company, the Supervisory Board is also provided with immediate and extensive information in writing by the Board of Executive Directors between regular meetings. In addition, the Supervisory Board carries out an efficiency review at least once a year in the form of a questionnaire, in order to obtain pointers for the future work of the Supervisory Board and the committees. More details on the Supervisory Board's activities in the 2009 financial year can be found in the Supervisory Board's report on page 15 et seqq. of this Financial Report.

The Supervisory Board has imposed bylaws on itself and formed four committees from among its members:

- The audit committee has the tasks arising from Sec. 107 Para. 3 Sent. 2 of the German Stock Corporation Act (AktG) as well as Item 5.3.2 of the German Corporate Governance Code. It is particularly involved in monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance system and the audit of the financial statements. It also discusses the half-yearly and quarterly financial reports with the Board of Executive Directors prior to publication. On the basis of his professional experience as head of the Central Department Legal Affairs, Tax and Insurance (until the end of 2007) and as Chief Compliance Officer of BASF SE, Dr. Sünner, chairman of the audit committee, possesses comprehensive knowledge and experience with respect to the application of accounting principles and internal control procedures.
- The personnel committee is responsible for preparing the appointment of members of the Board of Executive Directors, including long-term succession planning. With regard to determining the total remuneration of the various members of the Board of Executive Directors, the committee submits proposals for resolutions to the plenary meeting of the Supervisory Board. The chairman of the Supervisory Board is simultaneously the chairman of this committee.
- The nomination committee, consisting exclusively of representatives of the shareholders, recommends suitable Supervisory Board candidates for the Supervisory Board to propose to the Annual General Meeting. The chairman of the Supervisory Board is simultaneously the chairman of this committee.
- The mediation committee performs the tasks set forth in Sec. 31 Para. 3 Sent. 1 of the German Co-Determination Act. The chairman of the Supervisory Board is simultaneously the chairman of this committee.

With the exception of the term of office of Dr. Bethke, who has been elected until the close of the Annual General Meeting held in 2012, the term of office of the shareholders' and employees' representatives on the Supervisory Board ends at the close of the Annual General Meeting held in 2013. The term of office of Mr Cardona, who succeeded Dr. Bufe as shareholders' representative on the Supervisory Board by court appointment in October 2009, ends with the close of the coming Annual General Meeting.

Board of Executive Directors and Supervisory Board cooperation

The Supervisory Board is kept informed by the Board of Executive Directors at regular intervals in a timely and comprehensive manner about all issues that are of relevance to the Company as a whole and concern corporate strategy, planning, business development and the financial and earnings position as well as about any particular business risks and opportunities. Important business transactions and measures require the consent of the Supervisory Board; more information on this can be found in Sec. 12 of the bylaws of the Supervisory Board.

Conflicts of interests

No conflicts of interests involving members of the Board of Executive Directors or the Supervisory Board, about which the Annual General Meeting needed to be informed, were disclosed to the Supervisory Board in the reporting period.

D&O insurance

D&O insurance exists for members of the Board of Executive Directors and of the Supervisory Board. Until now, the deductible amounted to € 10,000 for each insured damaging event. In accordance with the recommendation of Item 3.8 of the German Corporate Governance Code, with effect from 1 January 2010, a deductible of 10 % of damage (up to a maximum of one-and-a-half times the fixed annual remuneration) was agreed for the members of the Supervisory Board. For members of the Board of Executive Directors, whose employment contracts have until now provided for a deductible of € 10,000, a similar rule is planned.

Share transactions of members of the corporate bodies

In accordance with Sec. 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Board of Executive Directors and of the Supervisory Board must disclose purchases or disposals of K+S shares to K+S Aktiengesellschaft.

In 2009, the following directors' dealings were notified to K+S Aktiengesellschaft*:

A constantly updated table can be found on our homepage at www.k-plus-s.com/en/ir/meldungen/dd/index.html

Memers of the Board of Executive Directors*

in €	Date	Transaction	Number	Price	Volume
Norbert Steiner	10.12.2009	Share purchase	1,520	26.00	39,520.00
	10.12.2009	Sale of subscription rights	19,520	2.58	50,361.60
	07.12.2009	Share purchase	460	42.24	19,430.40
	04.06.2009	Share purchase	9,500	54.49	517,630.02
Joachim Felker	10.12.2009	Share purchase	1,600	26.00	41,600.00
	04.12.2009	Sale of subscription rights	1	2.82	2.82
	18.05.2009	Share sale	9,944	47.72	474,549.06
	14.05.2009	Share purchase	7,645	45.01	344,069.57
Gerd Grimmig	10.12.2009	Share purchase	2,080	26.00	54,080.00
	07.12.2009	Sale of subscription rights	13	2.56	33.28
	04.06.2009	Share sale	2,816	55.00	154,880.00
	14.05.2009	Share purchase	7,653	45.01	344,429.62
Dr. Thomas Nöcker	10.12.2009	Share purchase	1,224	26.00	31,824.00
	08.12.2009	Share purchase	5,973	40.88	244,176.24
	03.12.2009	Purchase of subscription rights	5	2.82	14.10
	03.12.2009	Sale of subscription rights	36,858	2.74	101,007.88
	14.05.2009	Share purchase	7,645	45.01	344,069.57

Members of the Supervisory Board*

in €	Date	Transaction	Number	Price	Volume
Dr. Ralf Bethke	01.12.2009	Sale of subscription rights	6,004	2.48	14,889.92
	08.06.2009	Share sale	6,500	51.54	334,983.48
Dr. Rainer Gerling	10.12.2009	Share purchase	712	26.00	18,512.00
	07.12.2009	Purchase of subscription rights	22	2.56	56.32
	04.06.2009	Share purchase	1,000	53.41	53,410.00
Klaus Krüger	10.12.2009	Share purchase	200	26.00	5,200.00
	07.12.2009	Sale of subscription rights	29	2.56	74
	02.12.2009	Share sale	200	42.00	8,400.00
	03.04.2009	Share purchase	80	33.45	2,676.00

* Same-day reports of the same transaction type are combined.

As on 31 December 2009, the members of the Board of Executive Directors and of the Supervisory Board held less than 1 % of the total number of K+S Aktiengesellschaft shares issued.

Accounting and audit policies

International Financial Reporting Standards (IFRSs) have been applied since the beginning of 2005 in preparing the consolidated financial statements of K+S Aktiengesellschaft. Audits have been conducted by Deloitte & Touche GmbH, Hanover, which has issued a declaration of independence pursuant to Item 7.2.1 of the German Corporate Governance Code. The auditor is appointed by the Supervisory Board, acting on a recommendation submitted by the audit committee, after the main topics to be covered by the audit and the fees have been agreed with the auditor elected by the Annual General Meeting. The chairman of the Supervisory Board and the chairman of the audit committee are immediately advised by the auditor of any grounds giving rise to exclusions or objections that may arise during the audit if they cannot be eliminated immediately. Furthermore, the auditor should immediately advise of all findings and occurrences of relevance to the tasks of the Supervisory Board that may arise during the audit. In addition, the auditor is required to advise the Supervisory Board or make an appropriate note in the audit report if, during the course of the audit, the auditor ascertains any facts suggesting incompatibility with the declaration on conformity issued by the Board of Executive Directors and the Supervisory Board in accordance with Sec. 161 of the German Stock Corporation Act.

Transparency

It is our goal to provide information about the position of the Company and about all significant changes in business to shareholders, shareholder associations, financial analysts, the media and the interested general public by means of regular, open and current communications simultaneously and in an equal manner. We publish all important information such as information on the Annual General Meeting, press releases, ad hoc notifications and disclosures of voting rights, all financial reports, but also analysts' recommendations and consensus forecasts as well as Company presentations from roadshows and investors' conferences on our website.

The financial calendar can be found in the financial report, in the quarterly financial reports and on the Company's website. The Company's Articles of Association as well as the bylaws of the Board of Executive Directors and the Supervisory Board can also be viewed on our website along with detailed information on the implementation of the recommendations and suggestions contained in the German Corporate Governance Code. An e-mail newsletter keeps constantly informed about new developments in the Group.

Remuneration Report

With the following remuneration report, the Board of Executive Directors meets its reporting obligations under Sec. 315 Para. 2 No. 4 of the German Commercial Code (HGB) and under Item 4.2.4, 4.2.5 and 5.4.6 Para. 3 of the German Corporate Governance Code:

Remuneration of the Board of Executive Directors

Remuneration structure

The criteria for the appropriateness of the remuneration include especially the responsibilities of each member of the Board of Executive Directors, his individual performance, the performance of the Board of Executive Directors as a whole, the comparison with other senior management, and the economic position as well as the success and future prospects of the Company taking into consideration its comparative environment.

The remuneration for the members of the Board of Executive Directors consists of annual elements and elements with a long-term incentive character. The annual remuneration elements include both components not related to performance and performance-related components. The components not related to performance consist of the fixed remuneration as well as in-kind and other benefits; the bonus is the performance-related part. A virtual stock option programme is the component with the long-term incentive effect. Furthermore, the members of the Board of Executive Directors benefit from pension commitments.

The fixed remuneration as remuneration not related to performance is paid monthly as a salary. In addition to this, the members of the Board of Executive Directors receive benefits, in particular contributions to pension, health and long-term care insurance as well as in-kind benefits, which consist mainly of the use of company cars.

In order to optimally harmonise the interests of shareholders with those of the Board of Executive Directors, a part of the bonus is determined on the basis of the return on total investment of the Group. Moreover, the personal performance of the members of the Board of Executive Directors is taken into consideration when calculating the bonuses; the payment is made in the following financial year.

The structure of the annual remuneration in a normal year provides for a fixed remuneration of 40 % and variable, short-term performance-related components of 60 %. Of the variable component, 80 % is linked to the performance of the Company, i. e. to the return on total investment achieved; the remaining 20 % is dependent on personal performance. Thus, remuneration of 100 % is reached if, on the one hand, the return on total investment achieved reaches the minimum return of 115 % of the respective cost of capital rate and, on the other hand, personal performance was assessed as being 100 %. Remuneration on the basis of return on total investment is capped at a value of 21 percentage points above the minimum return. The ranges for target accomplishment of the two variable remuneration components are between 0 % and about 150 %. The amount of the remuneration on the basis of a normal year is reviewed annually.

The following table is an illustrative calculation of the annual remuneration:

in €	Achievement of target 100% 1)	Achievement of target 0% 2)	Maximum achievement of target 3)
Fixed remuneration: 40%	380,000	380,000	380,000
Bonus: 60%	570,000	0	867,000
- of which performance of the company: 80%	456,000	0	696,000
- of which personal achievement of target: 20%	114,000	0	171,000
Total remuneration	**950,000**	**380,000**	**1,247,000**

1) Return on investment ≙ minimum return; personal achievement of target ≙ 100 %
2) Return on investment ≙ 0 %; personal achievement of target ≙ 0 %
3) Return on investment ≥ minimum return + 21 percentage points; personal achievement of target ≙ 150 %

In addition, it is possible for income to be obtained by exercising stock options as a variable component of remuneration with a long-term incentive and risk character. As part of a virtual stock option programme, whose structure is identical to that for the remaining stock option programme participants, members of the Board of Executive Directors can use 30 % of their performance-related remuneration for own investments in K+S shares.

By acquiring such basic shares, the participants receive virtual options that trigger a cash payment when exercised. The amount of the cash payment is determined according to the performance of the K+S share in relation to the DAX benchmark. The basic prices of the K+S share and the DAX decisive for the calculation of performance correspond to the average share price during the 100 trading days until the respective base reference date (the third from last Friday before the ordinary Annual General Meeting). A subsequent change of the success targets or comparison parameters is impossible.

The options expire after a period of five years, after which the unexercised options expire without compensation. After a lock-up period of two years, it is possible to exercise the options within two time windows per year, in May and November, following the publication of the quarterly figures. In order to be able to exercise the options, the basic shares must be held in succession until the day the option is exercised. In the event of a change of control, a special window opens up for the exercise of all still outstanding options.

In the event of withdrawal or resignation, those virtual options that have not yet been exercised by that time expire.

Against the background of the legal provisions amended by the German Act on the Appropriateness of Management Board Remuneration (VorstAG) as well as the changed recommendations of the German Corporate Governance Code on the form of management board remuneration, the Company is currently examining to what extent the existing remuneration structure needs to be adjusted for the future. In particular, a change in the variable component of remuneration with a long-term incentive is being specifically considered.

Amount of remuneration

Details of the remuneration of the Board of Executive Directors for the financial year 2009 are provided in individualised form in the table below. The respective figures for the previous year are stated in italics:

Remuneration of the Board of Executive Directors

in T€	Annual income: Fixed remuneration	Benefits	Bonus	Options granted: Number	Value [1]	Total
Norbert Steiner	590.0	24.1	527.7	190,000	959.3	2,101.1
	380.0	*22.2*	*1,725.2*	*64,400*	*654.4*	*2,781.8*
Joachim Felker	380.0	20.4	320.0	152,900	772.0	1,492.4
	300.0	*19.9*	*963.0*	*47,120*	*478.8*	*1,761.7*
Gerd Grimmig	380.0	26.8	325.7	153,060	772.8	1,505.3
	300.0	*25.7*	*964.0*	*47,200*	*479.6*	*1,769.3*
Dr. Thomas Nöcker	380.0	22.2	320.0	152,900	772.0	1,494.2
	300.0	*21.6*	*963.0*	*47,120*	*479.8*	*1,764.4*
Jan Peter Nonnenkamp [2]	221.7	42.6	186.7	–	–	451.0
	–	–	–	–	–	–
Total	**1,951.7**	**136.1**	**1,680.1**	**648,860**	**3,276.1**	**7,044.0**
	1,280.0	*89.4*	*4,615.2*	*205,840*	*2,092.6*	*8,077.2*

[1] at the date of grant; exercise of the options is possible no earlier than two years after they have been granted
[2] since 1 June 2009.

In the reporting year, the total remuneration of the Board of Executive Directors concerned five board members who had been in office for twelve months, with the exception of Mr Nonnenkamp, who had been appointed a member of the Board of Executive Directors by the Supervisory Board with effect from 1 June 2009. For 2009, Mr Nonnenkamp earned no claim arising from option rights, because he had not yet been appointed on the effective date of 31 December 2008. In the preceding year, the Board of Executive Directors consisted of four members, who had been in office for twelve months. The decrease in bonuses in comparison to the previous year is in particular the result of the significantly lower return on total investment in 2009.

For each member of the Board of Executive Directors, the total expenditure resulting from variable remuneration with a long-term incentive character, which relates both to the virtual option programme granted in 2009 and to the programmes that still existed from previous years, was in 2009 (figures for the previous year in brackets): Mr Steiner T€ 409.9 (T€ 541.3), Mr Felker T€ 330.8 (T€ 478.5), Mr Grimmig T€ 331.5 (T€ 482.5) and Dr. Nöcker T€ 330.8 (T€ 478.5).

The payments for the virtual options of the 2007 option programme exercised in full in 2009 by members of the Board of Executive Directors were, for individual members (figures for the previous year in brackets): Mr Steiner T€ 650.5 (T€ 476.4), Mr Felker T€ 596.2 (T€ 459.7), Mr Grimmig T€ 597.9 (T€ 476.4) and Dr. Nöcker T€ 596.2 (T€ 459.4).

The values of the virtual stock options acquired but not yet exercised in the framework of the option programmes 2008 and 2009 are shown in the following table (value had they been exercised on 31 December 2009). The figures for the previous year are stated in italics:

Share-based remuneration with long-term incentive character

	Option programme 2008		Option programme 2009	
	Number of options	Value in T€ on 31.12.	Number of options	Value in T€ on 31.12.
Norbert Steiner	64,400	337.8	190,000	387.0
	64,400	*352.7*	–	–
Joachim Felker	47,120	247.2	152,900	311.4
	47,120	*258.0*	–	–
Gerd Grimmig	47,200	247.6	153,060	311.7
	47,200	*258.5*	–	–
Dr. Thomas Nöcker	47,120	247.2	152,900	311.4
	47,120	*258.0*	–	–
Summe	**205,840**	**1,079.8**	**648,860**	**1,321.5**
	205,840	*1,127.2*	–	–

Pension commitments

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e. for each year of service in such capacity, a pension module is created. The basis for determining the pension entitlement (pension module) for the respective financial year is 15% of the “pensionable income” (without options and benefits), which consists of the short-term remuneration, i.e. the fixed remuneration and the bonus for the respective financial year. The resulting amount is computed in accordance with actuarial principles and put aside for retirement; the factors for the creation of the modules for 2009 for the members of the Board of Executive Directors are between 10.0% and 16.5%, depending on their age; these factors decrease with increasing age. The individual pension modules earned during the financial years are totalled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his survivors, receives the benefit he is entitled to. Only on payment are pension benefits adjusted in line with changes in the “consumer price index for Germany”. Claims on the modules acquired are vested.

If a Board of Executive Directors mandate ends, the retirement pension starts on completion of the 65th year of life, unless it is to be paid on the basis of an occupational or a general disability or as a survivor’s pension in the case of death. In the case of occupational or general disability of a member of the Board of Executive Directors before pensionable age has been reached, that member receives a disability pension in the amount of the pension modules created by the time that such disability occurs. If the disability occurs before the 55th year of life has been reached, modules are fictitiously created on the basis of a minimum value for the years that are missing before the 55th year of life. In the event of death of an active or a former member of the Board of Executive Directors, the surviving spouse receives 60%, each half-orphan 15% and each orphan 30% of the benefit. The maximum amount for the benefit for surviving dependents must not exceed 100 % of the benefit. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors departs after completing his 60th year of life, this is regarded as insured event within the meaning of the benefit commitment. For members of the Board of Executive Directors, the following amounts were allocated to the pension provisions in 2009; the respective figures for the previous year are stated in italics:

Pensions

in T€	Age	Normal allocation	One-time special effect [1]	Total additions
Norbert Steiner	55	125.3	(314.2)	(188.9)
		1,213.9	–	*1,213.9*
Joachim Felker	57	141.1	(89.4)	51.7
		406.5	–	*406.5*
Gerd Grimmig	56	162.6	(147.1)	15.5
		664.2	–	*664.2*
Dr. Thomas Nöcker	51	142.1	(199.6)	(57.5)
		553.6	–	*553.6*
Jan Peter Nonnenkamp [2]	46	66.9	–	66.9
		–	–	–
Total		**638.0**	**(750.3)**	**(112.3)**
		2,838.2	–	*2,838.2*

[1] On the basis of a change in determining pensionable income.
[2] since 1 June 2009.

The decrease in allocations to pension provisions is due to the lower Company result and the thus lower pensionable income.

Early termination of Board of Executive Directors' contracts

In the event of an effective recall of the appointment as board member, a member of the Board of Executive Directors receives, at the time of the termination, a severance payment of 1.5 times the fixed remuneration, however, up to a maximum amount of the total remuneration for the remaining period of the contract of service.

In the event of an early dissolution of a Board of Executive Directors' contract as the result of a takeover ("change of control"), the payment of the basic remuneration and bonuses outstanding until the end of the original term of appointment is made plus a compensatory payment if there is no reason that justifies a termination without notice of the contract of the person concerned. The bonus is calculated in accordance with the average of the preceding two years, plus a compensatory payment. The compensatory payment is 1.5 times the annual fixed remuneration. In the case of a change of control, each member of the Board of Executive Directors enjoys an extraordinary right of termination until the end of July 2011; the exercise of this right does not entail any claim to compensatory payment. In this case, there is only a claim to the payment of the basic remuneration and bonuses still due.

Miscellaneous

In the year under review, with regard to their activity as members of the Board of Executive Directors, the members were not promised or granted benefits by third parties. Apart from the service contracts mentioned, no service contracts were concluded between the members of the Board of Executive Directors, or persons closely related to them on the one hand, and the Company or its subsidiaries on the other.

The total remuneration of the previous members of the Board of Executive Directors and their surviving dependants came to T€ 2,288.7 (previous year: T€ 2,463) during the year under review.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is regulated in Sec. 12 of the Articles of Association. A member of the Supervisory Board receives annual fixed remuneration of € 55,000 as well as annual variable remuneration, which is determined in the following way by the amount of the return on total investment achieved by the K+S Group in the respective financial year and determined on the basis of the certified consolidated financial statements: The prerequisite for the claim to payment of variable remuneration is the achievement of a minimum return; this corresponds to 115 % of the percentage of capital costs before taxes of the K+S Group in the financial year concerned as applied in the consolidated financial statements; on the achievement of the minimum return, a member of the Supervisory Board receives remuneration of € 15,000; for each percentage point by which the return on total investment exceeds the minimum return, a member of the Supervisory Board receives further variable remuneration of € 1,500. The variable remuneration is limited to a maximum amount of € 45,000 per year. The chairman of the Supervisory Board receives twice the amount and the deputy chairman one-and-a-half times the amount of the remuneration. The members of the audit committee receive a further remuneration of € 7,500 per year. The chairman of this committee too receives twice the amount, and a deputy chairman one-and-a-half times this further remuneration. The Company pays an attendance fee of € 500 to each member of the Supervisory Board for attending a meeting of the Supervisory Board or of a Supervisory Board committee to which they belong, but in the event of more than one meeting being attended on one day a maximum of € 1,000 per day will be paid. The members of the Supervisory Board are entitled to the reimbursement from the Company of any expenses necessary and reasonable for the performance of their duties. Furthermore, they are entitled to the reimbursement of any VAT to be paid as a consequence of their activities in the capacity of Supervisory Board members.

Details of the remuneration of the Supervisory Board for the 2009 financial year are provided in individualised form in the table below; the previous year's figures are stated in italics:

Remuneration of the Supervisory Board [1)]

in €	Fixed remuneration	Variable remuneration	Audit committee	Attendance allowances	Total
Dr. Ralf Bethke [2)]	110,000	–	7,500	8,000	125,500
	16,339	*147,049*	*3,169*	*2,600*	*169,157*
Michael Vassiliadis	82,500	–	11,250	7,000	100,750
	15,000	*135,000*	*5,000*	*3,000*	*158,000*
Ralf Becker	22,917	–		1,500	24,417
(since 1 August 2009)	–	–		–	–
Jella S. Benner-Heinacher	55,000	–		3,500	58,500
	10,000	*90,000*		*1,800*	*101,800*
Dr. Uwe-Ernst Bufe	36,616	–		2,500	39,116
(14 May 2008 until 31 August 2009)	*6,339*	*57,049*		*600*	*63,988*
George Cardona	12,658	–		500	13,158
(since 9 October 2009)	–	–		–	–
Harald Döll	22,917	–		1,500	24,417
(since 1 August 2009)	–	–		–	–
Karl-Heinz Georgi	–	–		–	–
(until 14 May 2008)	*3,661*	*32,951*		*1,000*	*37,612*
Dr. Rainer Gerling	55,000	–		4,000	59,000
(since 14 May 2008)	*6,339*	*57,049*		*800*	*64,188*
Rainer Grohe	55,000	–		6,000	61,000
	10,000	*90,000*		*2,200*	*102,200*
Dr. Karl Heidenreich	55,000	–	7,500	4,500	67,000
	10,000	*90,000*	*5,000*	*2,200*	*107,200*
Rüdiger Kienitz	55,000	–		3,500	58,500
	10,000	*90,000*		*1,400*	*101,400*
Klaus Krüger	55,000	–	7,500	8,000	70,500
	10,000	*90,000*	*5,000*	*2,800*	*107,800*
Dieter Kuhn	55,000	–		4,000	59,000
	10,000	*90,000*		*1,600*	*101,600*
Heinz-Gerd Kunaschewski	32,083	–		2,000	34,083
(until 31 July 2009)	*10,000*	*90,000*		*1,400*	*101,400*
Dr. Bernd Malmström	55,000	–		3,500	58,500
	10,000	*90,000*		*1,200*	*101,200*
Dr. Rudolf Müller	55,000	–		3,000	58,000
	10,000	*90,000*		*1,400*	*101,400*
Friedrich Nothhelfer	32,083	–		3,000	35,083
(14 May 2008 until 31 July 2009)	*6,339*	*57,049*		*800*	*64,188*
Renato De Salvo	55,000	–		4,000	59,000
	10,000	*90,000*		*1,600*	*101,600*
Dr. Eckart Sünner	55,000	–	15,000	5,500	75,500
	10,000	*90,000*	*10,000*	*2,200*	*112,200*
Gerhard R. Wolf	–	–	–	–	–
(until 14 May 2008)	*7,322*	*65,902*	*1,831*	*1,400*	*76,455*
Dr. Helmut Zentgraf	–	–		–	–
(until 14 May 2008)	*3,661*	*32,951*		*600*	*37,212*
Total	**956,774**	**–**	**48,750**	**75,500**	**1,081,024**
	175,000	*1,575,000*	*30,000*	*30,600*	*1,810,600*

1) Without the reimbursement of expenses for the VAT to be paid by the members of the Supervisory Board as a consequence of their activities.

2) Dr. Bethke was elected chairman of the Supervisory Board with effect from 14 May 2008.

In addition to this, members of the Supervisory Board were reimbursed expenses totalling € 20,692 in 2009 (previous year: € 28,207).

The remuneration for activities (including attendance allowances) on the Supervisory Board of the subsidiary K+S KALI GmbH in the 2009 financial year was for the following members (previous year's figures in brackets): Dr. Bethke € 18,100 (€ 23,100) and Mr Vassiliadis € 13,525 (€ 22,900). No benefits for personally performed services, in particular consultancy or brokerage services, were granted to the members of the Supervisory Board.

Delivering:
PERFORMANCE

1:1 SCALE

Potash and salt are the pillars of our growth. The constantly growing world population and increasing industrialisation also mean higher demand for food, both in terms of quantity and quality. With our wide and varied range of high-quality fertilizers and specialities, we make an important contribution to efficient and high-yield cultivation, as well as to obtaining and producing food and feed. With our high-quality salts, which we extract both in Europe and North America, we offer raw materials, which form the basis for cellulose pulps and synthetic materials, glass, medicines and de-icing salts for the winter. With our versatile raw materials, potash and salt, we thus create a balanced basis for a value-generating, international Company.

File K+S GROUP MANAGEMENT REPORT
Description Loader at filling point
Location Hattorf-Wintershall mine, Werra plant, Germany

K+S GROUP MANAGEMENT REPORT

- **Strongest ever slump in demand for potash fertilizers**
- **Earnings in Nitrogen Fertilizers business segment markedly negative due to high input costs for complex fertilisers**
- **Strong salt performance because of high de-icing salt sales volumes**
- **Group revenues decrease significantly to € 3.6 billion**
- **K+S achieves positive operating earnings of € 238 million despite adverse market conditions**
- **After acquiring Morton Salt, K+S becomes world´s leading salt producer**
- **Fertilizer demand starts to normalise; good start in salt business**

Group structure and business operations

Details concerning subsidiaries, interests and related companies can be found in the list of shareholdings on pages 173 et seqq. and on pages 232 et seq.

Group legal structure

K+S Aktiengesellschaft acts as the holding company for the K+S Group. The economic development of the K+S Group is influenced to a substantial degree by direct and indirect subsidiaries located in Germany and abroad. In addition to the parent company, K+S Aktiengesellschaft, all significant affiliated companies in which K+S Aktiengesellschaft holds, directly or indirectly, the majority of the voting rights, have been consolidated. Subsidiaries of minor importance are not consolidated.

Significant subsidiaries are the directly held K+S KALI GmbH, K+S Nitrogen GmbH and K+S Salz GmbH as well as the indirectly held Morton International, Inc. (Morton Salt). COMPO GmbH & Co. KG and fertiva GmbH are held via K+S Nitrogen GmbH. K+S Salz GmbH groups together esco – european salt company GmbH & Co. KG as well as the companies associated with the business activities of Sociedad Punta de Lobos S.A. (SPL), Chile. While in the case of K+S KALI GmbH and K+S Salz GmbH, the foreign subsidiaries are grouped together in own subsidiaries, the foreign companies of the Nitrogen Fertilizers business segment are managed through a direct subsidiary of K+S Aktiengesellschaft. The Complementary Business Segments too are largely related to K+S Aktiengesellschaft through subsidiaries.

The number of consolidated companies has increased significantly compared with last year. Through the acquisition of Morton Salt, the following companies were included in the scope of consolidation: Montana US Parent Inc., K+S Montana Holdings LLC, K+S North America Salt Holdings LLC, and Morton International, Inc. with its 10 subsidiaries. By means of a merger, the assets and liabilities of K+S Sal do Brasil Participacoes e Investimentos Ltda. and SPL Brasil Empreendimentos e Participacoes e Investimentos Ltda. were transferred to Salina Diamante Branco Ltda. Moreover, K+S Finance Belgium BVBA was consolidated for the first time.

Business segments and organisational structure

The reporting of the K+S Group is divided into four business segments that are closely interlinked in terms of strategic, technical and economic aspects. They have the backing of the service units and support functions provided by the holding company K+S Aktiengesellschaft.

Fig. 8: Business segments and organisational structure

Supplementary information on the products and services of the business segments can be found in the Corporate Report and on our website at www.k-plus-s.com.

Business Segment Potash and Magnesium Products

The Potash and Magnesium Products business segment extracts potash and magnesium crude salts at six mines in Germany, which are further processed there to create end products or intermediate products. The former mining site of Bergmannssegen-Hugo in the Hanover region has been functioning solely as a processing site since 1995. Furthermore, the business segment has four processing sites in France. In terms of end products, the annual production output of the business segment is up to 8 million tonnes of potash and magnesium products. A broad distribution network facilitates the sale of these products on almost all European and in many overseas markets. The Potash and Magnesium Products business segment is almost completely reflected in K+S KALI GmbH and its subsidiaries. The Company's head office is in Kassel.

Potash and Magnesium Products

KALI

Important products and services

The Potash and Magnesium Products business segment offers its customers fertilizers, products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as elements of feed. Potassium chloride is the top-selling product. This single-nutrient fertilizer with universal areas of application is used globally, in particular for major crops such as cereals, corn, rice and soya. Potassium chloride is directly spread on fields as a granulate or mixed with other single-nutrient fertilizers in bulk blenders. The K+S Group supplies potassium chloride as a fine-grain "standard" product for the fertilizer industry, which processes it along with other nutrients to produce complex fertilizers. The fertilizer specialities of the business segment differ from classic potassium chloride because of their different nutrient formulas with magnesium, sulphur and trace elements. The wide range of high-quality potassium and magnesium products for industrial applications is available with different degrees of purity and specific grain sizes and is used in chlorine-alkaline electrolysis in the chemical industry, in the production of glass and synthetic materials, in the mineral oil industry, in metallurgical processes, in the textile industry, in biotechnology and in the recycling of synthetic materials. Furthermore, the Potash and Magnesium Products business segment provides a product portfolio meeting the especially high demands of the pharmaceutical, cosmetics and food industries, which is used in the manufacture of medicines, cosmetics and food. Moreover, the K+S Group produces high-quality potassium chlorides and magnesium sulphates for the compound feed industry for feeding farm animals. The Potash and Magnesium Products business segment has a team of consultants, consisting of regional consultants and agriculturalists operating around the world. The consultants provide important information and suggestions for innovations in relation to the use of fertilizers; technical application advice for industrial products is also given.

Important sales markets and competitive positions

The majority of our revenues are normally achieved in Europe. Here we benefit from the fact that our production sites are very attractively positioned in relation to our customers in terms of freight costs. Furthermore, we also have significant market positions in the southern hemisphere. For example, we ship a significant part of our fertilizers to Latin America, in particular to Brazil. Here we also make use of the supply of attractively priced container shipments.

The Potash and Magnesium Products business segment is the world's fourth largest and the largest European producer of potash and magnesium products and, in 2009, had an approximately 12 % share in the global sales volume of potash. Important competitors of the K+S Group in this business segment are the North American companies Potash Corporation of Saskatchewan, The Mosaic Company and Agrium Inc., which operate a joint export organisation under the name Canpotex; the Russian Uralkali and the Belarusian Belaruskali, which operate outside their domestic markets together in the export organisation BPC; Russia's Silvinit with its international distribution company IPC; Israel's ICL and Jordan's APC. The fertilizer specialities containing potash and magnesium clearly distinguish the business segment from competitors and, with these fertilizers, it occupies the leading position in the world. With its products for industrial, technical and pharmaceutical applications too, the K+S Group is among the most competitive suppliers worldwide, and by far the largest supplier in Europe.

Nitrogen Fertilizers business segment

The Nitrogen Fertilizers business segment consists chiefly of the two companies K+S Nitrogen GmbH ("K+S Nitrogen") as well as its subsidiary COMPO GmbH & Co. KG ("COMPO"). The former business segments COMPO and fertiva were grouped in the reporting for the Nitrogen Fertilizers business segment on 1 January 2009. Since 1 July 2009, the products containing nitrogen previously distributed by fertiva have been managed together with part of the fertilizers formerly marketed by COMPO under the umbrella of the new company K+S Nitrogen, in order to utilise efficient sales structures to achieve a stronger orientation towards bulk customers in agriculture and special crops such as fruit, vegetables and grapes. The head office of the company is in Mannheim. In addition to the fertilizers produced exclusively for it by BASF SE, K+S Nitrogen to a limited extent markets the goods of other reputable European fertilizer producers. COMPO's head office is in Münster; it has production sites in Germany and Western Europe. Additionally, COMPO has some of its products manufactured by BASF SE. COMPO sells its products in the Consumer and Experts segments directly and via subsidiaries in Germany and abroad. The Nitrogen Fertilizers business segment shares overseas sales distribution platforms with the Potash and Magnesium Products business segment.

Important products and services

Nitrogen Fertilizers

The products of K+S Nitrogen fall into the following groups: straight nitrogen fertilizers, complex fertilizers and ammonium sulphate. The straight nitrogen fertilizer calcium ammonium nitrate is used for all agricultural crops. In addition to nitrogen, complex fertilizers contain the nutrients potassium and phosphate as well as, depending on need and application, magnesium, sulphur or trace elements. They are mainly used in the cultivation of cereals, corn, rape or sugar beet, but also for grassland. The complex fertilizers containing potassium sulphate are particularly suited to the cultivation of fruit, grapes and vegetables. Moreover, the nitrogen-stabilising ENTEC® fertilizers are characterised by a unique nitrogen efficiency and thus, in comparison to traditional products, reduce the number of labour-intensive and costly fertilizer applications required. Furthermore, K+S Nitrogen markets ammonium sulphate nitrate with boron for crops that require boron, such as sugar beet. Fine-crystalline ammonium sulphate is used in Europe predominantly as a raw material in fertilizer production; especially in South America, farmers generally spread it directly onto the fields. Coarse-grained ammonium sulphate is suitable both for direct application in agriculture and as a component in bulk blenders.

The consumer business of COMPO comprises products for the home and garden sector for the purposes of plant nutrition, plant care (potting soil, flower care, lawn and garden fertilizers, lawn seeds) and plant protection. Potting soil is the most important product group in the range. In addition, mainly liquid as well as granulated lawn and garden fertilizers are also marketed. Within the scope of its cooperation with the Swiss company SYNGENTA, a leading producer of plant protection agents, COMPO has been supplementing its offer to customers in Europe with innovative products since the 2007 financial year. In COMPO's Expert sector, speciality fertilizers are offered for the public green area segment (local authorities, sports grounds, golf courses), for tree nurseries, horticulture and special crops.

Important sales markets and competitive positions

Every year, K+S Nitrogen supplies an average of about five million tonnes of fertilizers to 60 different countries all over the world. It achieves about two thirds of its revenues in Europe and about one third overseas. With the international branches of the K+S Group and selected external sales partners, K+S Nitrogen has a high-performing global distribution network at its disposal. In major European core markets such as Germany, France, Spain, Italy and Greece, K+S Nitrogen has its own sales force, which in each case is a part of the platform companies of the K+S Group. In Europe, the customers of K+S Nitrogen can be divided into the three sales categories of wholesalers/bulk blenders (with wholesale functions), cooperatives and classic industrial customers (producers) on the basis of the sales distribution in a normal fertilizer season. Worldwide, urea (46 % of which is nitrogen) is the dominant nitrogen fertilizer. Urea is produced on the basis of gas and ammonia by several hundred producers around the world. However, nitrate-containing fertilizers dominate in Europe and North America, since these are more advantageous to users in those regions, given the soil and climate conditions. The world's leading supplier of nitrogen fertilizers is the Norwegian producer Yara International ASA. In Europe, in addition to Yara, the Agrofert Group, DSM Agro B. V. and Fertiberia S. A. are the most important competitors. The K+S Group is, together with K+S Nitrogen, among the leading suppliers in Europe. K+S Nitrogen is one of the world's leading providers of the sulphur-containing nitrogen fertilizer ammonium sulphate.

The marketing of COMPO's consumer business is, to more than 90 %, focussed on Western and Southern Europe. The consumer products are primarily used by amateur gardeners, who purchase the products via such distribution channels as garden centres, DIY markets, Raiffeisen and cooperative outlets or food retailers. The most important competitors at the European level are the US-based supplier The Scotts Miracle-Gro Company, and Bayer AG. Additionally, there are numerous small and generally only national suppliers. COMPO is Europe's leading provider of premium products in the field of potting soils, speciality fertilizers, plant care and plant protection for home and garden. In the Expert sector, COMPO also occupies a significant position in Europe.

Salt business segment

In the Salt business segment, the K+S Group markets food grade salt, industrial salt, salt for chemical use and de-icing salt. The Salt business segment comprises the sub-units esco – european salt company GmbH & Co. KG ("esco"), Hanover, whose activities are mainly focused on Europe, the Chilean Sociedad Punta de Lobos S. A. ("SPL"), Santiago de Chile, as well as, since 1 October 2009, the salt activities of Morton International, Inc., Chicago. esco operates three rock salt mines, three brine plants, as well as several plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, and has numerous distribution sites in Europe. The annual production capacity of esco in Europe is about 8.0 million tonnes of crystallised salt and 1.7 million tonnes of salt in brine. The Chilean SPL extracts rock salt in Salar Grande de Tarapacá through cost-effective open-cast mining. The production capacity there amounts to approximately 6.5 million tonnes per annum. Moreover, Salinas Diamante

Branco, which belongs to the SPL Group, operates a sea salt facility with an annual capacity of 0.5 million tonnes in the north-eastern part of Brazil. In the United States, SPL distributes its salt products via the International Salt Company (ISCO). The Chilean shipping company, Empremar, with its 232 employees and a fleet of six ships of its own as well as chartered ships providing maritime logistics for the SPL Group, also forms part of the Salt business segment. Since 1 October 2009, Morton Salt, the largest salt producer in North America, has also been part of the Salt business segment. Morton Salt operates six rock salt mines, seven brine plants and ten plants processing evaporated salt. The annual production capacity totals about 13 million tonnes of salt. The Salt business segment is represented in Europe as well as North America and South America with its own distribution units and via platform companies of the K+S Group.

Important products and services

Salt

The Salt business segment offers its customers food grade salt, industrial salt, salt for chemical use and de-icing salt, which together are based on cooking salt (sodium chloride). Depending on the particular applications, the products differ primarily in terms of their grain size, degree of purity, the form in which they are supplied and possible additives. In the food grade salt segment, the K+S Group produces salt for the foodstuff industry as well as food grade salt for end users, to which premium products such as kosher salt belong too. The base products for the broad range of food grade salts are normally high-purity evaporated salts, but also rock and sea salts. Through the takeover of Morton Salt, the food grade salt product group has gained considerably in importance within the K+S Group. With the Umbrella Girl® and Windsor Castle® brands, Morton Salt has very well positioned brands with a high level of consumer awareness in the United States and Canada. Industrial salts are used by dyeing works, in the textile industry, in the production of foodstuffs for animals, to preserve fish, in drilling fluids used in the extraction of oil and natural gas, as well as in many other industrial areas. Pharmaceutical salts are a key element in infusion and dialysis solutions. In the industrial salts segment too, products such as water-softening salts are manufactured for end users. Salt for chemical use is one of the most important raw materials for the chemical industry. In electrolysis plants it is split into chlorine, caustic soda and hydrogen. It reaches the end user in the form of, for example, an element of polyvinylchloride (PVC). Winter road maintenance services, public and private road authorities, road maintenance depots and commercial bulk customers procure de-icing agents from the K+S Group. Economy packs for end users are also available. In addition, Morton Salt offers de-icing salts, which through the addition of calcium chloride create more heat in contact with ice and snow than conventional products, and thus work more quickly, especially at very low temperatures.

Important sales markets and competitive positions

The key sales markets of the Salt business segment in Europe include Belgium, Germany, the Benelux countries, France, Scandinavia, the Czech Republic, the Iberian peninsula and Poland. Key markets in North and South America are the United States, Canada, Brazil and Chile. The demand in the Salt business segment is relatively stable due to the fact that salt can hardly be replaced in most applications. While the market for salt in

K+S GROUP MANAGEMENT REPORT

Western Europe is comparatively mature and only exhibits low growth rates, a trend towards a stronger increase in demand is being observed in the emerging market countries. Salt deposits are widely dispersed geographically; owing to the relatively high share of transport costs in the total production costs, the markets are normally regionally limited, based on the location of the production sites. The recent years were characterised by a process of consolidation in this sector. With its purchase of the remaining 38 % interest in esco held by the Solvay Group in 2004, its acquisition of the Chilean salt producer SPL in 2006 as well as its takeover of Morton Salt completed in October 2009, the K+S Group has played an active role in this process. esco is Europe's leading producer of salt products for the food sector, salts for chemical and industrial use, and de-icing salts. With SPL, the K+S Group has gained access to the dynamically growing South and Central American markets. These include major markets such as Brazil, in which the chemicals sector, important for the salt for chemical use business, has grown strongly in the past. In terms of production capacity, Morton Salt is the largest salt producer in North America, followed by Cargill, Inc. and Compass Minerals International. With the acquisition of Morton Salt, the K+S Group, in terms of production capacity, became the world's largest salt producer, with an annual capacity of about 30 million tonnes.

Complementary Business Segments

In addition to recycling activities, the disposal and the reutilisation of waste in potash and rock salt mines, as well as the granulation of CATSAN® at the Salzdetfurth site, the term "Complementary Business Segments" bundles further activities of importance to the K+S Group. With Kali-Transport Gesellschaft mbH (KTG), Hamburg, the K+S Group possesses its own logistics service provider. Chemische Fabrik Kalk GmbH (CFK) trades in different basic chemicals.

Important products and services

Waste Management and Recycling

Trading Business (CFK)

Logistics (KTG)

Animal Hygiene Products

The Waste Management and Recycling business segment uses the underground caverns created as a result of the extraction of crude salts for the long-range safe disposal of waste and for waste recycling while employing the available infrastructure of active potash and rock salt mines. It operates two underground storage sites. The waste stored there is isolated permanently from the biosphere. If necessary, however, the waste can be removed from storage again, in order to recycle the reusable materials it contains. The salt deposits used by the K+S Group for waste disposal are impervious to gas and liquids as well as being securely separated from the layers carrying groundwater. A combination of geological and artificial barriers ensures the highest possible degree of safety. Additionally, the K+S Group operates five underground plants for the reutilisation of waste. Officially approved waste is used here to fill caverns. Flue gas cleaning residues, for example, are suitable for underground reutilization. For the secondary aluminium industry, the business segment offers smelting salts and the recycling of salt slags.

At the Salzdetfurth site, a way has been found of successfully continuing to use existing plants and extensive sections of the infrastructure of a disused potash plant, preserving jobs and even again significantly expanding granulation operations. Here we granulate the well known animal hygiene product CATSAN® for Mars GmbH.

With KTG in Hamburg and its subsidiaries, the K+S Group has, in addition to the Chilean shipping company Empremar, which is assigned to the Salt business segment, a further logistics service provider of its own. The operation of the “Kalikai” in Hamburg, one of Europe’s largest transshipment facilities for bulk goods, is KTG’s core business and of strategic importance for the Potash and Magnesium Products business segment at the same time. From 2006 to the beginning of 2008, the transshipment capacities at the “Kalikai” were expanded. Following this expansion, the storage capacity there is about 400,000 tonnes. The K+S Group’s container business is also directed from Hamburg, including pre-shipment from the production sites to the loading terminals.

CFK trades in various basic chemicals. They include calcium chloride for prewetted salt spreading in winter road maintenance, sodium carbonate (soda), caustic soda and sodium sulphate.

Important markets and competitive positions

The core markets of the Waste Management and Recycling business segment are located in Western and Central Europe. The Eastern European countries, primarily Poland and the Baltic states, offer potential since the demand for EU-compliant underground waste management solutions for waste will increase there. The market for underground disposal is very competitive, but the K+S Group offers particular added value with its customer-oriented waste management solutions. In the case of recycling salt slag from the secondary aluminium industry too, the K+S Group is a leading provider in Germany and in the rest of Europe. CFK’s customers include well known European chemical companies, glass manufacturers, metal processing businesses as well as local authorities, which use calcium chloride solution for prewetted salt application by winter road maintenance services.

Key Sites

At the end of 2009, the K+S Group employed about 15,200 people in Germany and abroad. The following table provides an overview of the most important K+S Group sites and the number of staff employed by them at the end of 2009:

Important Sites of the K+S Group

in Full-time Equivalents (FTE)*	Business Segments	Employees
K+S sites in Kassel, Hesse (K+S AG/K+S KALI/K+S Entsorgung/IT services GmbH)		618
Kaliverbundwerk Werra, Hesse and Thuringia (Heringen/Merkers/Philippsthal/Unterbreizbach)	Potash and Magnesium Products	4.177
Zielitz potash plant, Saxony-Anhalt	Potash and Magnesium Products	1.714
Sigmundshall potash plant, Lower Saxony	Potash and Magnesium Products	779
Neuhof-Ellers potash plant, Hesse	Potash and Magnesium Products	714
Bergmannssegen-Hugo potash plant, Lower Saxony	Potash and Magnesium Products	138
COMPO headquarters, Münster, North Rhine-Westphalia	Nitrogen Fertilizers	290
COMPO plant, Krefeld, North Rhine-Westphalia	Nitrogen Fertilizers	181
COMPO France S.A.S, Roche-Lez-Beaupré, France	Nitrogen Fertilizers	82
K+S Nitrogen, Mannheim, Baden-Württemberg	Nitrogen Fertilizers	79
Peat and humus plant, Gnarrenburg, Lower Saxony	Nitrogen Fertilizers	71
Bernburg salt plant, Saxony-Anhalt	Salt	435
Borth salt plant, North Rhine-Westphalia	Salt	293
Salina Diamante Branco sea salt facility, Brazil	Salt	250
Rittman evaporation salt facility, USA	Salt	249
Empremar shipping company, Santiago de Chile, Chile	Salt	232
Salt mine, Windsor/Ojibway, Canada	Salt	228
Salt mine, Pugwash, canada	Salt	223
Salt mine, Grand Saline, USA	Salt	206
Morton Salt headquarters, Chicago, USA	Salt	203
Salt mine, Fairport, USA	Salt	172
SPL open-cast mining operations, Atacame-Desert, Chile	Salt	168
Braunschweig Lüneburg salt plant, Lower Saxony	Salt	167
Weeks Island salt plant, USA	Salt	161
Evaporation salt facility, Silver Springs, USA	Salt	161
Sea salt facility, Grantsville, USA	Salt	150
Mine Seleine salt mine, Canada	Salt	150
Evaporation salt facility, Hutchinson, USA	Salt	149
Sea salt facility, Inagua, Bahamas	Salt	142
SPL headquarters, Santiago de Chile, Chile	Salt	130
Evaporation salt facility, Manistee, USA	Salt	124
Evaporation salt facility, Windsor, Canada	Salt	96
ISCO distribution company, Clarks Summit, USA	Salt	86
esco headquarters, Hannover, Lower Saxony	Salt	81
Evaporation and sea salt facility, Newark, USA	Salt	74
Frisia Zout B.V., Harlingen, The Netherlands	Salt	72
Evaporation salt facility, Glendale, USA	Salt	33
Granulation of animal hygiene products, Bad Salzdetfurth	Complementary Business Segments	116
KTG, Hamburg	Complementary Business Segments	110

* FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours; includes trainees.

Information about mineral material deposits

An overview of our mineral material deposits and reserves can be found in the Further Information section on page 243 et seq.

Management and control

Declaration of compliance

The declaration pursuant to Sec. 161 of the German Stock Corporation Act (AktG), the description of how the Board of Executive Directors and the Supervisory Board function, as well as the composition and procedures of the committees and further information regarding management practices can be found in the declaration on management in the Corporate Governance section on page 40 et seqq. This declaration of compliance also constitutes an integral part of the Group Management Report.

Basic features of the remuneration system

The information disclosed in accordance with Sec. 315 Para. 2 No. 4 of the German Commercial Code (HGB) and Item 4.2.4, 4.2.5 and 5.4.6 Para. 3 of the German Corporate Governance Code is contained in the Remuneration Report included in the Corporate Governance section on page 48 et seqq.; the Remuneration Report also constitutes an integral part of the Group Management Report.

Participants in and terms of programmes with a long-term incentive character

Between 1999 and 2009, K+S has made it possible for the Board of Executive Directors and the senior management to participate in a virtual stock option programme. In 2009, a total of 308 people at K+S were eligible to participate in it (previous year: 278 persons). You can find a more detailed description of the programme, which is identical for the Board of Executive Directors and for the remaining participants in the option programme, in the Remuneration Report on page 48 et seqq. Pursuant to Sec. 193 Para. 2 No. 4 of the German Stock Corporation Act (AktG) in the version of the German Act on the Appropriateness of Management Board Remuneration ("VorstAG"), the waiting period for share subscription rights to be exercised for the first time must in future be four years instead of two years. Against this backdrop, from 2010, it is intended to replace the options programme presently valid with a corresponding remuneration element with a long-term incentive effect.

Legal and economic influencing factors

The K+S Group must observe numerous laws and legal directives: Alongside the general legal regulations, mining and environmental law (e. g. water law, waste law, air pollution law, soil protection law etc.) as well as work and health safety law are of particular relevance to us. The securing of existing mining rights and also the acquisition of new mining rights are of fundamental importance for the K+S Group. In the case of economic influencing factors relevant to the K+S Group, collective wage bargaining agreements in Germany and North America are particularly important. As about 67 % of our workforce is employed in Germany and, since the takeover of Morton Salt, about 20 % work in North America, personnel expenses constitute a main cost item for the K+S Group. Over the past few years, we have been able to enhance our capacity to react to earnings developments both by means of flexible working hours models and variable salary components. The latter are, for example, linked to business segment and company success. Transport, energy and raw material costs as well as the development of the US dollar exchange rate also have a great impact on the success of the K+S Group.

Information under Sec. 315 Para. 4 (HGB)

Item 1: Composition of subscribed capital

Following the capital increase of € 26.4 million entered in the Commercial Register on 9 December 2009, the share capital amounts to € 191.4 million. It is divided into 191,400,000 shares. The shares of the Company are no-par value bearer shares. There are no other classes of shares.

Item 2: Restrictions on voting rights or on the transfer of shares

Each share carries one vote; no restrictions apply to voting rights or to the transfer of shares. No corresponding shareholder agreements are known to the Board of Executive Directors.

Item 3: Direct or indirect interests in the capital exceeding 10 %

According to notifications in accordance with Sec. 21 of the German Securities Trading Act (WpHG), the Bank of N.T. Butterfield and Son Limited, Bermuda, continues to own about 15 % of the shares via MCC Holding Public Company Limited and its attributable subsidiaries. BASF SE, Ludwigshafen, continues to hold about 10 % of our shares.

Item 4: Holders of shares with special rights conferring control powers

There are no shares with special rights conferring control powers.

Item 5: Voting right control in the event of employee ownership of capital

No voting right controls apply.

Item 6: Statutory regulations and provisions of the Articles of Association concerning the appointment and recall of members of the Board of Executive Directors and amendments to the Articles of Association

The appointment and recall of the Board of Executive Directors are governed by Sec. 84 AktG. Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years. In accordance with Sec. 5 of the Articles of Association, the Board of Executive Directors of K+S Aktiengesellschaft comprises at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board can appoint a member of the Board of Executive Directors chairman of the Board of Executive Directors. The Supervisory Board can rescind the appointment of a member of the Board of Executive Directors or the appointment of the chairman of the Board of Executive Directors for good cause. Amendments to the Articles of Association can be resolved by the Annual General Meeting by a simple majority of the capital represented (Sec. 179 Para. 2 AktG in conjunction with Sec. 17 Para. 2 of the Articles of Association) unless the provisions of statute impose larger majority requirements.

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

Authorised capital

The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 56,100,000.00 in the aggregate through the issuance of no more than 56,100,000 new no-par value bearer shares (Authorised Capital). Existing shareholders essentially hold subscription rights in respect of such increases. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude statutory subscription rights in the case of capital increases against cash contributions, if the capital increase does not exceed 10 % of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price. In the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company, the Board of Executive Directors can exclude the statutory subscription rights of shareholders by a total of up to 25 % of the share capital. Furthermore, the Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders with respect to fractional amounts arising from the subscription rights.

Purchase and use of own shares

The Board of Executive Directors is authorised to acquire own shares representing no more than 10 % of the total number of no-par value shares comprising the share capital of K+S Aktiengesellschaft until 31 October 2010. At no time may the Company hold more than 10 % of the total number of no-par value shares comprising its share capital. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the event of a purchase effected on a stock exchange, the purchase price per share may not exceed or undercut the relevant exchange price by more than 10 %, being the price of the K+S share in the XETRA computerised trading system determined by the opening auction on the day of purchase of the shares. In the event of a purchase effected by means of a public purchase offer directed to all shareholders, the purchase price offered per share may not exceed or undercut the relevant exchange price by more than 10 %.

The Board of Executive Directors is furthermore authorised, with the approval of the Supervisory Board, to dispose of shares in the Company which were acquired on the basis of an authorisation in accordance with Sec. 71 Para. 1 No. 8 AktG, on a stock exchange or by means of a public offer directed to all shareholders. In both the following cases, the shares may also be disposed of by other means and with the subscription rights of the shareholders excluded:

- Disposal against consideration comprising payment of a cash sum that does not significantly undercut the relevant exchange price,
- Issuance of shares as consideration for the purpose of acquiring companies, parts of companies or interests in companies.

The Board of Executive Directors is finally authorised, with the approval of the Supervisory Board, to cancel shares in the Company which were acquired on the basis of an authorisation in accordance with Sec. 71 Para. 1 No. 8 AktG and with no additional resolution of the Annual General Meeting being required to effect such cancellation. The shares have to be cancelled in accordance with Sec. 237 Para. 3 No. 3 AktG without any capital decrease in such a way that, as a result of the cancellation, the proportion of the remaining no-par value shares in the share capital is increased pursuant to Sec. 8 Para. 3 AktG.

The authorisations to purchase own shares as well as to dispose of and cancel them may be exercised in whole or in part each time and several times in the latter case.

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

In 2006, 2008, and 2009, K+S concluded loan agreements with syndicates of banks. If one or more persons, whether acting alone or in concert, acquire control over K+S Aktiengesellschaft, all bank advances will become due and payable with immediate effect and all other obligations will cease to apply in accordance with the conditions set out in these agreements. Moreover, in 2009, K+S issued a bond. In the event of a change of control, the bond holders have the right to terminate debentures that have not yet been redeemed.

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

Agreements of this type exist with the members of the Board of Executive Directors of K+S Aktiengesellschaft and are explained in detail in the Remuneration Report on page 52. Additionally, the rules governing the virtual stock option programme for the Board of Executive Directors and the senior management provide for a special time window for the exercise of all still outstanding options in the event of a change of control. The exact form of this programme, which is identical for the Board of Executive Directors and for senior management, is also explained in the Remuneration Report (see page 49).

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

As the information provided for items 1 to 6 of Sec. 289 Para. 4 and Sec. 315 Para. 4 HGB in the Management Report of K+S Aktiengesellschaft and in the Group Management Report (page 68 et seqq.) speaks for itself, we limit ourselves here to providing the following explanations in accordance with Sec. 176 Para. 1 Sent. 1 AktG:

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

- As a result of the possibility granted to the Board of Executive Directors, with the approval of the Supervisory Board, to implement a capital increase with a limited exclusion of subscription rights (Authorised Capital), the Company gains a widespread tool with whose help opportunities to carry out acquisitions can be exploited quickly and flexibly. The Board of Executive Directors may only make use of this possibility if the value of the new shares is proportionate to the value of the corresponding consideration.

- The other authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase shares of the Company to a limited extent is also a common instrument available in many companies. By being able to resell own shares, the Company is in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. The other possibility of cancelling own shares is also a common alternative course of action that lies in the interests of the Company and its shareholders.

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

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

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

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

Corporate strategy and enterprise management

Vision and mission

Our vision and mission can be found on page 1 of this Financial Report, while further information is also available in the Corporate Report

Our vision and mission provide the framework for today's activities and for the strategic orientation of the Group and shall explain the basis for our thinking and actions to our employees, shareholders, lenders, customers, suppliers and the public.

Corporate strategy and strategic direction of the business sectors

Differentiation and sustainable margin growth through specialisation

The K+S Group aims to consolidate and expand market positions in its core business sectors, in particular through the increased marketing of speciality products. The refinement strategy makes it possible to achieve more attractive margins in the fertilizer and salt segments.

Increasing efficiency and exploiting synergies

In respect of the most important competitors in the main sales markets in the fertilizer and salt businesses, the cost position is a key success factor. In addition to consistently pursuing cost-cutting and flexibilisation initiatives throughout the whole process chain, there is a special focus on the optimisation of the international production network and the associated volume flows and logistics costs. Comparable mining processes make synergies possible between the Potash and Magnesium Products and Salt business segments in the exchange of technical, geological and logistics know-how as well as volume advantages in the procurement of machines and auxiliary materials.

Expansion of the balanced regional portfolio

Worldwide, both fertilizer and salt markets are characterised by seasonal and regional fluctuations in demand. The strategy of K+S is aimed at a balanced regional portfolio, which makes a balance of weather-related fluctuations and a cushioning of cyclical market trends possible. Additionally, the fertilizer business and the salt business, which is less dependent on the economic cycle, also complement each other during temporary economic crises.

In the fertilizer sector, a balanced market presence in the important agricultural markets of Europe, South America and Asia makes the equalisation of seasonal fluctuations between the northern and southern hemispheres as well as a reduction of the impact of economic trends on regional demand possible. The expansion of the market presence in important overseas markets and tapping into new attractive sales markets in future growth regions therefore continue to be pursued consistently.

Local production is a decisive factor in the opening up of new markets in the salt business, which is strongly volume-driven. In the Salt business segment, the improvement in the earnings profile as a result of the reduction in dependence on the regional volatility of the de-icing salt business was an important driver of our acquisitions in South and North America (SPL and MORTON SALT), which make an important contribution to compensating for the fluctuating winter season in Europe.

Setting standards for quality, reliability and service

The goal of the K+S GROUP is to be our customer's preferred partner in the market. High product quality and reliability are a decisive precondition for this. In addition to the specialisation strategy, better and innovative services are promoted, where these create value. Particularly in the fertilizer segment, targeted advice to customers enables us to identify needs-based solutions and thus to strengthen customer loyalty. With such offers as electronic order processing or supplier-managed stock in the European de-icing salt business, the K+S GROUP regularly sets new standards in the market.

Expansion of strategic business sectors through acquisitions and cooperations

In addition to organic growth, the K+S GROUP also continues to pursue external growth in the established Fertilizers and Salt business sectors.

Strategic Group structure and financing measures

Information on the future goals of financial management, on the direction of the Group and on probable financing measures can be found in the FINANCIAL POSITION and FORECAST REPORT sections on pages 100 et seq., 141 and 153.

Enterprise management

Internal corporate management system

The business segments and holding units of the K+S Group work together in a matrix organisation; the interests of the Group are always at the forefront. The matrix organisation supports the following goals:

- the clear and unambiguous assignment of tasks and powers,
- optimal use of opportunities along with a limitation of risks in the best way possible,
- optimal use of know-how available across the Group ("knowledge management").

The K+S Group's internal corporate management system mainly comprises the following components:

- regular meetings of the Board of Executive Directors held at two-week intervals,
- rolling monthly earnings and liquidity planning,
- monthly reports of the business segments,
- commissions for capital expenditure, acquisitions/divestitures and personnel as well as groupwide committees such as the compliance committee, IT committee, marketing forum, committee for safety, health and environmental protection, etc.
- risk and opportunity management,
- regular reporting to the Supervisory Board.

The K+S Group is managed through regular strategic consultations held at Board of Executive Directors level and with the heads of business segments in order to then implement the relevant results in a systematic and timely fashion in the form of annual and medium-term plans as well as agreed targets. The Board of Executive Directors and the business segment heads are briefed monthly on the trends in key indicators as well as operational early indicators for the Group and their business segments – commentation on trends and variances from targets as to production, sales volumes, revenues, costs, earnings, personnel, capital expenditure as well as other financial indicators are the focus of these briefings. The basis for information is an electronic management information system (MIS). Moreover, a wide variety of operational early indicators, such as the estimation of the market potential, form the basis for our operating policy decisions, so that we can exploit our opportunities and prevent possible undesirable developments. Additionally, there are monthly rolling forecasts on the projected earnings of the current year. The goal is to analyse changes in the most important income and cost elements of the income statement compared with the estimate made in the preceding month and with the plan and, if necessary, introduce corrective measures. The development of liquidity is also shown by means of a monthly extrapolated cash flow statement. Moreover, at regular intervals, Groupwide committees discuss topics concerning personnel, compliance, information technology and marketing. Special commissions are established for the auditing, assessment and approval of capital expenditure and acquisitions/divestitures; the assessment of projects is normally the discounted cash flow method. Finally, within the framework of acquisitions, special teams are formed in order to create the organisational prerequisites for rapid and effective integration.

The permanent integration of all corporate sectors into the risk management and the internal corporate management system ensures short response times to changes in all areas and at all decision-making levels within the K+S Group. In the event of significant changes of relevance to earnings within an area under examination, reports are made immediately to the Board of Executive Directors and to senior management.

Value Reporting

K+S pursues a policy of value-oriented reporting. Value reporting is a structured and regular form of reporting to the capital market, which makes it easier for providers of capital to determine the Company's value adequately. The focus is on the clear communication of our goals and their achievement. A comprehensive presentation of the tools used for capital market reporting can be found in the Transparency section of the chapter on Corporate Governance on page 47.

Computation of the cost of capital

The weighted average cost of capital rate for the K+S Group is derived from the aggregate of the interest claim to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax rate.

The interest claim to which a contributor of equity would be entitled is derived from a risk-free interest rate plus a risk premium. The average of the yields of government bonds denominated in euros with a maturity of 1 to 30 years was assumed as the risk-free interest rate; this is 4.2 % (previous year: 4.2 %). The risk premium has been computed using the empirical mean for the market risk premium of 4.5 % (previous year: 4.5 %) and the longer-term-adjusted beta factor of 0.99 (previous year: 0.86) applicable to K+S in relation to the MSCI Europe benchmark index. This means that a contributor of equity would be entitled to a yield of 8.7 % (previous year: 8.0 %). The market value of the equity amounted to € 7.6 billion at the end of 2009 (previous year: € 4.6 billion) and is derived from the price of the K+S share on that reporting date multiplied by the number of shares issued (191.40 million shares).

The average interest on debt before taxes amounts to 4.4 % (previous year: 5.5 %) and is derived from the weighted average for the risk-free interest rate plus the credit risk surcharge for the BBB/Baa2 rating of the financial liabilities of K+S as well as the interest on pension and mining provisions. After taking into account the adjusted corporate tax ratio of 23.6 %, this results in an average cost of debt after taxes of about 3.3 % (previous year: 4.0 %).

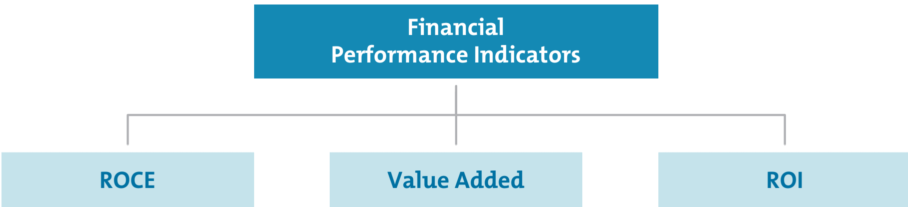
At the end of 2009, the time the impairment test has been carried out, interest-bearing debt amounted to € 1.9 billion, being the aggregate of the market value of the financial liabilities, the pension provisions and the provisions for mining obligations. Total capital is accordingly about € 9.5 billion, of which about 80 % is attributable to equity valuated at market prices.

In total, this results in a weighted average cost of capital rate for the K+S Group of about 7.6 % (previous year: 7.5 %) after taxes; considering the adjusted Group corporate tax ratio, this results in a corresponding cost of capital rate before taxes of about 9.9 % (previous year: 10.4 %).

Financial targets

The focus of financial targets is on achieving a sustainable increase in the enterprise value of the K+S Group. The aim is to create value added, i.e. we want to earn a premium on our cost of capital on a lasting basis. We use performance indicators such as return on capital employed (ROCE), value added and return on investment (ROI) to review these targets.

Fig. 9: Financial Performance Indicators



Definitions of the figures used here can be found on page 245

It is our goal that the ROCE of the K+S Group should reach a value of at least 12 %. In the year under review, a ROCE of 9.3 % was achieved; according with the decline in earnings, this return is far below the record figure for the previous year (64.0 %) and was below the target value. The value added of the K+S Group in the 2009 financial year was € (15.8) million. The fact that the cost of capital in financial year 2009 could not be fully generated for the first time in many years can be attributed to the negative earnings contribution in the Nitrogen Fertilizers business segment. In addition, integration costs and one-time effects arising from the revaluation and consolidation diminished the contribution to earnings made by Morton Salt. Adjusted by these effects regarding Morton Salt, the ROCE would have reached 10.3 % and the value added € 9.8 million; therewith, our cost of capital would admittedly have been earned in the difficult year 2009, the ROCE, however, would have still failed to reach the target value aimed at.

Acquired companies should achieve a ROI of at least 10 % before taxes in the third year after acquisition. With its operating earnings in 2009 in relation to the payment made for the acquisition in mid-2006, the SPL Group achieved a ROI of approximately 23 % and thus clearly exceeded the above-mentioned target value.

In considering financial ratios, we also attach importance to a high return on equity and total capital. At 8.4 % and 6.9 %, these yield ratios in the previous year were nevertheless unsatisfactory. Further ratios for capital structure management, the definition of their respective target ranges, and an analysis of the extent to which they met goals can be found on page 101.

in %	2009	2008	2007	2006	2005
ROCE	9.3[1]	64.0	15.5	17.4	19.5
Weighted average cost of capital before taxes	9.9	10.4	10.7	9.6	9.9
Value Added in € million	(15.8)[2]	1.124.5	88.3	125.5	123.8
Return on equity	8.4	68.6	16.1	17.7[3]	17.8
Return on total investment	6.9	44.9	11.0	12.3	12.7

[1] Adjusted by integration costs and one-time effects arising from revaluation and consolidation in the contribution to earnings of Morton Salt, the ROCE would have reached 10.3 %.
[2] Adjusted by integration costs and one-time effects arising from revaluation and consolidation in the contribution to earnings of Morton Salt, the value added would have reached € 9.8 million.
[3] The return on equity given refers to the adjusted Group earnings without non-recurrent deferred tax income of € 41.9 million.

Non-financial targets and sustainable performance indicators

A comprehensive presentation of non-financial performance indicators can be found in our Corporate Report.

Employees

Employees by Business segment

in Full Time Equivalents (FTE) as of 31 Dec. [1]	2009	2008	%
Potash and Magnesium Products	7,818	7,845	(0.3)
Nitrogen Fertilizers	1,249	1,318	(5.2)
Salt [2]	5,279	2,394	+ 120.5
Complementary Business Segments	278	285	(2.5)
Central functions	584	526	+ 11.0
K+S Group	**15,208**	**12,368**	**+ 23.0**

[1] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours
[2] The increase in the number of employees in the Salt business segment can be attributed exclusively to the acquisition of Morton Salt; following adjustment for this consolidation-related effect, the number of employees in the Salt business segment would have declined by 48 FTE or 2 %.

The number of K+S Group employees reported includes the core workforce, trainees, and temporary employees (without students and interns). The number of employees is computed on a full-time equivalent (FTE) basis, i.e. part-time positions are weighted in accordance with their respective share of working hours.

As of 31 December 2009, the K+S Group employed a total of 15,208 people. Compared with 31 December 2008 (12,368 employees), the number increased by 2,840 employees or 23 %. The increase is attributable exclusively to the acquisition of Morton Salt; adjusted for this consolidation-related effect, the number of employees in the K+S Group would have declined by 93 employees particularly as a result of personnel reductions at esco and COMPO and thus, as forecast, would have been slightly below the level at the end of 2008.

The situation was similar in terms of averages: In the year under review, an average of 13,044 people were employed by K+S – 830 employees or 6.8 % more than in 2008 primarily due to the inclusion of Morton Salt in the fourth quarter.

Short-time working; Effective personnel policy tool in the crisis

Due to the weak demand in the fertilizer segment, we cut back the production of potash and magnesium products by about 4 million tonnes, i.e. about 50% of our capacity. On account of this difficult situation, during the first weeks we consistently worked off the credit collected on working hour accounts as well as claims for remaining days of vacation, in order to cushion the under-utilisation of capacity in the plants. We then introduced short-time working after these possibilities had been exhausted. This very effective tool has enabled us to secure jobs and also keep on qualified employees for the time after the crisis. However, this was only possible because the Federal Government significantly improved the conditions for short-time working – initially temporarily. The eligibility period for short-time allowance was therefore extended by six months to 24 months and a considerable part of the social security contributions was refunded by the Federal Labour Office.

The short-time working rate at the German locations of the Potash and Magnesium Products business segment was just under a total of 13% in 2009, with regard to forecast working hours.In the first half of 2009, we used short-time working only to a limited extent, since we utilised this period deliberately for equipment-related measures, after our plants had been put under heavy strain as a result of very high capacity utilisation in previous years. In the second half of the year, the intensity of short-time working was increased and reached its highest level in October; in this month, the short-time working rate was approximately 48%. The duration of the short-time working phases was managed product-group-specific and site-optimally. Without resorting to short-time working, there would have been a staffing surplus calculated at approximately 1,000 FTE.

A comprehensive value added statement can be found in our Corporate Report on page 65.

Personnel expenses

In 2009, the personnel expenses of the K+S Group were € 756.4 million and therefore slightly above the level of the previous year (2008: € 738.5 million). Savings connected with short-time working were faced with the increase due to the first-time consolidation of Morton Salt as at 1 October 2009, higher costs as a result of collective agreement pay increases and higher allocations to provisions for semi-retirement. Without the provision effects, pure personnel costs rose by 3% to € 765.2 million compared with the previous year for the same reasons; of this, € 46.3 million accounted for the first-time inclusion of Morton Salt in the fourth quarter. Of personnel expenses, variable remuneration accounted for € 60.2 million or about 8% last year (2008: € 83.7 million or just under 11%).

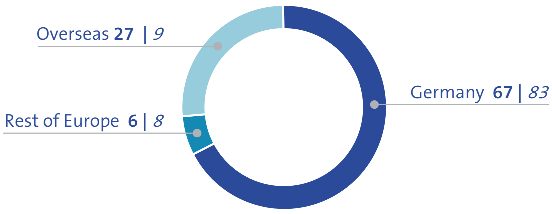
In 2009, we paid a total of € 592.8 million in wages and salaries (+ 1.0%) and € 146.5 million in social security contributions (+ 1.9%). The expenditure on company pensions and support amounted to € 17.1 million in the year under review and was therefore, primarily because of unscheduled payments of contributions to the Pension Insurance Association and to the BASF pension fund, € 9.2 million above previous year's level. The expenditure on company pensions and support includes employer contributions to the K+S VorsorgePlus e.V. provident fund, the employer supplement amounting to 13% of converted employee remuneration subject to social security and paid to the Chemical Industry Pension Fund, the Salary Conversion Direct Insurance (Gehaltsumwandlungsdirektversicherung – GUD), and the employer contributions to the BASF pension fund.

During the year under review, personnel expenses per employee amounted to € 57,989 (previous year: € 60,463) and therefore decreased by about 4 %.

Regional distribution, age structure and turnover

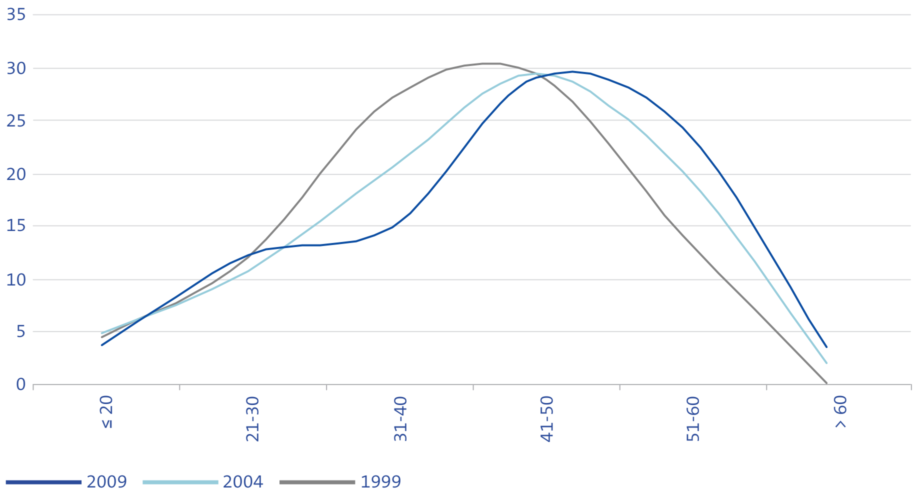
At 67 %, the overwhelming majority of our employees are still employed in Germany. This is primarily linked to the crude salt deposits of the Potash and Magnesium Products and Salt business segments which are located there. Of our workforce, 6 % work elsewhere in Europe. The proportion of employees working overseas increased significantly to 27 % as a result of the acquisition of Morton Salt.

Fig. 10: Employees by region as of 31 December 2009
in %; previous year's figures in italics



A comparatively long length of service with the Company and a low turnover underscore the attractiveness of K+S as an employer. At about 4 %, the turnover rate even after the inclusion of Morton Salt was at a constantly low level. In relation to the total personnel, the turnover based on employees handing in one's own notice of termination even amounted to only 1%. As is the case with many other German industrial companies, our age structure is becoming concentrated in the 41 to 50 years age group; the average age of the K+S employees was about 43 years (2008: 42 years).

FIG. 11: AGE STRUCTURE (in %)



Training and further training

Length of service extending over many years and the related wealth of experience are important cornerstones of a sustainably successful personnel policy. However, this also involves the transfer of knowledge to younger employees and therefore the methodical training of the next generation. This is an area in which we are already systematically laying the groundwork for tomorrow's growth. In 2009, 190 young people began vocational training with us, in 17 training professions at 15 K+S GROUP sites. As at 31 December 2009, we employed a total of 642 trainees, a significant increase of 27 trainees in comparison with the previous year. The Geman sites accounted for 639 trainees. At 6.3 %, the proportion of trainees at the domestic companies was even above the high level of the previous year (2008: 6.0 %). Despite the economic crisis, K+S continues to regard vocational training as an important investment into the future. The training that we provide, which is planned in the long term and geared towards quality, ensures the necessary availability of employees in industrial, mining, commercial, chemical, IT and logistics occupations. On such training, in 2009, we spent about € 10.5 million in personnel expenses as well as € 3.0 million in material costs (2008: personnel costs: € 9.6 million; material costs: € 3.0 million). We are pleased that in the year under review, we were again able to take on 90 % of the successfully qualified trainees.

TRAINING FIGURES

	2009	2008	2007	2006	2005
Total trainees (number)	642	615	614	620	591
Domestic training ratio in %	6.3	6.0	6.1	6.2	5.9
Training expenditure in € million	13.5	12.6	11.6	11.0	10.4

Further information on employees can be found in the Corporate Report.

The provision of further training to our employees is becoming increasingly important because of rising and increasingly international requirements as well as technical innovations. We regard our activities in the field of initial and further training as an investment in our employees and thus into the future of the K+S GROUP. During the year under review, 6,977 employees participated in further training (+ 26 %), in which we invested about € 7.3 million (previous year: € 6.0 million) or € 1,047 per participant (previous year: € 1,091). This increase was particularly attributable to a significantly expanded offer of management qualifications in the commercial and technical sectors as well as in distribution. Moreover, the need for further training measures in the methodological area rose. In order to meet the challenges of the increasing internationalisation, an important focus was again on foreign languages.

Further training figures

	2009	2008	2007	2006	2005
Participants in further education measures	6,977	5,550	4,652	3,762	2,760
Further training expenditure in € million	7.3	6.0	4.4	4.0	3.4
Expenditure per participant in €	1,047	1,091	940	1,063	1,232

At Morton Salt too, further training of employees plays an important part. Particular attention is paid to occupational safety, health and the environment.

Research and development

Research and development activities

Goals and main focuses of our R&D activity

A key focus of our activities is research into and the development of new and improved products and processes. Providing nutrition to plants that meets needs over the entire vegetation cycle is a priority. Of no less importance is the constant reviewing of our production processes with respect to the sustainable use of the resources available to us, as well as the reviewing of the deployment of capital, energy and personnel in terms of efficiency. This also includes the further minimization of solid and liquid production residues in potash production. We continually develop our processes and constantly review new technologies and materials for their potential to bring about improvements. We operate a research institute of our own, focussing on treatment, process technology, and analytics. Finally, our agricultural advisory service provides worldwide support to customers on using our products and thus promotes customer benefits and therefore sales of our fertilizers by means of specific application recommendations.

In 2009, the focus was again on efforts to newly develop and optimise production processes in order to minimise solid and liquid production residues in potash production, as well as research cooperations as to the effects of optimal fertilization on the efficiency of water use by the soil/plant system. The key focuses of the research on process technology were the optimisation of our multi-phase production and refining processes as well as the flexibilisation of the processes for adapting to changed raw material, production or market conditions. With regard to efficiency improvements and the minimisation of unavoidable production residues, as part of the package of measures on water protection we advanced targeted research into cooling or evaporating saline water, into the further development of dry processing technologies and into improvements in preliminary deposit explorations.

To ensure the effective transfer of knowledge gained from research within the K+S Group, and to optimise the leveraging of potentials for synergy, all research activities are centrally controlled.

Use of external R&D know-how

In addition to our own research activities, the cooperation with external research institutes is an important part of our research strategy too:

- Plant cultivation tests being conducted worldwide in the field of fertilizers are coordinated and controlled centrally by our departments for agricultural application consulting. All field tests are assigned to specialised and experienced agricultural enterprises and are either looked after directly by our employees or monitored on a scientific basis by local agricultural institutes all over the world. This enables us to obtain findings relating to a diverse range of crops growing in local soil conditions in various climatic zones and to adapt the products accordingly, where necessary.
- We participate in international research programmes of organisations such as the IPI (International Potash Institute), HarvestPlus and the IPNI (International Plant Nutrition Institute). Here, capacities and specialist knowledge are bundled in order to be able to answer complex questions in a global manner. To optimally exploit external resources and meet new challenges in cooperation with suitable partners, we have since 2009 been working together with NineSigma, a service provider which mediates international research partners for us.
- In economic, scientific as well as technical areas we cooperate with colleges, most of which are in Germany. Last year, we continued to work with the University of Kassel on a pilot project in order to investigate the biological treatment of saline water and test its applicability under realistic conditions. Across the country we provide financial support to higher-education students at undergraduate, diploma and doctoral level in those areas that are the focus of our R&D activities. This allows us to identify talent early on and to recruit a qualified new generation of employees for our Company.
- In 2009, research into more innovative nitrogenous fertilizers was conducted on our instructions at the BASF SE research institutes. The work is performed exclusively for the Nitrogen Fertilizers business segment.

In 2009, a total of € 5.6 million was spent on external research services, compared with € 6.5 million in the preceding year.

Research costs

in € million	2009	2008
Potash and Magnesium Products	6.8	6.7
Nitrogen Fertilizers	6.1	6.2
Salt	1.3	0.9
Other research costs	4.5	4.3
Total	**18.7**	**18.1**

Research figures and results

Research costs, development-related capital expenditure and number of employees

In the period under review, research costs came to € 18.7 million in total and were almost at the level of the previous year (2008: € 18.1 million). The majority of the research costs can again be attributed to increased efforts to develop new production processes for minimizing solid and liquid production residue in potash production.

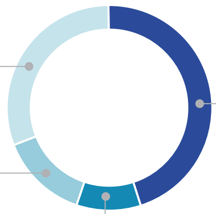
Under IFRSs, certain development costs have to be capitalised in the balance sheet. At about € 1.8 million, this development-related capital expenditure during the year under review was significantly below the level of the previous year and was made mainly in the Nitrogen Fertilizers and Potash and Magnesium Products business segments. The decline is mainly attributable to the postponement of development projects to 2010 at those sites affected by short-time working. Capitalisation will result in depreciation charges for development-related capital expenditure over the coming years, but they will be at a relatively low level.

in € million	2009	2008	2007	2006	2005
Research costs	18.7	18.1	15.5	13.8	13.0
Capital expenditure in development	1.8	2.8	2.7	2.0	1.9
Employees as of 31 Dec. (number)	78	65	56	51	50

As expected, the number of personnel involved in research increased to 78 employees year on year, mainly as a result of consolidation. The increase is due not only to the acquisition of Morton Salt, but also to intensified activities in environmental protection.

Fig. 12: Research and development qualification structure

in %; previous year's figures in italics



Research and development projects and results

Potash and Magnesium Products Business Segment

- In research cooperation with experts in soil science, soil physics and plant nutrition from the Universities of Giessen, Halle and Kiel, we are continuously investigating the influence of optimal fertilization with the nutrients potash, magnesium, sulphur and sodium on the efficiency of the use of water of the soil/plant system. As regards the specific effects of potash on the use of water, the following two effective directions became evident: On the one hand, the characteristics of the soil changed over the long term as a result of an increased application of potash fertilizer, so that both the ability to store water and the transport of water to the roots were improved. This meant that the volume of water potentially available to the plants increased. On the other hand, the application of potash fertilizer also had a positive impact on the plant parameters. The plants formed a larger and better-branched root system, and were therefore able to utilise a greater volume of soil for the absorption of water. Initial indications that the metabolism of the plants can adapt to dry conditions if better supplied with potassium and is thus able to handle water more efficiently, form the basis for future research work in this area.

- In order to be able to say more about the fertilizer needs of soils and plants, research was carried out using new sensors, which make possible a simpler, more solid and more precise diagnostics of the supply status of plants. It additionally transpired that, in sustainable advice on fertilizers regarding nutrients such as potash, magnesium and phosphates, the soil also plays a central role; in future, this will be further investigated.
- K+S is participating in a research project under the auspices of the IPNI (International Plant Nutrition Institute), which is investigating the optimal supply of palm trees with fertilizer. The aim is to increase yields by means of sustainable and economical farming, in order to meet the greater demands of the growing populations of the Asian emerging market countries.
- In the case of potatoes with symptoms of nutrient deficiency, an experiment was able to demonstrate that plants not supplied with potash were severely affected by spots on the leaves. However, a balanced supply of nutrients was able to significantly increase the plants' resistance.

Nitrogen Fertilizers Business Segment

- Currently, a granulated complex fertilizer with a high level of solubility in water is being developed, which is especially suited to use in dry areas with little precipitation. Even when there is little moisture, the nutrients dissolve rapidly and are thus immediately available to the plants. The product development should be completed during this year.
- Fully coated single-nutrient and dual-nutrient fertilizers such as coated potassium sulphate and potassium nitrate as well as coated di-ammonium phosphate are being tested for application in professional horticulture, tree nurseries, forest plantations and major agricultural crops. Thanks to the coating, a long-term effect of 3 to 12 months of nitrogen, phosphates and potassium is achieved.
- Experiments with granulated, coated and uncoated trace nutrients were completed and made possible the introduction of the Magna® and Magnacote® product lines. These highly concentrated granulates are used both in irrigation farming and in the non-irrigated cultivation of special crops. Granulated complex fertilizers can also be provided with these trace elements by admixing.
- A new main focus of K+S Nitrogen's activities was the expansion of research activities into the areas of new, eco-efficient nitrogenous fertilizers.

Salt Business Segment

- In 2008, in cooperation with a major customer who changed his process in chlorine-alkaline electrolysis, a special concept was developed for providing a high-quality supply of rock salt instead of evaporated salt. This concept was further developed in 2009 in order to be able to also provide it to other customers in future.

At regular intervals, all research projects are examined in cooperation with the clients in relation to their progress, applicability, framework conditions, the probability of realization and potential returns.

Brand portfolio and patents

In 2009, the K+S brand portfolio grew by 942 registrations and additions. This was particularly attributable to the acquisition of Morton Salt as well as the restructuring in the nitrogen fertilizers sector. As umbrella brands, the K+S Group uses, for example, Algoflash®, Cérébos®, COMPO®, Gesal®, Morton®, SEM®, SPL®, Umrella Girl®, Vatel® and Windsor®. As product brands, for example, AXAL®, BLAUKORN®, COMPO-SANA®, ENTEC®, Floranid®, Korn-Kali®, Nitrophoska®, Patentkali®, Thomaskali® and VOROX® were used. No licence fees were generated. A total of 86 brand rights that are no longer used were cancelled. On the reporting date, the K+S Group therefore held 5,158 (2008: 4,302) national proprietary protection rights for trademarks deriving from 1,074 basic trademarks. The K+S Group's global patent portfolio currently numbers 84 patent families, which are protected by 357 (2008: 334) national rights. The patents are used, for example, in the areas of electrostatic preparation processes, the production of granulates and flotation. Furthermore, we hold patents for new processes for the production of fertilizers and anti-caking agents, as well as for the fertilization through irrigation of substrates used in agriculture or horticulture. 65 trademarks were newly registered and about 40 were cancelled in 2009.

Course of Business

Macroeconomic environment

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT (real in %)

Year	Germany	EU-25/ EU-27	World
2009	(5.0)	(4.1)	(1.1)
2008	+ 1.3	+ 1.2	+ 3.1
2007	+ 2.5	+ 3.1	+ 4.8
2006	+ 2.9	+ 3.3	+ 5.3
2005	+ 0.9	+ 1.7	+ 4.8

Source: Deka Bank

In 2009, the world economy weakened, according to expectations; however, the decline was, with (1.1)%, not quite as sharp as had been anticipated in the Quarterly Financial Report Q3/09. After the dramatic slump at the beginning of 2009, there was a gradual recovery in the second half of the year, though the full-year deficit could not be eliminated. Through swift and extensive measures taken to support the banking sector, as well as a strongly expansive monetary and financial policy, it was possible to prevent a collapse of the global financial system and to lay the basis for a slow recovery. The economic recovery was basically led by the Asian emerging market countries, particularly China, which posted growth of 8.7%. In the course of the year, the upturn included almost the entire global economy, so that already in the third quarter only a few countries still experienced a declining gross domestic product. The prices of most raw materials rose again as well, particularly the price of oil, which has almost doubled since the lows at the start of the year.

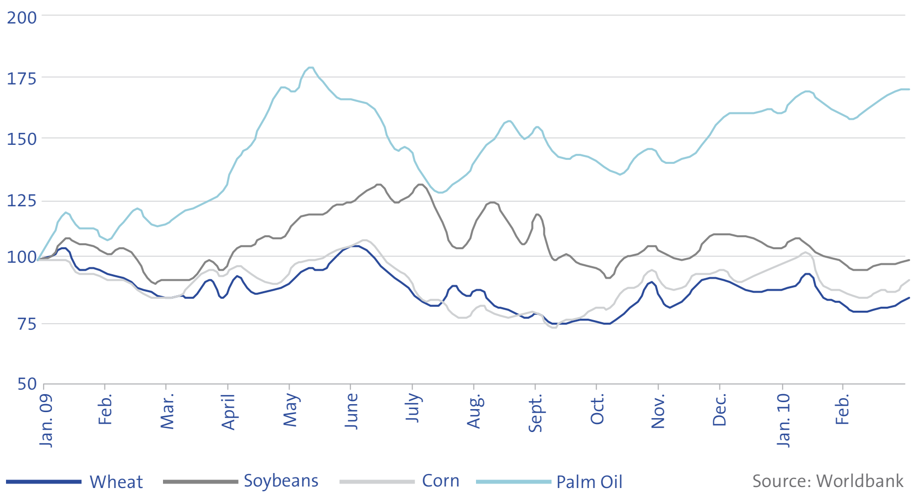
In the USA, the gross domestic product sank by 2.4% in 2009 as a whole. After the dramatic slump in the 2008/2009 winter half-year, a slight increase in activity was in evidence from the middle of the year onwards. The confidence of consumers and companies recovered during the year, but did not reach the level it was at before the crisis began. The unemployment rate was also down for the first time at the end of the year. Consumer prices fell by 0.4% on average over the year.

In the EU as well, the economic recovery set in the middle of the year, although the gross domestic product declined sharply by 4.1% over the course of the year. As a result of additional expenditures made as part of the economic measures taken, public authorities came under pressure, so that the European Commission began deficit proceedings against almost all participants in the stability and growth agreement. The European Central Bank's base rate remained stable over the year at 1.0%, while inflation was on a historically low level at 1.0%.

The German economy shrank very considerably, the gross domestic product declining by 5.0%. After the severe slump in the economy in the first half of the year, total economic production increased again from the third quarter onwards. Construction industry investment was also up slightly due to the economic programmes. Consumer prices remained stable over the year at +0.2%. Despite the deep recession, unemployment increased only slightly against the background of short-time working, a proven tool of labour market policy.

The raw materials markets presented an inconsistent picture in the course of the year. Given the lows at the beginning of the year, the price of oil increased over the year and for the first time again reached a level of just under US$ 80 a barrel at the end of the year. With an average price of just under US$ 63 during the year, a barrel of oil nevertheless cost approximately US$ 36 or 36% less than in 2008. Most basic materials, such as metals, followed the oil price and in some cases increased significantly after the lows at the beginning of the year. By contrast, agricultural commodities tended to move sideways during the year; only the price of palm oil increased significantly.

Fig. 13: Development of prices for agricultural products (Index: Beginning of 2009, in %)



Developments on the international foreign exchange markets were influenced by the volatile development of the US dollar. After the dollar's gain at the beginning of the year to a level of 1.25 USD/EUR, its value dropped in the further course of the year to over 1.50 USD/EUR. Not until the end of the year did the US dollar recover slightly against the background of the weak budget situation of several EU countries, being only just under 3 % weaker against the euro at the end of December than it had been a year before. In terms of the average for the year, the US dollar even gained by just under 6 % (2009: 1.39 USD/EUR; 2008: 1.47 USD/EUR). A chart showing the EUR/USD development can be found in fig. 14 on page 87.

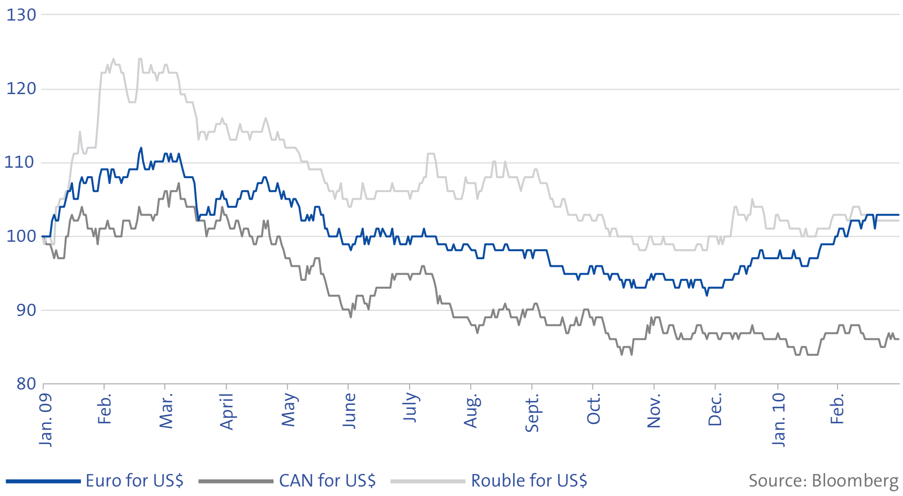
Impact on K+S

The changes in the macroeconomic environment impacted on the course of business for K+S:

- In 2009, the only muted recovery of prices of agricultural products led to appreciable uncertainty in trade and agriculture regarding future earnings. We reacted to the consequent weak demand with reductions in output as well as short-time working and have reduced the production of potash and magnesium products by approximately 4 million tonnes, i.e. approximately 50 % of our capacity.
- Our production costs are influenced to a considerable degree by energy costs, particularly with regard to gas. After energy prices fell sharply at the end of 2008, which is reflected with a delay of six to nine months in our cost accounting, our energy costs were significantly reduced particularly in the second half of 2009. The noticeable increase in energy prices in the second half of the year did not yet, on account of the energy purchase clauses agreed with our suppliers during the past year, have any effects on the K+S Group's energy costs.

- In 2009, the development of the US dollar was marked by volatility. For the Potash and Magnesium Products business segment, nearly the same conversion rate applied as in the previous year: an average of 1.48 USD/EUR after costs.
- In addition to the USD/EUR currency relationship, a relative comparison of the euro and the currencies of our competitors each in relation to the US dollar is also of importance for us. For most potash producers in the world, a weak US dollar has a negative impact on earnings capacity in their particular domestic currency; this stems from the fact that the major part of global potash production takes place outside the US dollar zone, but almost all sales, with the exception of the European market, are invoiced in US dollars. The following chart shows that in 2009, the North American, Russian and European producers faced similar currency developments – though to a varying extent.

FIG. 14: DEVELOPMENT OF EUR/USD VS. CAN/USD AND RUB/USD (Index: Beginning of 2009, in %)



Source: Bloomberg

Industry environment

Fertilizer business sector

2009 was characterised by a very low demand for fertilizers in almost all markets: The reluctance on the part of agriculture in sourcing fertilizers also continued against a background of no sustainable recovery as yet of prices for agricultural products. The trade sector pursued the goal of keeping the inventories which had been largely scaled back in the first half of the year as low as possible and delaying the normally customary stocking up. However, in the case of straight nitrogen fertilizers, sharp price declines led to a revived demand in the second half of the year, as a reaction to the significantly lesser demand at the beginning of the year and to falling gas prices and the high availability of ammonia.

The market positions of the business segments can be found in the section on GROUP STRUCTURE AND BUSINESS on page 58 et seqq. The industry environment of the individual business segments can be found in BUSINESS SEGMENT DEVELOPMENT on page 112 et seqq.

The demand for potash fertilizers remained very weak for the whole financial year, above all in Europe and North America. While, in the first quarter, prices still stood at approximately US$ 750 including freight per tonne of granulated potassium chloride, during June it became clear that this price level was no longer workable for larger quantities on important overseas markets. In view of this situation and the imminent autumn fertilizing season, in mid-June, K+S reduced the price in Europe for one tonne of granulated potassium chloride to € 435 per tonne; this corresponded to an overseas price of approximately US$ 600 per tonne.

The agreements with India concluded in mid-July for potassium chloride standard at US$ 460 per tonne provided further important information for global markets, but customers' reluctance to purchase could only be overcome to a slight degree against the backdrop of agreements with China which had yet to be concluded at that time. It was not until just before the end of the year that the Russian/Belarusian export organisation BPC concluded an agreement with China for the delivery of 1 million tonnes of potassium chloride standard at a price of US$ 350 per tonne including freight. However, this agreement hardly had an effect on the course of business in 2009.

Many fertilizer producers cut back their production significantly during the year, in order to counteract an excessively high accumulation of stocks on their part.

Salt business sector

In the first quarter 2009, both the West European and the North American de-icing salt markets were marked by above-average severe and long-lasting winter weather conditions. In some regions this even led to supply bottlenecks. The early procurement of de-icing salt during the summer months was below the normal level in West Europe, despite customers' depleted inventories as a result of the severe and long-lasting winter weather conditions at the start of the year, presumably due to the difficult situation faced by public authorities. In North America, however, tenders were comparable to the very good previous year in terms of volume. However, prices dropped slightly after the previous year's tenders still benefitted from supply bottlenecks. In the fourth quarter, the de-icing salt business in Western Europe was above all positively influenced by the onset of winter in the last two weeks of December. While winter weather conditions also favoured the de-icing salt business on the North American east coast, the weather in the other regions of North America was milder.

In Europe, the effects of the financial crisis on the business with salt for chemical use already made their mark at the beginning of the year, and because of the continuing poor economic situation, the demand also remained low over the year. In 2009, the food-grade and industrial salt segments by contrast proved to be relatively stable and were hardly affected by the economic crisis.

Key events affecting the course of business

- In 2009, the international fertilizer market was characterised – as has already been pointed out in the Industry environment section – by a sharp decline in demand. In the course of the year, potassium chloride prices dropped worldwide after nitrogen and phosphate fertilizer prices had already fallen significantly in the first half of the year.
- Sales of de-icing salt largely depend on winter weather conditions during the first and fourth quarters. Against this backdrop, the positive de-icing salt business described in Industry environment resulted, in the first quarter and at the end of the year, in a significant increase in revenues and earnings in the Salt business segment.
- On 2 April 2009, K+S signed an agreement to acquire Morton International Inc. (Morton Salt). Closing took place on 1 October 2009. The enterprise value is US$ 1.675 billion; deducting currently ascertained debts and the usual adjustments, this left a net payment of US$ 1.576 billion in cash. The initial inclusion of Morton Salt in the fourth quarter of 2009 produced a consolidation effect amounting to € 237.6 million in revenues and € 9.8 million in operating earnings. The contribution to earnings was adversely affected by depreciation on various value adjustments as part of purchase price allocation, as well as on integration costs and one-off effects from revaluation and consolidation within the valuation of inventories in accordance with IFRS.

Trend in share price

The closing price of the K+S share – adjusted for the subscription rights from the capital increase effected at the end of last year – was, at the end of 2009, moderately above that of the previous year (+5.6 %), although its performance was very volatile during the course of the year. You can find a detailed description of the K+S share price, price trends, ratios and further important information about the K+S share in the section K+S on the Capital Market on page 26 et seqq.

General statement on the course of business in 2009

After the most successful year 2008 operationally, we were fully in the grip of the financial and economic crisis in 2009: The economic “emergency braking” allowed agricultural prices which had previously increased sharply as a result of global scarcity to well and truly collapse, and led to great uncertainty and considerable buying restraint on the part of our customers. Consequently, the global fertilizer markets shrank at an unprecedented speed and to an unimaginable extent: Within one year, the sales volume of globally operating potash producers plunged by about 50 %. For an industry which has a high share of fixed costs in its production costs, this was a hard blow, because a lower utilisation of capacity only leads to a disproportional decrease in costs. Despite the historically exceptional setback of the fertilizer markets, we have not made losses. In the Salt business sector we achieved a significant contribution to earnings which was largely unaffected by the crisis and even in such a difficult year we almost earned our cost of capital. Nevertheless, it has to be stated plainly that the earnings achieved declined vey sharply as compared with the record year of 2008, and that in particular we cannot be satisfied with the earnings in the nitrogen fertilizers segment, despite extensive restructuring and contractually incorporated risk buffers.

Comparison of actual and projected course of business

Revenue forecast

The forecast for 2009 made by the Board of Executive Directors on 25 February 2009 as part of the 2008 Financial Report assumed that revenues would decrease tangibly in relation to the previous year's level (€ 4.79 billion), given an anticipated US dollar rate of 1.30 USD/EUR. At that time this outlook was still based on the assumption of a renewed global normalising demand for potash fertilizers as of the second half of 2009, which resulted in a sales volume estimate of just under 6 million tonnes for the Potash and Magnesium Products business segment for the year as a whole. This volume forecast was further reduced to 4 million tonnes against the backdrop of the continuing weak demand, in an ad hoc notification on 17 June 2009 as well as in the Half-Yearly Financial Report H1/09 published in the middle of August. Since these publications, we assumed a significant decline in revenues: In the Fertilizer business sector we anticipated not only a significantly lower sales volume but also markedly lower average prices. By contrast, for the Salt business sector, we forecast significantly higher revenues on account of the above-average de-icing salt business in the first quarter and the first-time inclusion of Morton Salt as of 1 October 2009; this increase, however, should not be able to level out the negative trend in revenues in the fertilizer sector. In 2009, the revenues of the K+S Group came to € 3.6 billion and thus were, as expected, significantly below the previous year's level.

Expenses forecast

In the 2008 Financial Report, we forecast that the savings connected with short-time working would not completely make up for higher costs due to collective agreement pay increases and a slight increase in the number of employees, and that personnel expenses should therefore be expected to increase moderately overall. Because of the extension of short-time working, we had been assuming since the middle of the year that the resulting savings would produce a tangible decrease in personnel expenses. After taking account for the first time of the personnel expenses of Morton Salt, included as of 1 October 2009, in the Quarterly Financial Report Q3/09, we saw personnel expenses as being at roughly the previous year's level. In 2009, the personnel expenses of € 756.4 million were only slightly above the previous year's level.

For energy costs, we expected a lower level as a result of volume and price factors, which was also reached with a decrease by just under 17 % to € 210.7 million.

For costs of freight, we assumed significant reductions; at € 385.8 million, this cost position fell by 12 %. For depreciation and amortisation charges, we forecast a moderate increase; they actually increased by 23 % to € 173.8 million. The first-time consolidation of Morton Salt in the fourth quarter accounted for € 24.6 million of this increase; this includes depreciation of € 16.6 million on various value adjustments as part of purchase price allocation.

Earnings forecast

The earnings outlook formulated by the Board of Executive Directors on 25 February 2009 in the 2008 Financial Report assumed that operating earnings (EBIT I) would be significantly lower in the 2009 financial year than in the 2008 record year. Against the backdrop of the continuing weak demand, we even forecast a strong decline in earnings in the ad hoc notification of 17 June 2009 and the Half-Yearly Financial Report H1/09. We justified this above all by the decreasing level of earnings in the Potash and Magnesium Products as well as Nitrogen Fertilizers business segments. We assumed that a somewhat stronger average US dollar rate year on year and higher Salt earnings would merely halt this trend to a limited extent, and that cost relief due to the high share of fixed costs customary in the mining industry would in total remain significantly behind the revenue decline described. At € 238.0 million, operating earnings in the 2009 financial year were ultimately 82 % below the previous year's value (€ 1,343 million).

Actual vs. forecast comparison

	Forecast Financial Report 2008 [1]	Forecast since H1/09		Actual 2009	Actual 2008	%
Revenues	tangible decrease	significant decrease	€ billion	3.57	4.79	(25.5)
Operating earnings (EBIT I)	significant decrease	strong decrease	€ million	238.0	1,342.7	(82.3)
Group earnings, adjusted [2]	significant decrease	strong decrease	€ million	93.6	979.3	(90.4)
Earnings per share, adjusted [2]	significant decrease	strong decrease	€	0.56	5.94	(90.6)
Capital expenditure [3]	approx. € 200 million	approx. € 170 million + € 20 million Morton Salt in Q4	€ million	177.6	197.5	(10.1)
Depreciation and amortisation [3]	Increase in mid-single-digit % range	moderate increase	€ million	173.8	141.7	+ 22.7
Energy costs	decrease	decrease	€ million	210.7	253.1	(16.8)
Personnel expenses	moderate increase	Tangible decline incl. Morton Salt in Q4; at level of previous year	€ million	756.4	738.5	+ 2.4
Freight costs	decrease	significant decrease	€ million	385.8	437.7	(11.9)

[1] Without Morton Salt.
[2] The adjusted key figures only contain the earnings actually realised on operating forecast hedges for 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. Any resulting effects on deferred and cash taxes are also eliminated; tax rate 2009: 27.9 % (2008: 27.9 %).
[3] Cash investments in or depreciation of property, plant and equipment and intangible assets.

Because of the difficult situation of the industry in the Fertilizer business sector, we have abandoned our customary procedure of publishing quantitative ranges for revenues and earnings for the year as a whole as of the Half-Yearly Financial Report H1/09, and have provided a detailed qualitative description of these figures.

Earnings position

At € 3.6 billion, revenues fall 26 % year on year

A detailed explanation of the revenues of individual business segments can be found on page 112 et seqq .

In financial year 2009, we achieved revenues of € 3,573.8 million, which was 25.5 % below the figure for the previous year. Fourth quarter revenues benefited by € 237.6 million from the first-time consolidation of MORTON SALT. Adjusted for this effect, revenues would have totalled € 3,336.2 million. A slight seasonality was evident from the quarterly revenues figures posted during the course of the year: Thus, the first quarter tends to be the strongest and third quarter the weakest. In terms of volumes, the Fertilizers business sector usually profits in the first quarter from the start of the spring fertilizing season in Europe; although the autumn fertilizing season occurs in the third quarter, it is, however, less important than the spring fertilizing season in terms of sales volumes. The de-icing salt business is normally focused on the first and fourth quarters of a year, while during the second and third quarters, customers stock up at prices that are usually more favourable. In 2009, however, in the course of the financial crisis, these seasonal effects were concealed by falling prices and rising sales volumes during the year in the Fertilizers business sector as well as by the first-time consolidation of MORTON SALT in the fourth quarter.

Variance analysis in %	2009
Change in revenues	**(25.5)**
- volume	(21.9)
- structure	(0.2)
- prices	(9.9)
- exchange rates	+ 1.5
- consolidation	+ 5.0

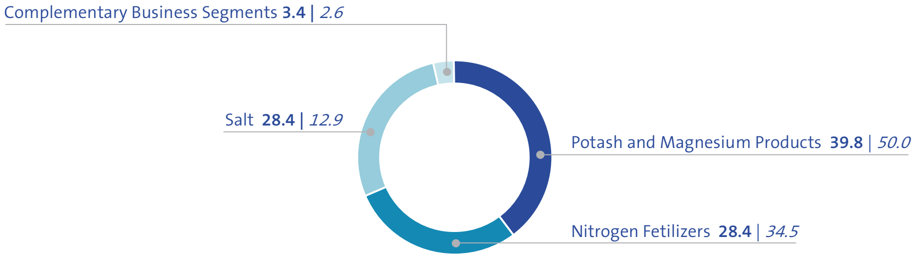
REVENUES BY BUSINESS SEGMENT

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Potash and Magnesium Products	366.0	354.3	340.8	360.6	1,421.7	2,397.4	(40.7)
Nitrogen Fertilizers	342.1	257.4	204.5	212.2	1,016.2	1,652.4	(38.5)
Salt	338.3	99.3	121.7	455.3	1,014.6	618.6	+ 64.0
Complementary Business Segments	29.1	27.6	30.9	33.1	120.7	125.3	(3.7)
Reconciliation	0.2	0.1	0.2	0.1	0.6	0.7	(14.3)
K+S Group	**1,075.7**	**738.7**	**698.1**	**1,061.3**	**3,573.8**	**4,794.4**	**(25.5)**
Share of total revenues in %	30.1	20.7	19.5	29.7	100.0	–	–

The decline in revenues in 2009 can be particularly attributed to negative volume and price effects, which it was not possible to compensate for by means of positive currency effects and consolidation-related growth in revenues during the fourth quarter. The Potash and Magnesium Products and Nitrogen Fertilizers business segments had to accept declines in revenues due to significantly lower sales volumes and prices. In the Salt business segment, on the other hand, high sales volumes of de-icing salt during the first and fourth quarters and the first-time consolidation of MORTON SALT in the last three months of the year had a positive impact on revenues.

FIG. 15: REVENUES BY BUSINESS SEGMENT

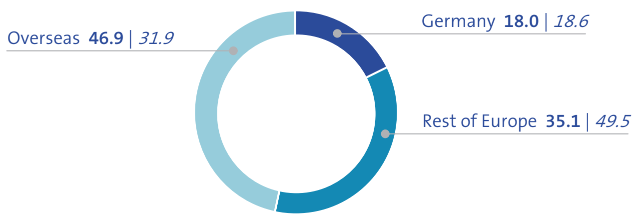
in %; previous year's figures in italics



The Potash and Magnesium Products business segment again posted the highest revenues of all the K+S Group's business segments, accounting for 40% of the total, and was followed by Nitrogen Fertilizers and Salt (see diagram above).

In Europe, we achieved revenues of € 1,896.3 million ((42)%). Thus, despite the sharp decline against the previous year, a good 53% of total revenues were still generated in this region. The European market is very important for us because we can normally leverage shipment cost advantages. Revenues in the overseas markets, which will be even more important in future as a consequence of the acquisition of Morton Salt, rose by 10% to a total of € 1,677.5 million and, compared to total revenues, even 15 percentage points to almost 47%.

Fig. 16: Revenues by region
in %; previous year's figures in italics



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 percentage 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 Group's and its business segments' backlog of orders is of no relevance for assessments of the short- and medium-term earnings capacity.

Development of selected cost items

The most important cost types in detail: At € 756.4 million, the personnel costs of the K+S Group increased by € 17.9 million or 2% against the previous year. Without the provision effects, the personnel costs rose by 3% to € 765.2 million in comparison to 2008. Without the effects arising from the first-time consolidation of Morton Salt in the fourth quarter, the personnel costs – without provision effects – would have declined by € 24.3 million. The decline is mainly attributable to the reduction of expenditure resulting from short-time working. In 2009, energy costs too declined by € 40 million to about € 210.7 million, € 8.7 million of which was accounted for by Morton Salt.

The picture was similar in the case of freight costs: these declined due to the lower sales volume in the Fertilizers business segment and despite the first-time inclusion of MORTON SALT in the fourth quarter (€ 23.1 million) by just under € 52 million to € 385.8 million.

Operating earnings significantly under the peak figure of the previous year

At € 238.0 million, operating earnings EBIT I were down € 1,104.7 million or 82 % on last year's peak figure (2008: € 1,342.7 million). In the case of the operating earnings, the customary seasonality referred to in relation to revenues was concealed by various effects: The extreme drop in demand and the resulting lower capacity utilisation and the decline in fertilizer prices during the course of the year resulted in sharp declines in earnings in the Potash and Magnesium Products and Nitrogen Fertilizers business segments. The operating earnings in the Salt business segment, however, were significantly higher than the figure for the previous year particularly due to the persistent wintry weather conditions in the first quarter and in the last weeks of the year. The effect from the first-time consolidation of MORTON SALT was € 9.8 million in the fourth quarter. In addition to integration costs (€ 3.6 million), one-time effects from the revaluation and consolidation within the framework of the inventory valuation according to IFRSs (€ 22.0 million) reduced this contribution to earnings. Moreover, depreciation on the value adjustments to be made within the framework of purchase price allocation (€ 16.6 million) weighed on earnings.

An explanation of the term purchase price allocation can be found on page 247.

The reconciliation for the reporting year amounted to € (41.2) million, which represents an improvement of € 11.0 million. This decline mainly resulted from the lower performance-related remuneration for the Board of Executive Directors, the Supervisory Board and for employees. Moreover, a part of the costs incurred in connection with the acquisition of MORTON SALT, which were recorded in the reconciliation in the third quarter, was capitalised or allocated to the costs of the Salt business segment.

Operating earnings (EBIT I) include the hedging result of the respective reporting period achieved from the operating derivatives used for the hedging of future payment positions (mainly revenues in US dollars) or future translation risks. The achieved hedging result corresponds to the exercise value of the derivative at the time of it being due (difference between the spot rate and hedged rate), less the premiums paid in the case of option transactions. The changes in market value of the operating, anticipatory hedging transactions still outstanding are, however, taken into consideration separately in the earnings after operating hedging transactions (EBIT II).

A detailed explanation of the earnings of individual business segments can be found on page 112 et seqq.

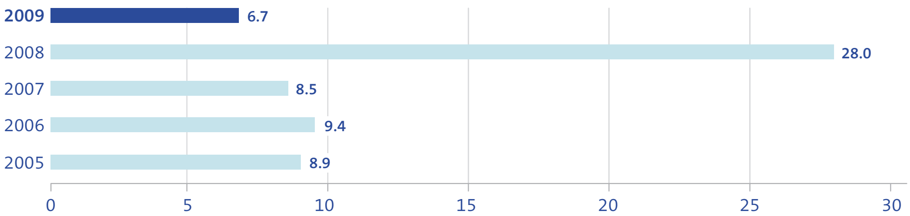
EBIT I by business segment

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Potash and Magnesium Products	97.0	53.8	54.0	26.9	231.7	1,203.2	(80.7)
Nitrogen Fertilizers	8.1	(26.6)	(47.3)	(42.3)	(108.1)	121.4	–
Salt	80.2	(0.6)	13.5	47.3	140.4	45.2	+ 210.6
Complementary Business Segments	2.0	3.2	4.3	5.7	15.2	25.1	(39.4)
Reconciliation*	(13.3)	(11.7)	(15.1)	(1.1)	(41.2)	(52.2)	+ 21.1
K+S Group	**174.0**	**18.1**	**9.4**	**36.5**	**238.0**	**1,342.7**	**(82.3)**
Share of total revenues in %	73.1	7.6	3.9	15.3	100.0	–	–

* Expenses and income that cannot be allocated to business segments are recorded separately and shown under 'Reconciliation'.

The EBIT margin for 2009 reached 6.7 %, representing a drop of 21.3 percentage points on the previous year.

Fig. 17: EBIT Margin (in %)



EBITDA declined to € 411.8 million

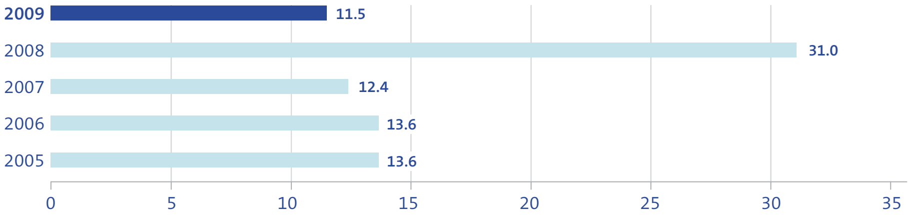
EBITDA by business segment

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Potash and Magnesium Products	117.1	74.2	73.7	52.2	317.2	1,286.3	(75.3)
Nitrogen Fertilizers	10.9	(23.7)	(43.8)	(37.8)	(94.4)	133.9	–
Salt	89.0	7.9	22.0	81.4	200.3	77.6	+ 158.1
Complementary Business Segments	3.6	4.7	5.4	8.0	21.7	31.2	(30.4)
Reconciliation*	(11.5)	(10.0)	(12.0)	0.5	(33.0)	(44.6)	+ 26.0
K+S Group	**209.1**	**53.1**	**45.3**	**104.3**	**411.8**	**1,484.4**	**(72.3)**
Share of total revenues in %	50.8	12.9	11.0	25.3	100.0	–	–

* Expenses and income that cannot be allocated to business segments are recorded separately and shown under 'Reconciliation'.

During the year under review, earnings before interest, taxes, depreciation and amortisation (EBITDA) declined by € 1,072.6 million to € 411.8 million. Depreciation and amortisation amounted to € 173.8 million and were thus € 32.1 million higher in comparison to the previous year. Of this increase, € 24.6 million was accounted for by the first-time consolidation of Morton Salt in the fourth quarter. This includes depreciation on value adjustments to be made within the framework of purchase price allocation in the amount of € 16.6 million. To this extent, greater importance will be assigned to the EBITDA in the future when assessing the earnings capacity of the K+S Group.

FIG. 18: EBITDA MARGIN (in %)



Development of other key items of the income statement

At just under 34%, gross margin is significantly below the level of a year ago

While revenues decreased by 25.5% year on year, cost of sales fell by only 8.2%. The gross margin thus fell to 34.4% after it had been 46.8% in the previous year. The cost declines described on page 93 et seq. were therefore not able to make up for the volume- and price-related revenue declines of fertilizers.

A decisive factor in this were the fixed costs that are customary in the mining industry: In spite of the drop in energy costs, lower material and freight costs and the savings resulting from short-time working, the total easing of costs remained significantly behind the sharp mainly volume-related declines in revenues.

Selling expenses markedly lower

The selling expenses of the K+S GROUP fell by € 63.6 million or 8% to € 712.4 million in the year under review. Freight costs, which make up over half of selling expenses, declined by 12% to € 385.8 million during the reporting year. A lower transport volume in the Fertilizers business sector was compensated for by higher freight volumes in the Salt business segment as well as additional freight costs from the first-time inclusion of MORTON SALT in the fourth quarter. The other costs for sales personnel, marketing and supply chain management amounted to € 326.6 million in the year under review and were thus € 8.7 million or 3% below the previous year's level. While the personnel costs included in them declined moderately, counter-effects arose from the consolidation of MORTON SALT as well as from higher storage costs. As in the previous year, a low double-digit million euro amount was spent on advertising in the form of press advertisements, brochures, TV and radio commercials, trade fairs, product launches etc. The majority of these costs are incurred at COMPO and in the Potash and Magnesium Products and Salt business segments.

General and administrative expenses higher due to consolidation

In 2009, general and administrative costs rose by € 18.8 million or 18% to € 123.1 million. Most of this increase (€ 14.6 million) can be attributed to the first-time consolidation of MORTON SALT in the fourth quarter. Without the inclusion of MORTON SALT, the administrative costs would have increased by 3% to € 107.5 million. This can be attributed to higher consultancy costs and costs for the rating process, which was carried out for the first time.

Other operating income and expenses

In 2009, the balance for other operating income and expenses came to € (98.8) million; the decline in this income statement item of € 91.4 million against the previous year is mainly attributable to allocations to provisions for mining obligations and nonperiodic subsequent charges for input costs affecting 2008 from our most important European supplier in the Nitrogen Fertilizers business segment.

Income from investments, net

At € 0.9 million, net income from investments in 2009 was below the level of the previous year (2008: € 2.5 million). Higher investment income and higher earnings from profit and loss transfer agreements were not completely able to make up for value adjustments to investment carrying amounts.

Result after operating hedges (EBIT II)

Result after operating hedges (EBIT II) achieved € 241.9 million during the year under review, having been € 1,192.3 million in the previous year. EBIT II benefited from earnings effects arising from operating anticipatory hedging transactions totalling € 3.9 million, after an adverse effect in the previous year of € 150.4 million. The difference of € 3.9 million corresponds to that part of the earnings from operating anticipatory hedging transactions which was not yet recorded as realised earnings in EBIT I. The negative impact in the previous year was mainly attributable to the exercise, sale or expiry of still existing but no longer operating derivatives from the hedging strategy that is no longer applied.

Under IFRSs, changes in 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 of the financial sector are shown in the financial result, insofar as no disclosure as hedge accounting not recognised in profit or loss is effected.

Financial result significantly lower than a year ago

The financial result consists of net interest income and other financial result. The net interest income deteriorated in 2009 due to higher interest expenses (including one-off expenses in connection with financing the acquisition of MORTON SALT in the amount of € 21.3 million) to € (57.1) million (2008: € (4.6) million). The non-cash interest expenses from provisions for mining obligations in the year under review amounted to € 8.6 million (2008: interest income of € 20.0 million; of this, € 26.6 million resulted from the increase in the discount rate). Non-cash interest expenses for pension provisions came to a total of € 7.6 million in 2009 (2008: € 2.3 million). Other financial result deteriorated by € 69.8 million to € (58.4) million in the year under review. This is primarily attributable to the negative extraordinary effects that occurred in the second quarter from the hedging transactions in the amount of € 59.2 million used for hedging the purchase price of the MORTON SALT acquisition. Overall, the financial result was € (115.4) million in 2009 against € 6.8 million in the previous year. Without the extraordinary effects in connection with the acquisition of Morton Salt, the financial result would have been € (34.9) million.

Adjusted earnings before taxes

Earnings before taxes amounted to € 126.5 million during the year under review. If the earnings are adjusted for the earnings from operating anticipatory hedging transactions which have not yet been reported as realised earnings in EBIT I (€ 3.9 million), adjusted earnings before taxes amount to € 122.6 million. This financial indicator thus decreased by € 1,226.9 million year on year and was negatively affected by € 6.0 million due to the first-time consolidation of Morton Salt in the fourth quarter.

Group earnings and adjusted Group earnings after taxes

Group earnings after taxes and minority interests for the year under review were € 96.4 million (2008: € 870.9 million). The domestic Group rate of income tax to be applied in accordance with IFRSs remained at 27.9 %.

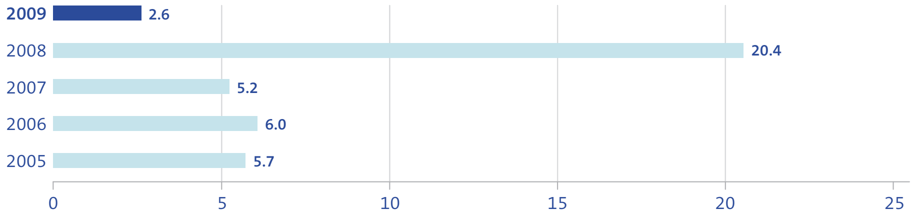
Tax expense totalling € 29.6 million was incurred in 2009 (2008: € 327.7 million); this amount comprised a deferred, i.e. non-cash tax income of € 8.7 million (2008: tax expense of € 61.4 million).

For reasons of comparison we additionally report adjusted Group earnings, which only contain realised earnings from operating anticipatory hedging transactions of the respective reporting period. Market value changes of the still outstanding operating anticipatory hedging transactions are not taken into consideration here, so that the adjusted Group earnings reflect the result free from market value changes of these derivatives on the balance sheet date. Furthermore, the effects resulting from the adjustment on deferred and cash taxes are also eliminated. We compute adjusted Group earnings as follows:

Computation of the adjusted group earnings

in € million	2009	2008
Group earnings after taxes and minority interests	**96.4**	**870.9**
Result from operating forecast hedges	+ 35.9	+ 145.9
Realized earnings from operating forecast hedges	(39.8)	+ 4.5
Elimination of resulting deferred respectively cash taxes	+ 1.1	(42.0)
Adjusted Group earnings after taxes and minority interests	**93.6**	**979.3**

Fig. 19: Return on Revenues (in %)



At € 93.6 million, adjusted Group earnings fell below the previous year's peak figure by € 885.7 million. In addition to considerably lower operating earnings, this was also due to the far poorer financial result. The consolidation effects due to the first-time inclusion of Morton Salt amounted to € 1.3 million. The adjusted Group tax rate was 23.6%, after having been 27.4% in the previous year.

Adjusted group earnings after taxes

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Group earnings	107.3	(30.2)	3.7	15.6	96.4	870.9	(88.9)
Earnings per share (in €)	0.65	(0.18)	0.02	0.09	0.58	5.28	(89.0)
Average number of shares	164.84	164.90	165.00	169.84	166.15	164.95	+ 0.7
Group earnings, adjusted	**122.5**	**(44.3)**	**(2.1)**	**17.5**	**93.6**	**979.3**	**(90.4)**
Earnings per share, adjusted (in €)	**0.74**	**(0.27)**	**(0.01)**	**0.10**	**0.56**	**5.94**	**(90.6)**

Adjusted earnings per share amount to € 0.56 (2008: € 5.94)

For the year under review, adjusted earnings per share amounted to € 0.56 and were thus far below the figure for the previous year of € 5.94; € 0.01 of this was accounted for by the first-time consolidation of Morton Salt in the fourth quarter. They were computed on the basis of an average number of 166.15 million no-par value shares outstanding (previous year: 164.95 million).

We held no shares of our own as of 31 December 2009. At the end of the year, after the capital increase carried out in December, the total number of shares outstanding of the K+S Group was 191.40 million no-par value shares.

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. Neither abandoned business segments nor changes in accounting treatment had to be taken account of separately in the earnings per share.

Definitions of the key figures used can be found on page 245 et seqq.

Key figures on earnings position

Multiperiod overview of margin and yield key figures

Figures in %	2009	2008	2007	2006	2005
EBIT Margin	6.7	28.0	8.5	9.4	8.9
EBITDA Margin	11.5	31.0	12.4	13.6	13.6
Return on revenues	2.6	20.4	5.2	6.0[1]	5.7
Return on equity after taxes	8.4	68.6	16.1	17.7[1]	17.8
Return on total investment	6.9	44.9	11.0	12.3	12.7
Return on Capital Employed (ROCE)	9.3[2]	64.0	15.5	17.4	19.5

[1] without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
[2] Adjusted for integration costs and non-recurrent effects from the reassessment und consolidation in the earnings contribution of Morton Salt, ROCE would have reached 10.3%.

The margin key figures were significantly lower than the record highs of the previous year. The EBIT margin reached 6.7% after 28.0% in 2008, the EBITDA of € 411.8 million resulted in an EBITDA margin of 11.5% (2008: 31.0%). At 2.6%, the return on revenues was also significantly lower than the figure for the previous year of 20.4%. The decrease in revenues caused by significant volume declines and tangible price drops in the Fertilizers business sector could by no means be made up for by cost easing.

In the year under review, against the backdrop of a slight increase in tied-up capital, substantially lower contributions to earnings resulted in a significant decline in yield figures: in the reporting year, our return on equity after taxes amounted to 8.4% (2008: 68.6%) and the total return on investment to 6.9% (2008: 44.9%). The return on capital employed (ROCE), which we pay particular attention to, was 9.3% for the year under review compared with 64.0% in the same period last year. It is thus, in contrast to the previous year, less than our cost of capital of about 9.9% before taxes. Adjusted for integration costs and non-recurrent effects from the revaluation und consolidation in the earnings contribution of Morton Salt, ROCE would have reached 10.3% and the cost of capital would thus have been earned. A detailed explanation of the financial performance figures can be found on page 75 et seq.

Financial Position

Principles and goals of financial management

Financial management of the K+S Group is controlled centrally

The overriding goals of the financial management of the K+S Group include:

- securing liquidity and controlling it efficiently across the Group,
- maintaining and optimising the financial capacity of the Group as well as
- reducing financial risks also by means of financial instruments.

In cash management we focus on the long-term management of our liquidity as well as the optimisation of payment streams within the Group. In order to maintain and optimise the financial capacity of the Group, we aim to achieve a situation where the K+S Group has a capital structure in the long term, which is oriented to the usual criteria and indicators for an "investment grade" rating. Within the possibilities provided by the aimed-for level of creditworthiness, we intend to optimise the cost of capital for borrowed capital and for equity. The management of the capital structure is undertaken on the basis of the following key figures:

Key figures for the management of the capital structure

	Target corridor	2009	2008
Net indebtedness / EBITDA	1.0 to 1.5	2.4	0.4
Net indebtedness / Equity (%)	50 to 100	63.9	33.2
Equity ratio (%)	35 to 45	40.2	49.5

A detailed description of the capital increase can be found in the section K+S on the Capital market on page 33.

Against the backdrop of the sharp decline in earnings and the higher net indebtedness resulting from the acquisition of Morton Salt, the rather conservative target corridor for the net indebtedness/EBITDA ratio of 2.4 could not be achieved, even taking into consideration the capital increase carried out in December. For this calculation, the EBITDA of the first nine months was supplemented with the US GAAP earnings of Morton Salt, in order to achieve an informative basis for the comparison of the reporting date variable “net indebtedness” with the flow variable “EBITDA”. At 64 % and 40 % respectively, the figures for the net indebtedness/equity ratio and the equity ratio were, however, within the set target corridor.

Group currency and interest rate management is performed centrally for all Group companies. Derivative financial instruments are only entered into with top-rated banks and are spread across several banks so as to reduce the risk of default.

Foreign currency hedging system

Exchange rate fluctuations between the euro and the relevant national currencies 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. Furthermore, currency effects have an effect, in particular, also in the Salt business segment, which achieves the majority of earnings and cash flows in US dollars, which are then converted into the Group currency, the euro (translation risks).

Hedging transactions are concluded in relation to billed receivables and anticipated net positions. For 2009, options were utilised, which for the Potash and Magnesium Products business segments initially hedged a worst-case scenario at about 1.51 USD/EUR including costs for a volume of US$ 1,320 million. Against the backdrop of weak demand, this volume was reduced through the sale of options to US$ 632 million during the course of the year. Negative effects on the average price through this reduction in the volume were more than made up for by the stronger US dollar, so that the price finally achieved for the year as a whole was 1.48 USD/EUR incl. costs (average exchange rate 2008: 1.46 USD/EUR). For 2010, USD/EUR hedging transactions exist thus far, which hedge a “worst case” for projected revenues of the Potash and Magnesium

Products business segment at 1.45 USD/EUR. Within the framework of translation hedging in the Salt business segment, similar hedging transactions exist until the end of 2010 with a worst case at 1.46 USD/EUR.

The derivatives used are predominantly so-called plain vanilla options, which hedge a worst case and simultaneously create opportunities to participate in a better price performance. Depending on assessments of the market situation, forward exchange transactions are also concluded on a selective basis. Forward exchange transactions are principally used to hedge billed receivables.

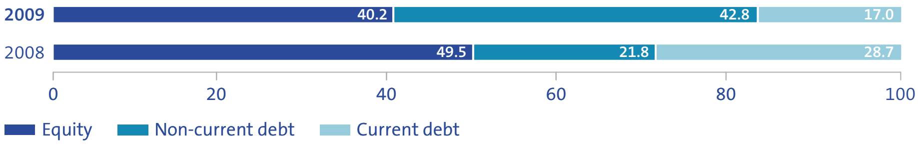
Financing analysis

The K+S Group has a strong financial basis as well as a high potential for operating earnings. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities if they make sense strategically and satisfy our profitability criteria.

A detailed description of the K+S bond and the capital increase can be found in the section K+S on the Capital market on page 33 et seq.

In comparison to the previous year, the financing structure of the K+S Group shifted particularly as a result of the acquisition of Morton Salt: equity has risen in absolute terms due to the capital increase, but the equity ratio decreased as a result of the relatively higher increase of the debt from 49.5% to 40.2% of the balance sheet total. The proportion of the non-current debt, including non-current provisions, increased significantly to 42.8% (2008: 21.8% of the balance sheet total) due to the bond issue and the borrowing for the financing of the acquisition of Morton Salt. The proportion of the current debt decreased from 28.7% to 17.0%.

Fig. 20: Equity and Liabilities (in %)



About 41% of the K+S Group's debt consists of financial liabilities, about 36% of provisions and approximately 11% of accounts payable trade. The main provisions of the K+S Group are provisions for mining obligations (2009: € 419.2 million) as well as for pensions and similar obligations (2009: € 181.9 million). As of 31 December 2009, financial liabilities amounted to € 1,266.9 million, of which € 120.5 million can be classified as current.

Multiperiod overview of financial position

Figures in € million	2009	2008	2007	2006	2005
Equity	2,094.7	1,718.3	931.8	1,124.3	942.1
Equity ratio in %	40.2	49.5	31.4	39.7	41.7
Non-current debt	2,231.3	749.3	1,004.2	822.1	665.1
Current debt	886.5	1,006.1	1,028.8	844.5	651.8
Non-current provisions as share of balance sheet	15.8	16.4	20.5	20.9	28.1
Financial liabilities	1,266.9	266.4	688.3	370.7	29.5
Net financial liabilities	737.8	(98.6)	600.8	251.8	(172.6)
Net indebtedness [1]	1,338.9	570.0	1,085.1	718.3	321.4
Level of indebtedness I in %	60.5	15.5	73.9	33.0	3.1
Level of indebtedness II in %	63.9	33.2	116.4	63.9	34.1
Working Capital	985.7	962.3	570.6	603.1	456.4
Cash flow from operating activities [2]	499.9	844.6	258.7	227.6	274.5
Free cash flow before acquisitions/divestments [2]	330.9	674.5	115.3	155.6	180.2
Cash flow for financing activities	1,168.1	(318.0)	81.7	170.9	(113.3)

[1] Without cash invested with, respectively received from affiliated companies.
[2] Adjusted for the change in the tie-up of funds for premium payments for hedging transactions.

The actuarial measurement of pension provisions is performed applying the projected unit credit method in accordance with IAS 19. The following parameters have been applied in computing provisions for pensions:

in %; weighted average	2009 Germany	2009 Outside Germany	2008 Germany
Discount factor	5.3	6.1	5.3
Anticipated annual increase in earnings	1.8	4.0	1.8
Anticipated annual increase in benefits	1.8	–	1.8
Anticipated yield on plan assets	6.0	8.0	6.7

For commitments for medical provision similar to pensions, the following annual cost increases were additionally assumed:

- Canada: 9 % / starting from 2015: 5 %
- USA: 7 % / starting from 2012: 5 %
- Bahamas: 4.5 %

The following parameters have been taken into account in computing provisions for mining obligations:

- Trend in price increases: 1.5 % (2008: 1.5 %)
- Discount factor Europe: 5.6 % (2008: 5.6 %)
- Discount factor United States: 5.8 % (2008: –)
- Discount factor Canada: 6.2 % (2008: –)

A change in the level of market interest rates would first of all impact on the measurement of provisions for mining obligations. Thus, an increase in the discount factor of one percentage point would reduce the carrying amount of the provisions for mining obligations by about € 60 million in 2010. Conversely, a reduction in the discount factor of one percentage point would cause provisions for mining obligations to rise by about € 88 million in 2010.

It is important to note in this regard that the aforementioned changes in provisions resulting from a change in the discount rate should not be treated as having a corresponding impact on earnings. In the case of mining provisions, effects arising from the adjustment of other valuation parameters (e.g. the rate of inflation) generally counteract the effect of a change in the discount rate, so that a significantly lower effect on earnings would result. A change in the level of market interest rates would also impact on the scale of future pension obligations, but this would not, however, entail direct changes to the carrying amount because of the use of the corridor method (IAS 19).

The average cost of debt, including provisions, for the K+S Group is 4.5% before taxes and is lower that the rate of a year ago (4.9%). The decrease is chiefly due to a higher proportion of new bank debt, whose interest rate was lower than the other debt positions. We do not expect any significant change in the cost of debt in 2010.

About 80% of the financing of the K+S Group results from equity and non-current debt, which itself consists of bond payables and non-current provisions. Furthermore, there are sufficient financing possibilities available at banks, which, if need be, offer us additional financing.

Financial liabilities in foreign currencies are predominantly denominated in US dollars. As at 31 December 2009, they totalled € 195 million. Additionally, financial liabilities in Brazilian real (€ 13 million), in Canadian dollars (€ 12 million) as well as Chilean peso (€ 10 million) existed.

Significance of off-balance sheet financing instruments for the financial and the asset position

Off-balance sheet financing instruments in the sense of the sale of receivables, 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. We primarily have operating leases in respect of, for example, IT equipment and company vehicles and the extent of them has no material bearing on the economic position of the Group.

Capital expenditure analysis

Capital expenditure by business segment

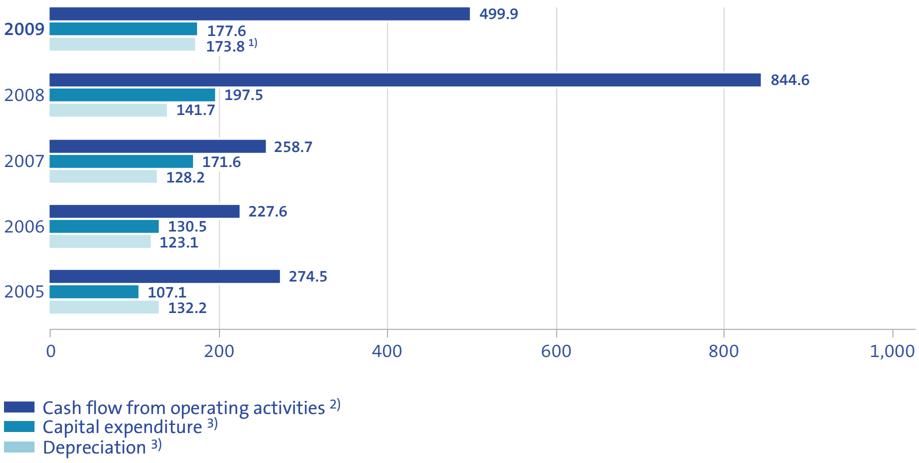
in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Potash and Magnesium Products	21.0	28.8	30.1	27.5	107.4	111.1	(3.3)
Nitrogen Fertilizers	1.1	1.2	3.7	5.2	11.2	10.7	+ 4.7
Salt	4.9	9.5	6.6	27.0	48.0	58.6	(18.1)
Complementary Business Segments	1.1	0.2	2.6	0.7	4.6	10.0	(54.0)
Other capital expenditure	1.0	1.8	0.5	3.1	6.4	7.1	(9.9)
K+S Group	**29.1**	**41.5**	**43.5**	**63.5**	**177.6**	**197.5**	**(10.1)**
Share of total revenues in %	16.4	23.4	24.5	35.7	100.0	–	–

In 2009, we invested a total of € 177.6 million in property, plant and equipment and intangible assets, about 10 % less than in the previous year. In comparison to our last published forecast, at the end of the year, there were capital expenditure overhangs of about € 10 million, which were mainly attributable to the postponement of projects. In the financial report 2008, we anticipated that the level of capital expenditure for 2009, without Morton Salt, would be € 200 million. Since the half-year financial report, for the year as a whole we reckoned with a capital expenditure volume of about € 170 million plus about € 20 million in capital expenditure at Morton Salt. The lower volume of capital expenditure than envisaged in the original forecast is due to the estimate of the course of business in the Fertilizers business sector in the second half of the year and was primarily achieved by postponing projects. During the course of the year, a certain degree of seasonality is evident for capital expenditure; investment undertakings are largely implemented predominantly in the third and fourth quarters, since we use the pauses in production that arise then to implement large-scale investment undertakings. In 2009, these seasonal effects were, however, of a lesser magnitude, after we, already in the first half of the year, utilised the lower capacity utilisation at the plants increasingly for measures intended to secure future production.

At the end of the year, there were still capital expenditure obligations totalling € 45.2 million; this is attributable to not yet completed investment undertakings from 2009.

About two thirds of the investments made were in measures relating to replacement and ensuring production; this share was thus less than the depreciation of € 173.8 million.

FIG. 21: CAPITAL EXPENDITURE COMPARED WITH DEPRECIATION AND CASH FLOW FROM OPERATING ACTIVITIES (in € million)



1) Including depreciation of MORTON SALT in the fourth quarter totalling € 24.6 million (of which € 16.6 million is attributable to purchase price allocation)

2) Adjusted for the change in the tie-up of funds for premium payments for hedging transactions.

3) Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.

Potash and Magnesium Products Business Segment

At € 107.4 million, capital expenditure in the Potash and Magnesium Products business segment was down € 3.7 million on the previous year. The main part of capital expenditure is attributable to measures intended to improve the exploitation of raw materials, to optimise processes, to reduce solid and liquid residues as well as to expand capacity for industrial products at the Zielitz site. Moreover, energy projects were carried out at the Wintershall and Zielitz sites. Measures related to replacing and ensuring production account for about 60 % of capital expenditure in 2009.

Nitrogen Fertilizers Business Segment

In the year under review, we invested € 11.2 million or about € 0.5 million more in the Nitrogen Fertilizers business segment than in 2008. Just under 60 % of this took the form of measures relating to replacing and ensuring production. The largest projects were the optimisation of the peat and humus facility Gnarrenburg and the construction of a third facility for coated fertilizers in Krefeld. A further part of the capital expenditure concerned projects in the area of plant protection, which we carried out in collaboration with SYNGENTA.

Salt Business Segment

As the year 2008 was affected by the acquisition of a ship for SPL, the capital expenditure in the salt business declined in 2009 by € 10.6 million to € 48.0 million; € 21.7 million of this was invested at Morton Salt in the fourth quarter. Without the inclusion of Morton Salt in the fourth quarter the volume of capital expenditure in the Salt business segment approximately halved. The main projects include the extension of the useful life of a part of the fleet of ships at Empremar as well as refurbishment of the loading terminal at SPL. At Morton Salt, a loading terminal was also refurbished on the Bahamas. To this can be added the installation of higher-performance crystallisation facilities at the Grand Saline site in Texas. Measures relating to replacing and ensuring production account for just under 80 % of the total volume.

Complementary Business Segments

The volume of capital expenditure of the Complementary business segments was € 4.6 million in the year under review and thus significantly lower than the level of the previous year (2008: € 10.0 million). After a project for the recycling of waste in the form of dust was completed in 2008 in the Waste Management and Recycling business segment, the volume of capital expenditure in the year under review decreased significantly and comprised – in the animal hygiene sector too – primarily measures for replacing and ensuring production. In logistics, the construction of a container terminal for combined traffic at the Werra location was the main focus. Altogether, about 70 % of the capital expenditure applied to measures relating to expansion.

Liquidity analysis

Cash flow review

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Gross cash flow	172.3	41.4	19.0	91.2	323.9	1,177.9	(72.5)
Cash flow from operating activities*	64.2	135.1	95.2	205.4	499.9	844.6	(40.8)
Cash flow from investing activities	(29.5)	(40.8)	(130.4)	(1,145.2)	(1,345.9)	(170.1)	+ 691.2
- of which acquisitions/divestments	–	–	(87.9)	(1,089.0)	(1,176.9)	–	–
Free cash flow	45.6	104.3	(26.2)	(934.8)	(811.1)	632.6	–
Free cash flow before acquisitions/divestments*	**34.7**	**94.3**	**52.7**	**149.2**	**330.9**	**674.5**	**(50.9)**
Share of total free cash flow in %	10.5	28.5	15.9	45.1	100.0	–	–
Cash flow from financing activities	(74.4)	(265.8)	1,123.8	384.5	1,168.1	(318.0)	–
Change in cash and cash equivalents	(27.6)	(161.7)	+ 1,092.5	(543.6)	+ 359.6	+ 312.0	+ 15.3

* Adjusted for the change in the tie-up of funds for premium payments for hedging transactions (Full year 2009: € 34.9 million; full year 2008: € 41.9 million).

Gross cash flow reached € 323.9 million in the reporting year and was thus € 854.0 million down on the figure for the previous year (2008: € 1,177.9 million); this is particularly attributable to the considerably lower earnings. Lower income tax payments were only able to compensate for this to a lower extent.

The adjusted cash flow from operating activities reached € 499.9 million after having been € 844.6 million. This decline of € 344.7 million was thus significantly lower than in the case of the gross cash flow. The reason for this is a significantly lower tie-up of working capital, in particular due to lower inventories and trade receivables.

Cash flow for investing activities amounted to € (1,345.9) million in 2009; outgoing payments have thus increased by € 1,175.8 million (2008: € (170.1) million). This is attributable to the purchase price payment for the acquisition of Morton Salt (€ (1,089.0) million) as well as outgoing payments for the associated exchange rate hedging (€ (87.9) million). Adjusted for these extraordinary effects, the cash flow from investment activities would have remained at the level of the previous year.

Adjusted cash flow before acquisitions/divestitures reached € 330.9 million in the period under review, after having been € 674.5 million in the previous year. The seasonality to which the free cash flow usually is subject to during the course of the year was concealed by the effects of the acquisition of Morton Salt. Normally, the first and fourth quarters are impacted by an increase in receivables, while the second and third quarters usually profit from high cash receipts. This results in cash generally reaching its highest point for the year at the end of the third quarter.

A detailed description of the K+S bond and the capital increase can be found in the section K+S on the Capital market on page 33 et seq.

In the reporting year, cash flow from financing activities comprised proceeds from the issuance of a bond in the amount of € 747.0 million, from equity contributions from the capital increase carried out in December in the amount of € 668.1 million as well as the net borrowing of bank credits in the amount of € 156.2 million. On the other hand, there were outflows from the dividend payment for 2008 of € 396.0 million as well as the acquisition of own shares for issuance within the framework of the employee share ownership programme in the amount of € 13.9 million. Altogether, there was a net cash inflow from financing activities of € 1,168.1 million after an outflow of € 318.0 million in the previous year. At year-end, cash and cash equivalents were thus € 520.1 million (2008: € 160.6 million).

Asset Position

Analysis of asset structure

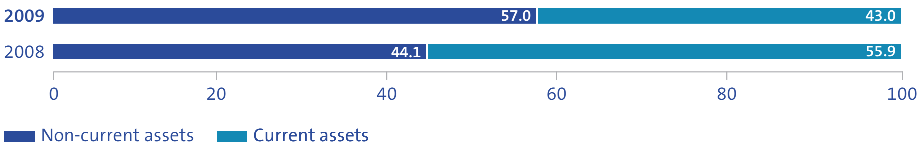
Definitions of the margin and return figures given can be found in the section "Further Information" on page 245 .

Multiperiod overview of net asset position

Figures in € million	2009	2008	2007	2006	2005
Property, plant and equipment, intangible assets	2,643.6	1,423.6	1,297.3	1,271.7	874.1
Financial assets and non-current securities	22.4	22.3	54.9	61.5	75.3
Cash and cash equivalents and current securities	529.1	167.8	49.4	79.6	150.0
Net financial liabilities	737.8	(98.6)	600.8	251.8	(172.6)
Net indebtedness*	1,338.9	570.0	1,085.1	718.3	321.4
Equity/fixed assets ratio I in %	79.0	119.9	85.6	82.4	104.8
Equity/fixed assets ratio II in %	162.7	171.9	162.1	146.2	179.7
Liquidity ratio I in %	59.7	16.7	4.8	9.0	23.0
Liquidity ratio II in %	172.7	121.7	108.8	119.1	146.4
Liquidity ratio III in %	252.8	192.8	148.2	162.2	190.0

* Without cash invested with respectively received from affiliated companies and including non-current provisions for pensions and for mining obligations.

Fig. 22: Assets (in %)



The K+S Group balance sheet total rose by 50.1% to € 5,212.5 million as of 31 December 2009. This is primarily the result of the addition of assets through the acquisition of Morton Salt. In 2009, the structure of assets also shifted in favour of non-current assets for this reason. At 57:43, the ratio of non-current to current assets is, however, still regarded as very balanced. At the end of 2009, cash and cash equivalents and current securities totalled € 529.1 million (previous year: € 167.8 million). After the inclusion of cash and cash equivalents, the provisions for pensions and for mining obligations (€ 181.9 million and € 419.2 million respectively) as well as financial liabilities (€ 1,266.9 million), K+S Group indebtedness at the end of the year amounted to € 1,338.9 million (previous year: € 570.0 million). The significant increase can also be attributed to the acquisition of Morton Salt, which was in part financed with debt.

Earmarked plan assets

In 2005, we started on the out-financing of provisions for pensions and semi-retirement arrangements through a Contractual Trust Arrangement (CTA) model. By making allocations to the CTA model, the corresponding financial resources are earmarked for the purpose of settling pension obligations and early retirement arrangements; in accordance with IFRSs, the balance sheet items are recorded on a net basis. Through the acquisition of Morton Salt additional obligations for pensions and pension-similar obligations have been assumed, which partly are out-financed by external plan assets. As of 31 December 2009, in connection with obligations for personnel, thus earmarked financial resources totalling € 238.6 million (previous year: € 107.8 million) are reported.

Off-balance sheet assets

As at 31 December 2009, other financial obligations totalled about € 131 million and concern both obligations arising from as yet uncompleted capital expenditure projects as well as from operating leases for items of factory and office equipment (e.g. printers, photocopiers and IT peripherals). In addition, cars are also leased. Due to the chosen contractual structures, these items are not to be carried under fixed assets on the balance sheet.

Comments on acquisition and disposal of companies

On 1 October 2009, K+S Aktiengesellschaft successfully completed the acquisition of Morton International Inc. (Morton Salt), one of the leading producers of consumer, industrial and de-icing salts in North America. The reasons for the acquisition lay in its strategic fit with the existing salt business of the K+S Group, the regional diversification and thus the opening up of markets with winter business normally less susceptible to fluctuation, the strengthening of industrial salt and food grade salt, both very profitable product groups, as well as the possibility to make the K+S Group overall less dependent on trends in the Fertilizers business sector. The enterprise value was US$ 1.675 billion. Less the currently identified debts and customary adjustments, this resulted in a net payment of US$ 1.576 billion in cash. This acquisition extended the scope of consolidation by 11 companies. The effects on the earnings position of the first-time consolidation since 1 October 2009 are presented in the adjacent table.

Morton Salt

in € million	Q4/09
Revenues	237.6
EBITDA	34.3
Operating earnings (EBIT I)*	9.8
Earnings before income taxes, adjusted	(6.0)
Group earnings after income taxes, adjusted	1.3
Earnings per share, adjusted (in €)	0.01

* After integration costs (€ 3.6 million) and one-time effects from the revaluation and consolidation within the framework of the inventory valuation according to IFRSs (€ 22.0 million).

Further information about the effects of the first-time consolidation of Morton Salt can be found in the presentation of the Salt business segment on page 117 et seqq., in the Notes on page 175 et seq. as well as in the Notes on the financial result on page 97 et seq.

No other acquisitions or divestitures were undertaken during the year under review. We have defined a strategy of growing externally in our established business sectors, also through acquisitions and cooperation. Thereby, we will not jeopardise the strong financial base of the K+S Group and will continue to proceed prudently.

General Statement on the Current Economic Situation*

Use of allowed alternative accounting treatment

Off-balance sheet financing instruments in the sense of the sale of receivables, asset-backed securities, sale and lease back transactions, factoring or contingent liabilities in relation to special purpose entities not consolidated only exist to a negligible extent. Further information on the use of allowed alternative accounting treatment can be found in the Notes.

Assessment of the economic situation by the Company management

The wide product, sector and customer portfolio of the K+S Group can be regarded as being so diversified that critical developments of individual customer sectors in respect of the profitability of the K+S Group as a whole can be cushioned. The most recent acquisition, Morton Salt, has further improved our portfolio, not least in terms of its regional strengths. Moreover, we have a solid financial basis, which enables us to act flexibly, even in times of crisis.

The fertilizer business is currently picking up again tangibly in terms of volumes, and the salt business this year is again profiting from good demand for de-icing salt. As regards the development of the business in 2010, from today's perspective, we therefore anticipate a significant increase in revenues, primarily due to the first-time inclusion of Morton Salt for a whole year. In terms of earnings too, as a result of the operating turnaround in the nitrogen fertilizer sector and the earnings contribution of Morton Salt for a whole year for the first time, we are confident that there will be significant improvements on the previous year.

In the medium to long term, the K+S Group is in the right position to exploit important global megatrends, namely a growing world population, rising living standards, increasing meat consumption in the emerging market countries and the associated increase in the demand for feed as well as growing demand for biofuels. However, we do not seek growth as an end in itself, but also seek to create values.

* As of 23 February 2010

Business Segment Development

Potash and Magnesium Products Business Segment

Variance analysis in %	2009
Change in revenues	**(40.7)**
- volume	(37.8)
- structure	+ 0.3
- prices	(4.8)
- exchange rates	+ 1.6
- consolidation	–

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Revenues	366.0	354.3	340.8	360.6	1,421.7	2,397.4	(40.7)
Operating earnings (EBIT I)	117.1	74.2	73.7	52.2	317.2	1,286.3	(75.3)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	97.0	53.8	54.0	26.9	231.7	1,203.2	(80.7)
Capital expenditure	21.0	28.8	30.1	27.5	107.4	111.1	(3.3)
Employees (31 Dec.; number)	7,805	7,767	7,873	–	7,818	7,845	(0.3)

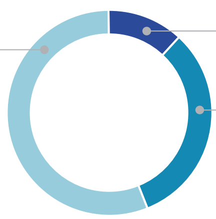
Potassium chloride	(43.5)
Fertilizer specialities	(46.7)
Industrial products	(17.0)

Market environment

In the year under review, global demand for potash fertilizers was, at an estimated total of just under 30 million tonnes of goods, overall about 45% below the figure of 2008 (see fig. 35 on page 149) and was thus significantly weaker than for the previous year in almost all markets. Reluctance on the part of farmers to purchase fertilizer persisted, even against the backdrop of the, thus far, absence of any sustainable recovery in the prices of agricultural products. The trade sector pursued the goal of keep its stock, which had largely been consumed during the first half of the year, as low as possible, and postponing the otherwise customary early stocking-up. Above all in Europe and North America, demand for potash fertilizer was very weak throughout the year. Many fertilizer producers cut their production during the year considerably in order to counter the excessive building up of stocks themselves. In the first quarter, the price level was at about US$/t 750 including freight of granulated potassium chloride, but during June, however, there were indications that this price level was too high for large volumes on important overseas markets. In light of this situation and the upcoming autumn application of fertilizers, K+S reduced the price for a tonne of granulated potassium chloride in Europe to €/t 435 in mid-June. This corresponded to an overseas price of about US$/t 600. The contracts concluded with India in mid-July at US$/t 460 for potassium chloride standard were then a further important pointer for the global markets, although it was only possible to a limited extent to overcome the restraint shown by customers to purchase fertilizers against the backdrop of contracts with China that were outstanding at that point in time. Only shortly before the end of the year, the Russian/Belarusian export organisation BPC concluded a contract with China regarding the delivery of 1 million tonne of potassium chloride standard at a price of US$/t 350 including freight. However, this contract made hardly any impact on the course of business in 2009.

FIG. 23: REVENUES BY REGION

in %; previous year's figures in italics



Revenues

In financial year 2009, the revenues of the business segment decreased by 41% or € 975.7 million to € 1,421.7 million. This was primarily attributable to significant declines in sales volumes as well as somewhat lower prices in terms of the annual average. While sales volumes in Europe declined by 58%, at 3%, the drop overseas was far lower. Overall, at 4.35 million tonnes, sales volumes in 2009 were just under 38% lower than the level of the previous year (2008: 6.99 million tonnes).

As sales volumes in Europe declined far more sharply than overseas, the proportion of the revenues generated in Europe also decreased to 44%. This share in the revenues is largely free of any direct foreign exchange risk. On the other hand, the increase in the US dollar spot rate during the year had a positive impact on the revenues achieved overseas. If exchange rates had remained unchanged, we would have generated revenues that were € 39 million or just under 3% less.

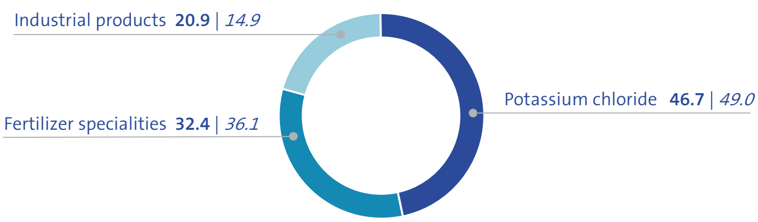
Development of revenues, sales volumes and average prices by region

Region	Unit	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Revenues*	€ million	**366.0**	**354.3**	**340.8**	**360.6**	**1,421.7**	**2,397.4**	**(40.7)**
Europe	€ million	189.1	134.3	141.7	159.1	624.2	1,503.5	(58.5)
Overseas	US$ million	229.9	301.6	287.1	297.7	1,116.3	1,335.4	(16.4)
Volumes	t eff. million	**0.90**	**1.05**	**1.11**	**1.29**	**4.35**	**6.99**	**(37.8)**
Europe	t eff. million	0.45	0.37	0.46	0.60	1.88	4.45	(57.8)
Overseas	t eff. million	0.45	0.68	0.65	0.69	2.47	2.54	(2.9)
Average Price	€/t eff.	**409.2**	**337.4**	**305.4**	**280.1**	**327.1**	**342.7**	**(4.6)**
Europe	€/t eff.	425.0	362.1	304.8	266.4	332.3	337.9	(1.7)
Overseas	US$/t eff.	511.6	444.0	441.1	431.2	452.0	524.9	(13.9)

* Revenues include prices both inclusive and exclusive freight costs and are based on the respective USD/EUR spot rates in the case of overseas revenues. Hedging transactions were concluded for most of these revenues. The information on prices is also affected by the respective product mix and is therefore to be understood solely as providing a rough indication.

Fig. 24: Revenues by product group

in %; previous year's figures in italics



During the year under review, revenues for potassium chloride – our biggest product in terms of volume – fell by € 511.0 million or about 44 % to reach € 664.5 million. This can be attributed chiefly to the, in historical terms, dramatic decline in sales volumes as well as negative price effects. While revenues in Europe fell by just under 80 %, they decreased by only about 10 % in overseas. In Europe, the sales volume of potassium chloride was 0.3 million tonnes and thus declined, parallel to the trend in revenues, by just under 80 %. However, overseas sales volumes amounted to 1.68 million tonnes and thus were 8 % up on the previous year.

In the fertilizer specialities segment, we achieved revenues of € 460.8 million during the past financial year, which were thus just under 47 % lower than in the previous year (2008: € 864.7 million). Significant declines in sales volumes as well as negative price effects were decisive factors in this product group too. While revenues in Europe fell by just under 60 %, overseas revenues decreased by only 13 % and thus far less sharply. European sales volumes declined by just under 55 % to 0.97 million tonnes. At 0.64 million tonnes, overseas sales volumes were just under 18 % below the level of the previous year.

The decline in revenues for industrial products was far lower than in the case of the two other product groups: This represents a decrease of 17 % to € 296.5 million year on year. Here, positive average price effects were able to cushion the decrease in sales volumes. About 15 % less was sold in Europe, and overseas there was a decline of just under 23 %. Sales volumes amounted to 0.59 million tonnes ((27) %) in Europe and to 0.16 million tonnes ((28) %) overseas.

Development of earnings

The operating earnings of the Potash and Magnesium Products business segment in the year under review reached € 231.7 million and were thus € 971.5 million or 81 % below the peak figure of the previous year. After we utilised the lower capacity utilisation at the plants in the first half of the year increasingly for measures intended to ensure future production, we were able to achieve a comparatively sharper decline in operating costs during the second half of the year. However, due to the customary high proportion of fixed costs in the mining industry, these cost savings for materials, freight, energy and personnel only had a limited impact on the overall cost level. Moreover, the consumption of stock resulted, as had been anticipated, in an additional cost burden, while the cost level in the previous year had benefited from the building up of stocks in the fourth quarter.

At € 317.2 million (2008: € 1,286.3 million), EBITDA reflected this earnings trend, due to an only moderately higher depreciation level.

Nitrogen Fertilizers Business Segment

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Revenues	342.1	257.4	204.5	212.2	1,016.2	1,652.4	(38.5)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.9	(23.7)	(43.8)	(37.8)	(94.4)	133.9	(170.5)
Operating earnings (EBIT I)	8.1	(26.6)	(47.3)	(42.3)	(108.1)	121.4	–
Capital expenditure	1.1	1.2	3.7	5.2	11.2	10.7	+ 4.7
Employees (31 Dec.; number)	1,314	1,277	1,265	–	1,249	1,318	(5.2)

Variance analysis in %	2009
Change in revenues	**(38.5)**
- volume	(16.5)
- structure	(0.5)
- prices	(23.2)
- exchange rates	+ 1.7
- consolidation	-

Consumer	(0.6)
Expert	(50.1)
Complex fertilizers	(35.0)
Straight nitrogen fertilizers	(39.9)
Ammonium sulphate	(46.1)

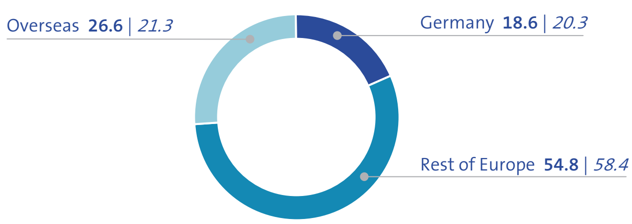
Market environment

COMPO and fertiva have been grouped in the reporting for the Nitrogen Fertilizers business segment since 1 January 2009. Since 1 July 2009, the nitrogenous fertilizers previously distributed by fertiva as well as the ENTEC® products and the NITROPHOSKA® products containing sulphur previously distributed by COMPO are managed under the umbrella of K+S NITROGEN. COMPO and its units in Germany and abroad continue to market consumer products as well as, in the Expert sector, slow-release fertilizers, coated fertilizers, NPK specialities and nutrient salts for sports and leisure facilities, golf courses, horticulture and landscaping, nurseries and cultivators of ornamental plants. Shifts arising from the new structure that took effect on 1 July 2009, have only occurred since then within the Nitrogen Fertilizers business segment.

The first half of the year was characterised by low levels of demand for all nitrogenous fertilizers, particularly in Europe. The trade sector was still sufficiently well stocked and the financial crisis restricted the financing scope of the whole distribution chain. While demand for complex fertilizers also remained weak in the second half of the year, in the case of straight nitrogen fertilizers, strong price reductions due to falling gas prices and the high availability of ammonia in the second half of the year resulted in a revival of demand. In the COMPO consumer sector, favourable weather conditions in the spring season initially boosted demand. However, during the further course of the year, the economic crisis led to a reluctance on the part of customers to purchase goods.

FIG. 25: REVENUES BY REGION

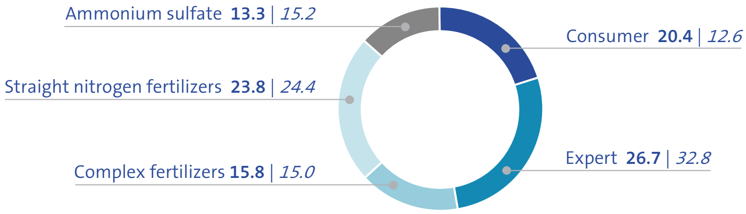
in %; previous year's figures in italics



Revenues

During the year under review, revenues in the Nitrogen Fertilizers business segment fell by just under 39 % to € 1,016.2 million as a result of price and volume factors. The business segment generated about 74 % of its revenues in Europe and was thus only affected by currency fluctuations to a limited extent.

FIG. 26: REVENUES BY SEGMENT
in %; previous year's figures in italics



In the consumer area, at € 207.1 million, revenues in the year under review almost reached the previous year's figure (2008: € 208.4 million). It proved possible to almost make up for declines in revenues in Southern Europe through the growth in revenues in Germany.

In the EXPERT area (until 30 June 2009: professional area), revenues fell by 50 % to € 270.9 million. This is attributable to the shifting of the ENTEC® products and the NITROPHOSKA® products containing sulphur previously distributed by COMPO into the complex and nitrogen fertilizer areas as well as to negative price and volume effects. The sales volume in the EXPERt area totalled 0.49 million tonnes in the reporting year.

Revenues with complex fertilizers reached € 160.7 million and therefore decreased by about 35 % against the previous year. Positive effects from the internal restructuring were insufficient to make up for declines in sales volume, above all in Europe, and for negative price effects. Total sales volume for complex fertilizers amounted to 0.53 million tonnes.

In the case of straight nitrogen fertilizers, during the year under review, primarily price declines resulted in a decrease in revenues of 40 % to € 242.0 million. Here too, negative price effects in all regions could not be compensated for with the positive effects from internal restructuring. Sales volume of straight nitrogen fertilizers totalled 1.50 million tonnes.

In 2009, ammonium sulphate revenues fell by about 46 % to € 135.5 million. This considerable decrease predominantly occurred in Europe and was attributable to significantly lower average proceeds. The sales volume of ammonium sulphate was 1.53 million tonnes.

Development of earnings

The operating earnings of the Nitrogen Fertilizers business segment in 2009 were € (108.1) million after having been € 121.4 million in the previous year. In addition to negative price and volume effects, this decrease can particularly be attributed to high raw material costs for the production of complex fertilizers, nonperiodic subsequent charges of about € 15 million for input costs affecting 2008 from our most important European supplier, value adjustments of our inventories totalling about € 23 million as well as expenditure on restructuring measures within the framework of reorganising the nitrogen fertilizers business.

At € (94.4) million (2008: € 133.9 million), EBITDA reflected this earnings trend, due to an almost constant depreciation level.

Salt Business Segment

Morton Salt was included with effect from 1 October 2009 and for this reason, the previous year figures are not comparable.

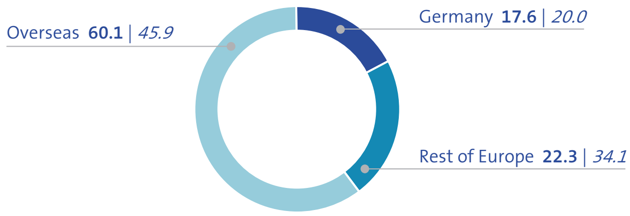
Variance analysis in %	2009
Change in revenues	**+ 64.0**
- volume	+ 21.0
- structure	+ 0.2
- prices	+ 3.2
- exchange rates	+ 1.2
- consolidation	+ 38.4
Food grade salt	+ 54.7
Industrial salt	+ 42.0
Salt for chemical use	(9.0)
De-icing salt	+ 128.8
Other	(3.4)

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Revenues	338.3	99.3	121.7	455.3	1,014.6	618.6	+ 64.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	89.0	7.9	22.0	81.4	200.3	77.6	+ 158.1
Operating earnings (EBIT I)	80.2	(0.6)	13.5	47.3	140.4	45.2	+ 210.6
Capital expenditure	4.9	9.5	6.6	27.0	48.0	58.6	(18.1)
Employees (31 Dec.; number)	2,348	2,319	2,342	–	5,279	2,394	+ 120.5

Market environment

In the first quarter of 2009, both the Western European and the North American de-icing salt markets were characterised by harder than average and long stretches of wintry weather. In some regions, this even resulted in supply bottlenecks. The early purchase business of de-icing salt during the course of the summer months in Western Europe was, despite low inventories of customers as a result of the hard and persistent wintry weather conditions at the start of the year, below the normal level, probably due to the tense situation of the public purse. In North America, on the other hand, the tenders were comparable to the very good previous year in terms of volume. On the price side, however, there were moderate decreases, after the tenders of the previous year had been favoured by supply bottlenecks. In Western Europe, the de-icing salt business in the fourth quarter was positively influenced primarily by the onset of winter in the last two weeks of December. While the wintry weather in December favoured the de-icing salt business in the fourth quarter on the East coast of North America too, mild weather predominated in the remaining regions of North America. In Europe, the impact of the financial crisis in the business with salt for chemical use already left its mark at the start of the year, and due to the continued poor economic situation, demand also remained low during the course of the year. However, the food grade salt and industrial salt segments proved to be relatively stable in 2009, and barely suffered any negative effects from the economic crisis.

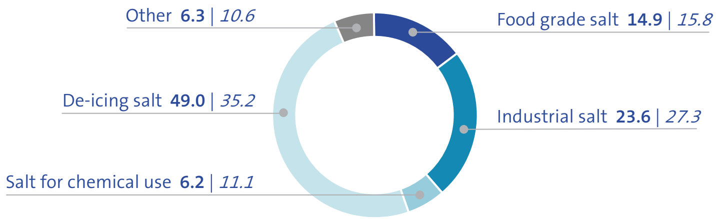
Fig. 27: Revenues by region
in %; previous year's figures in italics



Revenues

In the year under review, the revenues generated by the Salt business segment amounted to € 1,014.6 million and were thus up € 396.0 million or 64 % on the previous year's level. In addition to a consolidation effect of € 237.6 million from the first-time inclusion of Morton Salt in the fourth quarter, the increase in revenues is mainly attributable to higher sales volumes. Adjusted for the consolidation effect, revenues would have risen by 26 % to € 777.0 million. Sales volumes of crystallised salt during the year under review totalled 14.81 million tonnes and were thus up 56 % on the previous year's level (9.47 million tonnes). 3.06 million tonnes of this were accounted for by Morton Salt, starting from the fourth quarter.

Fig. 28: Revenues by product group
in %; previous year's figures in italics



Just under 40 % of revenues were generated in Europe last year and are therefore largely free of any direct foreign exchange risk. Through the inclusion of Morton Salt in the fourth quarter, the overseas share has increased tangibly.

Development of revenues, sales volumes and average prices

	Unit	Q1/09	Q2/09	Q3/09	Q4/09	2009	Reconciliation [1]	2009	2008	%
De-icing salt										
Revenues	€ million	239.1	14.6	25.7	218.1	497.5	0.1	497.6	217.5	+ 128.8
Sales volumes	t million	3.95	0.33	0.57	4.11	8.96	–	8.96	4.47	+ 100.6
Average price	€/t	60.6 [2]	44.1	44.8	53.1	55.5	–	55.5	48.7	+ 14.1
Industrial salt, salt for chemical use and food grade salt										
Revenues	€ million	81.3	76.1	83.3	204.9	445.6	7.9	453.5	335.4	+ 35.2
Sales volumes	t million	1.20	1.10	1.29	2.26	5.85	–	5.85	5.00	+ 16.9
Average price	€/t	67.7	69.5	64.5	90.5	76.2	–	77.5	67.0	+ 15.6
Other										
Revenues	€ million	17.8	12.0	14.2	18.7	62.8	0.7	63.5	65.7	(3.4)
Salt business segment										
Revenues	€ million	338.3	102.7	123.2	441.7	1,005.9	8.7	1.014.6	618.6	+ 64.0
Reconciliation [1]	€ million	–	(3.4)	(1.5)	13.6	8.7	–	–	–	–
Revenues	€ million	338.3	99.3	121.7	455.3	1,014.6	–	1,014.6	618.6	+ 64.0

[1] The conversion of the revenues generated by those companies with a different functional currency is shown here applying the respective average exchange rate for the quarter, whereas in the consolidated financial statements of the K+S Group, expenses and income are translated at the average exchange rate for the year or, in the case of interim financial statements, at the cumulative average exchange rate. The adjustment to segment revenues in relation to third parties is shown in the column with the heading "Reconciliation".
[2] Average prices in the first quarter of 2009 benefitted from spot transactions as a result of bottlenecks at other suppliers, particularly in North America.

At € 150.9 million, food grade salt revenues were up 55 % for the year under review (2008: € 97.6 million). Adjusted for the consolidation effect, the revenues in this product group, at € 95.7 million, would have almost reached the figure for the previous year. It was possible to make up for price- and volume-related decreases in revenues in Europe through new business in South America. Sales volume amounted to 1.20 million tonnes and were up about 29 % year on year. Of this, 0.21 million tonnes were accounted for by Morton Salt in the fourth quarter.

Revenues for industrial salts, e. g. fishery, feed and high-purity pharmaceutical salts, amounted to € 239.9 million for the past financial year and thus increased by 42 % (2008: € 169.0 million). Adjusted for the consolidation effect, the revenues in this product group, at € 170.7 million, would have been at about the figure for the previous year. It was possible to make up for volume-related decreases in revenues in Europe through higher sales volumes in South America and positive price effects. Sales volume amounted to 2.65 million tonnes and were 32 % above the level for the previous year of 2.00 million tonnes. Of this, 0.67 million tonnes were accounted for by the inclusion of Morton Salt in the fourth quarter.

At € 62.7 million, revenues in the salt for chemical use business were 9 % down year on year. € 3.7 million of this was attributable to the inclusion of Morton Salt in the fourth quarter. Adjusted for the consolidation effect, both lower sales volumes and lower prices resulted in a significant decline in revenues. Sales volumes amounted to 2.00 million tonnes and were down just under 4 % year on year. Morton Salt contributed 0.14 million tonnes in the fourth quarter.

The wintry conditions at the start of the year and also at the end of the fourth quarter prompted a strong de-icing salt business in Europe and North America. We achieved revenues of € 497.6 million for the reporting year and thus surpassed the value for the previous year by 129 % (2008: € 217.5 million). Of this, € 108.1 million were attributable to the inclusion of MORTON SALT in the fourth quarter. Even adjusted for the consolidation effect, at € 389.5 million, revenues in this product group would have risen by 79 % due to volume and price factors. Sales volumes amounted to 8.96 million tonnes and were twice the amount of the previous year. In the fourth quarter, MORTON SALT sold 2.04 million tonnes.

In addition to the business with other de-icing agents, such as magnesium chloride solution, the "Other" segment also includes the third-party logistics business of the shipping company EMPREMAR belonging to the Chilean SPL GROUP. The decrease in revenues by € 2.2 million to € 63.5 million was predominantly attributable to lower freight rates at EMPREMAR, which could not be completely compensated for by the price-related increases in revenues in Europe and the consolidation effect of MORTON SALT in the amount of € 1.4 million.

Development of earnings

The operating earnings of the Salt business segment approximately tripled against the previous year, at € 140.4 million (2008: € 45.2 million). This growth in earnings can be attributed to the wintry weather conditions and the related strong de-icing salt business in the first quarter as well as at the end of the year. The effect from the first-time consolidation of MORTON SALT in the fourth quarter was € 9.8 million. In addition to integration costs (€ 3.6 million), one-time effects from the revaluation and consolidation within the framework of the inventory valuation according to IFRSs (€ 22.0 million) reduced this contribution to earnings. Moreover, depreciation on the value adjustments to be made within the framework of purchase price allocation (€ 16.6 million) weighed on earnings.

Against the backdrop of the described effects from the first-time consolidation of MORTON SALT, EBITDA (2009: € 200.3 million) is the more meaningful earnings figure for the assessment of the earnings capacity.

Complementary Business Segments

Variance analysis in %	2009
Change in revenues	(3.7)
- volume	+ 1.4
- structure	(6.1)
- prices	+ 1.0
- exchange rates	–
- consolidation	–

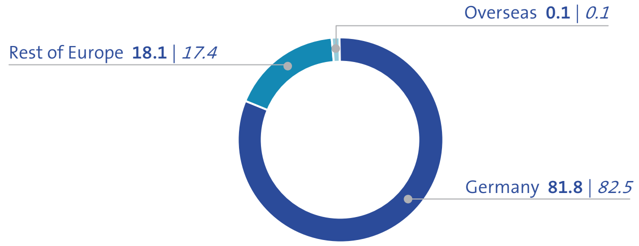
Waste Management and Recycling	(5.5)
Logistics	(17.3)
Animal hygiene products	+ 4.2
Trading	+ 7.4

in € million	Q1/09	Q2/09	Q3/09	Q4/09	2009	2008	%
Revenues	29.1	27.6	30.9	33.1	120.7	125.3	(3.7)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3.6	4.7	5.4	8.0	21.7	31.2	(30.4)
Operating earnings (EBIT I)	2.0	3.2	4.3	5.7	15.2	25.1	(39.4)
Capital expenditure	1.1	0.2	2.6	0.7	4.6	10.0	(54.0)
Employees (31 Dec.; number)	283	280	281	–	278	285	(2.5)

Market environment

Given the high proportion of intra-group services as well as the diverse character of the individual sectors within this business segment, it has been decided not to present it in a combined fashion. You will find an overview of the individual areas of activity on page 64 et seq.

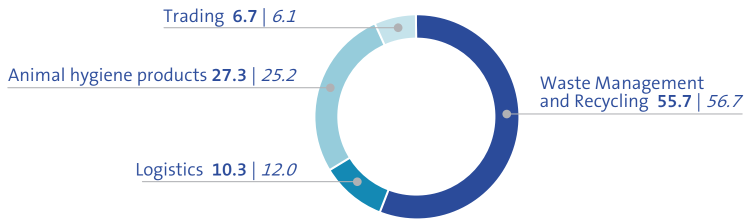
FIG. 29: REVENUES BY REGION
in %; previous year's figures in italics



Revenues

At € 120.7 million, the revenues of the Complementary business segments were just under 4 % below the level of the previous year. Under IFRSs, the revenues deriving from services rendered to K+S GROUP companies are not included in these figures. Including these internal revenues, total revenues amounted to € 155.8 million (2008: € 170.6 million).

FIG. 30: REVENUES BY SEGMENT
in %; previous year's figures in italics



Revenues for the Waste Management and Recycling areas were down just under 6 % to € 67.2 million (2008: € 71.1 million). In recycling, higher volumes of materials received for the recycling of construction materials were unable to make up for lower average proceeds for aluminium granulate. While revenues in the logistics sector (€ 12.4 million) declined predominantly due to volume factors, for the granulation of CATSAN®, at € 32.9 million, they were above the level of the previous year for price reasons, and rose in the trading business to € 8.1 million.

Development of earnings

The operating earnings of the year under review reached € 15.2 million and were thus € 9.9 million or 39 % below the figure for the previous year. This decline is mainly attributable to the change in the internal clearing modalities of the Group at the start of the year, to higher costs in the area of waste management and recycling, as well as to declines in volumes in the logistics segment.

At € 21.7 million (2008: € 31.2 million), EBITDA reflected this earnings trend, due to an almost constant depreciation level.

Risk Report

Risk policy

The business policy of the K+S Group is geared towards securing the existence of the Company, sustainably generating reasonable returns as well as systematically and continuously increasing enterprise value. To achieve this objective, our global activities require a permanent, responsible consideration of opportunities and risks. Taking opportunities and being able to recognise risks, analyse them and reduce them with appropriate strategies are important elements of our entrepreneurial activities. We define risks as the possible occurrence of internal and external events, which may adversely affect the achievement of our short-term or our strategic goals. Systematic risk management is an ongoing task for the Board of Executive Directors and for the management of each field of responsibility. However, even an appropriate and functioning risk management system cannot guarantee any absolute certainty.

Opportunity management

Opportunity and risk management are closely interlinked within the K+S Group. Chances are internal and external developments, which may have a positive impact on the Group. We essentially derive our opportunity management from the goals and strategies of our business segments and ensure an appropriate relationship between opportunity and risk. Direct responsibility for the early and regular identification, analysis and management of opportunities rests with the operational management of the business segments and/or the heads of the central holding units. Opportunity management is an integral part of the groupwide planning and controlling systems. We occupy ourselves intensively with analyses of the market and the competition, market scenarios, relevant cost drivers and critical success factors, including those in the political environment in which the Company operates. This serves as the basis for identifying concrete opportunity potentials that are specific to business segments and which are then discussed within the framework of the goal-setting talks held between the Board of Executive Directors and the managers responsible for the business segments. In our decision-making, we rely on an opportunity-oriented approach, but do not neglect risks. Selected opportunity potentials for the K+S Group are discussed in the forecast report.

Risk management system

The business segments of the K+S Group have different opportunities and risks and to identify them in good time as well as to assess and limit these, we use our uniform planning, management and control systems. The methods used for risk survey extend from analyses of markets and competition through close contacts with customers, suppliers and institutions to observing risk indicators in an economic and socio-political environment. Risks are assessed particularly with regard to the likelihood of materialisation and to loss levels. The possible non-recurring or recurring impact on Company objectives is then processed in preparation for the adoption of decisions. A further building block of risk management is the development of countermeasures taking account of alternative risk scenarios. We thus endeavour to systematically counter risks and consistently exploit opportunities.

The Board of Executive Directs has defined groupwide principles and rules of behaviour as well as guidelines for systematic and effective risk management. The risk management system consists of the following elements:

- a company-specific handbook on risk management,
- a risk management holding unit,
- persons responsible for risk management in the business segments,
- standardised risk profiles specific to business segments,
- information about the complete quantified risk situation in goal-setting talks held between the Board of Executive Directors and the managers responsible for the business segments, as well as
- regular uniform risk reporting at Group and business segment level.

Risk management is structured in such a way that direct responsibility for early detection, analysis, control and communication of risks rests with the operating management of the business segments and the central holding company units respectively. The risks of the individual business segments and the holding unit are identified on a quarterly basis, and potential risks are analysed, quantitatively assessed and reported to the Board of Executive Directors. If a risk can be reliably held in check by effective and appropriate measures, the focus of consideration will be on the residual risk. We are particularly monitoring risks whose likelihood of materialisation is 5 % or more and which can at the same time exceed business-segment-related loss limits. The risk profiles relate both to the current year and to medium-term planning for a total period of up to three years. Expected risks with a likelihood of materialisation of 50 % and more are taken account of in planning in the form of a deduction from earnings. Risks that arise in the short term are, if urgent, communicated directly to the Board of Executive Directors outside normal reporting channels. The Supervisory Board is briefed by the Board of Executive Directors in just as regular and timely a manner. In accordance with a groupwide rule, transactions and measures of particular importance and scope require the approval of the Board of Executive Directors and, in special cases, of the Supervisory Board too.

The proper functioning of the risk management system of the K+S Group is regularly reviewed by our internal audit department. Furthermore, the functionality and the effectiveness of the risk early detection system is also reviewed by our external auditor. In their opinion, the existing system is suitable for the early detection of such developments that could jeopardise the continued existence of the Company.

The following sections contain estimates of the possible materialisation and effect of risks following counter-measures under the current framework conditions; this is based on a Group perspective and relates to the medium term (three years). The assessment of the materialisation of a risk is based on the criteria "unlikely", "possible", "likely", and the assessment of the "possible" effect is based on the qualitative criteria "moderate", "significant" and "jeopardising the continued existence of the Company". A change in the framework conditions may result in a reassessment of our estimates in the course of time.

Risk management in relation to financial instruments

Central tasks in risk management include the limitation of risks arising from changes in market prices. Our international activities can give rise to currency-related risks, which we counteract under our currency management system by hedging transactions. The Board of Executive Directors has specified the permitted hedging instruments in a currency guideline which also regulates hedging strategies, responsibilities, processes and control mechanisms. Other market price risks may arise from raw material prices (e.g. energy) and transport costs (e.g. sea freight). To the extent that derivatives are used selectively for this, analogous rules apply. The hedging instruments are used exclusively to secure hedged items, and not for trading or speculation. Financial transactions are only concluded with banks that have a high credit rating. In this connection, in order to limit the risk of default, the guideline stipulates, among other things, that derivatives should be distributed across various banking institutions. Hedging transactions are entered into either in the case of already existing hedged items or future hedged items, which can be anticipated with a high level of probability on the basis of empirically reliable findings (anticipatory hedging transactions). A more detailed explanation of hedging transactions can be found in the presentation of risks arising from exchange rate fluctuations on page 138 and in the consolidated Notes on page 204 et seqq.

Description of the key features of the internal control and risk management system with regard to the Group accounting process (Sec. 315 Para. 2 No. 5 of the German Commercial Code – HGB)

The internal control system in the K+S Group encompasses principles, procedures and measures designed to ensure the effectiveness, economy and adequacy of accounting procedures as well as to secure compliance with the relevant regulations.

The guidelines for the accounting and reporting of the K+S Group in accordance with IFRSs regulate the uniform accounting and valuation principles for the German and foreign companies included in the consolidated financial statements. In addition, these provisions include rules for the consolidated financial statements as well as detailed and formalised requirements for the companies included.

New provisions and amendments to existing regulations for the accounting are analysed on a timely basis for their effects and are, if relevant to us, implemented into the guidelines and accounting processes.

We have a largely uniform IT system, a uniform chart of accounts and automatically standardised accounting policy processes. As a result of this standardisation, uniform, regular and timely reporting of key business transactions is ensured. Binding regulations are in place for additional manual recording of business transactions. Valuations on the balance sheet, such as the calculation of the mining obligations or a review of the impairment of goodwill, are made by internal experts, and only in individual cases, such as with regard to pension obligations, the valuation is carried out by external experts.

To prepare the consolidated financial statements of the K+S Group, the financial statements of those companies whose accounting is done on the uniform IT platform of the K+S Group are transferred to an IT consolidation system. In the case of the remaining companies included, the data of the financial statements are transferred through a web-based interface. The data transferred are reviewed on the basis of systematic controls. In addition, the financial statements submitted by the companies included are reviewed centrally with due consideration being given to the reports prepared by the auditors. An adequate and complete elimination of internal Group transactions is ensured by the system-based deduction and formalised inquiry of consolidation-relevant information. All consolidation processes for the preparation of the consolidated financial statements are carried out and documented in the IT consolidation system. The components of the consolidated financial statements, including key information for the Notes, are developed from this.

Process-integrated and process-independent monitoring measures form the cornerstones of the internal monitoring system. Automatic IT process controls are a key element of the process-integrated measures. Additional control functions apart from manual process controls such as, for example, the "four-eye principle" are ensured through the organisational separation of administrative, executive, settlement and approval functions. Further monitoring tasks are performed through specific Group functions such as the central legal or tax departments.

The Supervisory Board of K+S Aktiengesellschaft, particularly its audit committee, and the internal audit department are integrated into the internal control system with process-independent audit functions.

The annual financial statements of companies subject to mandatory audit and the consolidated financial statements are audited by independent auditors. The annual financial statements of the other German companies are audited by the internal audit department. In particular, the auditing of the consolidated financial statements by the Group's auditor is the key process-independent monitoring measure with regard to the Group accounting process.

Overview of corporate risks

	Likelihood of materialisation	Possible financial effects
External and sector-specific risks		
Effects of economic trends	Possible	Significant
Fluctuations in demand and price	Possible	Significant
Seasonal fluctuations in demand	Possible	Moderate
Effects of political and social changes	Unlikely	Significant
Energy costs and energy supply risks	Possible	Moderate
Changes in the legal environment		
Risks arising from the change in indicative workplace limits	Possible	Moderate
Risks arising from reduction in anti-dumping protection	Possible	Moderate
Tax law risks	Possible	Moderate
Operational and strategic risks		
Risks arising from acquisitions and investments	Unlikely	Significant
Risks arising from loss of suppliers and supply bottlenecks	Unlikely	Moderate
Risks arising ammonia becoming more expensive	Possible	Moderate
Frieight costs and transport availability	Possible	Moderate
Production risks	Possible	Moderate
Risks arising from changes to or non-granting of official approvals	Possible	Significant
Risks arising from environmental damage due to rock bursts	Unlikely	Significant
Risks arising from carbon dioxide pockets in deposits	Possible	Moderate
Risks arising from saline solution access	Unlikely	Significant
Research and development	Unlikely	Significant
Personnel risks	Unlikely	Moderate
Compliance risks	Unlikely	Significant
IT risks	Unlikely	Moderate
Financial risks		
Risks due to exchange rate fluctuations	Possible	Moderate
Risks arising from a change in the Company rating	Unlikely	Moderate
Risks arising from an increase in the general interest rate level	Unlikely	Moderate
Liquidity risks	Unlikely	Significant
Risks arising from the default of payment by customers and the risk of financial institutions failing	Unlikely	Moderate

External and sector-specific risks

Effects of macroeconomic trends

The behaviour of demand for fertilizers of the K+S Group is considerably influenced by general economic growth as well as economic trends and the associated improving living standards in the relevant markets. Greater prosperity, mainly in the emerging market countries, results in changes in eating habits, which are particularly reflected in the greater consumption of meat. As the production of meat requires many times more cereals, soy beans and other products used as animal feed, this results in a greater need for agricultural raw materials (soft commodities), which in turn creates a higher demand for fertilizers.

The slowdown in economic growth that has been observed since mid-2008 has also resulted in a decline in prices for agricultural commodities. It cannot be ruled out that an economic recovery may not yet commence in the near future. This could result in a further decline in the price level for agricultural products. Lower market prices for agricultural products could result in farmers being less certain about their future earnings situation and have a negative impact on their demand behaviour regarding fertilizers. However, the impact of the general economic situation on the demand for salt products is of minor importance, since the business is essentially stable and thus largely independent of economic conditions. A possible continuation of the economic crisis or a further deterioration in the macroeconomic situation may, depending on their duration and intensity, have a material impact on the net assets, financial position and results of operations of the K+S Group.

Fluctuations in demand and price

The products of our Fertilizers business segment in particular can face significant fluctuations in demand and price. As a result of external influences, whose occurrence or non-occurrence we cannot normally influence, the demand for our products may decline sharply in the relevant sales markets and lead to pressure on price levels. These factors include, for example, global or regional swings in the economic cycle, sliding global prices of important agricultural products, the appearance of new suppliers, a concentration on the demand side as well as deliberate buying restraint on the part of our customers. Such negative factors are one of the reasons for the sharp drop in fertilizer demand in 2009 and the corresponding decline in prices for fertilizers.

These possible events may, depending on their duration and intensity, have a material impact on the net assets, financial position and results of operations of the K+S Group. As the demand for agricultural products and thus for fertilizers depends on megatrends such as the growing world population, a rising standard of living in the emerging market countries and the development of the bioenergy sector, and as fertilizers, which increase yields and enhance quality, thus play an important role in agricultural production, we see potential for a positive development in the long term.

The entry of new competitors into the international potash market could result in a tangible shift in the structure of the sector. Mining groups with a strong capital base, such as BHP Billiton and Vale, have announced that they will invest in new potash projects in the medium to long term. While the takeover of an existing potash producer would leave the structure of the sector unchanged, an aggressive expansion of new potash capacities by producers that have, until now, operated outside the sector might bring about an increase of competitive pressure if the markets are not able to absorb these additional volumes completely or if the new competitor attempts to establish himself on the market by means of an attractive pricing policy. As the expansion of new potash capacities is very capital intensive and time consuming, such a squeezing-out policy, due to the resultant high costs of capital, might only be economically viable to a limited extent, if at all. In the medium term, no significant change in the structure of the sector is expected, since notable additionally available potash capacities from greenfield projects are to be anticipated starting from 2013 at the earliest.

Seasonal fluctuations in demand

A significant sales risk for the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments results in particular from the seasonality of demand, especially due to their dependence on weather conditions. Weather-related fluctuations in sales volumes may vary within a year, but may also have an adverse impact on overall annual sales volumes. Prolonged cold and wet weather during the spring season, particularly important for Europe, can result in sales shifts and lower volumes of fertilizers and plant care products. Mild winters may considerably reduce the sale volumes of de-icing salt in the main sales regions for this product group. We are responding to this risk in the form of regional diversification, needs-based production management and flexible working hours. Through the acquisition of Morton Salt, we have expanded our regional portfolio to further and larger regions in North America, which also counteracts our susceptibility to fluctuations in the de-icing salt business. We have not used special derivatives to hedge this risk thus far because of what we consider to be unattractive market terms. We consider corresponding adverse effects resulting from the influence of the weather to be possible, but we assess the effect in relation to the expected results as moderate.

Furthermore, the filling and destocking of inventories by our customers, depending on their expectations regarding future market price trends, the weather or their liquidity management, partially results in high fluctuations in demand. This can lead to an inefficient utilisation of production capacity and thus to rising unit costs. For example, the readiness of the trade sector to early stock up large amounts of fertilizers for increased demand in the spring and autumn seasons depends to a large extent on their expectations of the agricultural sector in terms of sales volumes and prices. K+S offers financial incentives in order to promote readiness to stock up. Nevertheless, it cannot be ruled out that the trade sector will choose not to early stock up in times of high market volatility. As a result of this, during the fertilizer season we might be faced with such high volume requirements focused on a short period that, on the one hand, the availability of goods in our depots might not be sufficient or, on the other, the volume requirements might not be able to be covered due to restrictions on logistics. The same is true if towns and cities, communities and road maintenance depots – also in view of public authorities - build up insufficient de-icing salt inventories. Such possible effects may have a moderate impact on the net assets, financial position and results of operations of the K+S Group as well as generally making it more difficult to compare the quarterly financial statements.

Effects of political and social changes

We carry out our business activities in numerous countries, some of which are located outside Western Europe and North America. Far-reaching changes in political, social and economic framework conditions in production and sales countries as well as in the countries where suppliers are based cannot be ruled out. In some of the countries in which our products are manufactured or into which they are exported or from which we obtain raw materials or supplies, the general economic, political and legal conditions are less stable than in Western Europe or North America. Thus we are dependent on a series of factors on which we have little or no influence at all. These factors include, for example, political instability, the expropriation of company assets without compensation, regulations on foreign currency control and other negative effects in relation to foreign exchange rates as well as restrictions on trade. Such negative factors could have a material impact on the growth prospects of the K+S Group in the respective countries and on the net assets, financial position and results of operations of the K+S Group, but are currently unlikely.

Risks arising from energy costs and energy supply

Our production costs are affected to a not inconsiderable extent by energy costs (2009: € 210.7 million), in particular by delivery costs of gas. This applies to various degrees to all business segments. Energy prices are frequently subject to sharp fluctuations. Significant energy price rises in comparison to the current price level cannot be ruled out in the future. We have concluded energy supply contracts with various suppliers. As a result of the energy supply clauses agreed in them, an increase or decrease in energy prices on the market will be reflected in our cost accounting with a delay of six to nine months. Furthermore, hedging transactions are used selectively in order to limit the effects on price fluctuations. There is no assurance that we can completely hedge ourselves against price fluctuations for fuels or pass energy cost increases onto our customers. Furthermore, we depend on the reliability of the energy supplies, so that, if the supply of gas is interrupted briefly, there are risks to the security of supply. Project-related cooperation with energy companies is decreasing the earnings risk as a result of steam being obtained from substitute fuel heating plants at one site so far. We regard risks arising from energy costs and energy supply, which could have a moderate impact on the net assets, financial positions and results of operations, as possible.

Changes in the legal environment

Risks arising from the change in workplace limits

The EU initiative on setting indicative workplace limits for nitrogen monoxide (NO), nitrogen dioxide (NO_2) and carbon monoxide (CO) could pose a risk to our mining activities, since such thresholds can be of considerable importance in the granting of permits for mining activities and thus for underground production. It should be possible to achieve realistic limits meaningful over the long term through intensive cooperation between the EU Commission and national governments as well as the companies concerned and their pressure groups. If thresholds were lowered significantly, substantial capital expenditure needed for us to comply with the thresholds could become necessary. If the workplace limits become so stringent that production at the sites concerned in compliance with these limits were no longer possible at justifiable expense or overall technically, this might even compel us to close these sites. In the medium term, adverse effects are possible, but we currently consider them to be moderate.

Risks arising from reduction in anti-dumping protection

In the fertilizer business, the K+S Group also competes with producers from Russia and Belarus, which are either 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 financial year 2006, the regulations on anti-dumping protection against unfair competition with potash fertilizers from Russia and Belarus for the European market were updated until the middle of 2011. After the competitive pressure in the EU in the years up to 2008 was limited as a result of the high demand for potash on the global potash market and of the significant price increases that occurred in the meantime, the change in the market situation in financial year 2009 resulted in an increase in competitive pressure in Europe, including from the countries mentioned. A further intensification of competitive pressure could result in us having to market a greater proportion of our products overseas. However, there can be no guarantee that the declines in sales volumes in Europe can be compensated for by increases in overseas sales volumes. The possible damage potential of future weakened anti-dumping measures depends on our success in overseas sales volumes and the respective cost and price situation. Against the backdrop of the current price level on the global markets, the risk that the European anti-dumping regulations is being softened or ceases to apply is regarded as moderate. At the moment, the occurrence of a loss is classified as possible.

Tax law risks

In the area of energy taxes, in Germany, the K+S Group can currently make use of so-called compensation for peak load. The relevant regulations were approved by the EU Commission and grant companies in the manufacturing sector energy and power tax relief for certain energy products and electricity, which they use for commercial purposes. These limit the net burden on the K+S Group from these excise duties. The benefits expire at the end of 2012 and assume that the German economy will have reached the targets that it committed itself to under a climate protection agreement. If the climate targets are not achieved, the energy and power tax burden may increase. A follow-on regulation for this benefit starting from 2013 is currently being discussed at the political level. The outcome of these political discussions is not yet certain, so that it cannot be ruled out that no follow-on regulation, or no follow-on regulation that is comparably advantageous, will be arrived at. Starting from this point in time, additional energy tax burdens are possible, but we regard the risk of this as moderate.

Operational and strategic risks

Risks arising from acquisitions and investments

Opportunities, but also risks arise from the expansion of our business activities through acquisitions. Across the Group, we make high demands related to returns in every acquisition and investment decision, which are discussed in detail on page 75 under Financial targets. K+S is monitoring the market environment in relation to appropriate acquisition projects or cooperations. Company valuations incorporating the findings of due diligence procedures and various analyses are of central importance in this respect. In addition, follow-up checks are carried out in the case of important investment and acquisition projects. Risks may arise from the integration of employees, processes, technologies and products. Moreover, acquisitions may negatively impact the level of indebtedness and the financing structure and result in an increase in non-current assets, including goodwill. Write-downs on such assets due to unforeseen business developments may result in negative effects.

On 1 October 2009 we took over the North American company Morton Salt. The expectations regarding the acquisition as well as the integration with the K+S Group might not be fulfilled, despite an opportunity and risk analysis and the appropriate drafting of the acquisition agreement. Hitherto unknown factors, including those of a legal, economic or political nature, could adversely impact profitability as well as the growth prospects assumed. Thus, the seller of Morton Salt (The Dow Chemical Company) assumed a compensation and indemnification obligation towards K+S for certain matters. This compensation and indemnification obligation also includes environmental liabilities, which arose prior to the takeover, as well as those liabilities which are not related to the salt activities. Although, there are currently no grounds for this, in principle there can be no assurance that the seller will be able to ultimately carry through, in economic terms, the agreed risk assumption. Moreover, in the course of the takeover, unexpected difficulties in the integration of different IT, accounting and reporting systems may occur. The above-mentioned factors could, under certain circumstances, result in a need to recognise an impairment charge in relation to the acquired assets and have a material effect on the net assets, financial position and results of operations, but are currently considered to be unlikely .

In the event of future acquisitions, cooperations and investments, the risk exists that, due to political restrictions, they might only be able to be carried out under more difficult conditions or not at all. This could affect attractive raw material deposits in certain politically unstable regions. A resultant lack of suitable acquisition objects could have a significant adverse effect on the growth prospects of the K+S Group. Against this backdrop, we are also looking for suitable partners in order to be able to reduce financial burdens and risks and better exploit opportunities. We thus regard material adverse effects as unlikely.

Risks arising from loss of suppliers and supply bottlenecks

The number of suppliers for specific raw materials and consumables such as ammonia (see following explanations regarding risks from the increase in the price of ammonia), phosphates, explosives, low-sulphur diesel fuel as well as the necessary technical equipment including spare parts, which we obtain from external suppliers, is limited. Supplier boycotts, supply bottlenecks or the loss of suppliers, on which we only have an influence to a very limited extent or not at all, could result in the limited availability of raw materials, consumables and supplies as well as technical equipment and spare parts specific to mining and thus to a considerable increase in costs or to adverse effects in production. We minimize such procurement risks with market analyses, the careful selection and appraisal of suppliers, long-term delivery agreements, clearly defined quality standards as well as modern purchasing methods. The remaining procurement risk could have moderate effects on the net assets, financial position and results of operations. However, we regard the occurrence of losses as unlikely.

Risks arising from the price increase of ammonia

The production costs of the nitrogenous and phosphate-containing fertilizers produced for us by BASF are to a great extent determined by global market prices for ammonia and phosphate. If the competitive environment becomes more difficult, it may not always be possible in the case of nitrogen fertilizers to pass on increases in costs in their full scope via prices. However, the resulting possible risk is classified as moderate for K+S.

Risks arising from freight costs and availability of transport capacity

Our production costs are influenced by freight costs to a not inconsiderable degree (2009: € 385.8 million). While a significant part of our production predominantly occurs in Germany, we generate a material part of our sales volumes abroad. A characteristic feature of this business activity is the, in some cases, large transport distance that our products have to cover with simultaneously high transport volumes. A reduced availability of freight capacity could result in higher costs for transportation. Furthermore, considerable additional costs arise in the event of increases in mineral oil prices. There can be no assurance that increasing transport costs can always be passed onto customers. By means of the long-term securing of freight capacity with a high proportion of fixed prices and use of low-cost container transport, we counteract such developments; in addition, hedging transactions are also employed selectively to limit the effects of price fluctuations. The high level of transport intensity of our business operations moreover makes us highly dependent on infrastructure facilities such as ports, roads and loading stations. A failure or a bottleneck could restrict the production and sales possibilities. We consider corresponding adverse effects from rising freight costs or the limited availability of transport capacity to be possible, but we regard the effect in relation to the expected results as moderate.

Production risks

The production facilities of the K+S Group, which are used, for example, for mining activities, the processing of raw materials and the storage of hazardous materials, are characterised by a high level of performance. As a result of operational and accident risks to which facilities, production plants, storage and loading facilities are exposed, business interruptions may occur and personal injury, damage to property and impacts on the environment arise. By employing wide-ranging monitoring, probing and control systems, we can identify possible production risks early on and respond accordingly. Risks are reduced thanks to a number of quality assurance measures, preventative maintenance and constant facility inspections. This is also assisted by certification under international norms and the constant further development of our facilities and products. We have taken out insurance against fire damage and the resultant production stoppages. Given our preventative measures, we consider the remaining possible production technology risks to be moderate.

Risks arising from the change or refusal of official approvals

Public and political debate about future higher requirements of environmental friendliness of our production processes may impact on the issuing and retaining of operating licences and planning decisions approving public works as well as water law permits. In the Potash and Magnesium Products business segment, among others, liquid residues (saline water) arise from both current production and through rainfall on the tailings piles. On the basis of existing permits, some of the residues are discharged into rivers, while others are injected into underground layers of rock (plate dolomite). Establishing a significant reduction in the injection possibilities anticipated up to now, or the premature complete utilization of approved injection areas, as well as establishing that injection might have an impact on drinking water or usable ground water resources, could make an unchanged extension of existing injection permits appear unlikely and could entail a partial or even entire withdrawal of injection approvals for the disposal of liquid residues. Moreover, we assume that the currently approved thresholds for the discharge of saline water into surface waters may be lowered for future discharge permits. Extensions of existing injection and discharge permits or their renewed granting can therefore lead to material additional costs for a pre-treatment of production waste (e.g. through evaporation) or to considerable decreases in production at the sites affected. We consider it possible that expiring permits will not be extended or not granted again; in the worst case, this could result in a reduction or cessation of production and possibly the closure of the sites concerned, with considerable negative staffing consequences. This would lead to persistent and material adverse effects on the net assets, financial position and results of operations of the K+S Group.

At the Hattorf, Unterbreizbach and Wintershall sites located on the Werra, whose share of the total potash production capacity of the K+S Group amounts to about 45 %, the existing injection and discharge permits expire in 2011 and 2012. In October 2008, we presented a comprehensive package of measures which should, with an investment volume of € 360 million, considerably reduce the injections and the discharges by 2015. In addition, a public law agreement was concluded with the states of Thuringia and Hesse, which should pave the way for potash production until the reserves are exhausted. There can be no assurance, though, that the permits will be extended or newly granted on this basis. The possibility cannot therefore be ruled out that further investments in these sites may become necessary, that production costs may continue to rise, and that under certain circumstances even the closure of these production sites may be required. The reduction of solid and liquid production residues from potash production will continue to be among the focal points of our research and development.

Between March 2008 and February 2010, at the Round Table on Water Protection Werra/Weser and Potash Production, on the initiative of the states of Hesse and Thuringia and of K+S, Werra residents, representatives from business, politics and administration as well as professional associations discussed long-term solutions for improving water quality. The task faced by participants in the Round Table: Proposing solutions which at the same time further improve the ecological condition of the Werra and Weser, make a contribution to securing jobs in the potash industry and strengthen economic structures in the regions concerned. The participants in the Round Table have in total met 16 times and examined a large number of measures for dealing with saline waste water. Moreover, external proposals were assessed and a series of expert opinions commissioned

In a meeting held on 9 February 2010, the Round Table recommended that, starting from 2020 at the latest, the discharge of saline waste water into the Werra and its injection underground be completely discontinued and a pipeline to the North Sea be implemented. However, it did not provide an answer to the question of how this should be achieved on the basis of the jointly defined decision-making criteria: the Round Table is not taking the absence of any political consensus into consideration, is deliberately ignoring economic aspects and, as far as the question of ecological meaningfulness is concerned, is disregarding the necessary proportionality. Thus K+S did not agree to the Round Table's recommendation.

The Neuhof-Ellers potash plant has had to discontinue the injection of saline water into the plate dolomite layer, after full utilisation of the injection area. To ensure the proper disposal of tailings pile water arising there, saline water is, until the completion of the saline water pipeline already applied for in July 2007, transported by rail and lorry to the nearest site in accordance with valid permits.

On 18 November 2009, the administrative court of Hanover upheld the complaints of the BUND für Umwelt und Naturschutz Deutschland e.V. (BUND) and the Naturschutzbund Deutschland e.V. (NABU) and set aside the planning approval decision of the Landesamt für Bergbau, Energie und Geologie Lower Saxony (LBEG) of 10 August 2007 as well as the modification decision of 13 March 2009 on the expansion of the tailing pile of the Sigmundshall plant. In the planning approval decision, the covering of the pile was a prerequisite for the expansion of the piling of production residues. The judgements of the administrative court relate exclusively to the type of pile covering planned by K+S, whose suitability for an independent greening of the pile that would be secure in the long term was called into question. The further piling of residues from potash processing was not regarded as impermissible by the administrative court. The relevant mining authorities have appealed against the two judgements, and K+S KALI GmbH will support them in further proceedings. Currently, in the short term, no restrictions arise for the operation of the Sigmundshall potash plant. At present, long-term effects cannot yet be assessed. In the medium term, we assess possible effects on the net assets, financial position and results of operations of the K+S Group as moderate.

Risks arising from environmental damage due to rock bursts

Our mining activities involve the risk, specific to mining, of a suddenly occurring subsidence of the earth's surface over a large area that is, under certain circumstances, powerful (rock burst). If this occurred, it could result, in addition to the complete or partial loss of the mine and damage to equipment, also in considerable damage to the property of third parties and even personal injury or death. Our professional dimensioning of the pillars in the mine works based on comprehensive research works contributes to securing the ground surface, achieving a stability that is secure in the long term, and therefore preventing such rock bursts. A constant monitoring of the mine works supplies, if necessary, timely indications of whether additional measures for the protection of the mine works and the prevention of damage resulting from mining are necessary. Such negative factors would have a considerable impact on the net assets, financial position and results of operations of the K+S Group, but they are nevertheless unlikely at the moment.

Risks arising from carbon dioxide pockets in deposits

Carbon dioxide pockets in certain mines constitute a latent potential danger. If carbon dioxide from these pockets were to escape suddenly, the K+S Group could be held liable for damage or injuries associated with this, suffer damage to its own equipment and be exposed to cuts in or losses of production. To keep any impact on people, machinery and deposits as low as possible, extraction operations underground are always conducted in compliance with the special safety guidelines applicable to potential CO_2 leaks. We regard the possible damage potential as moderate.

Risks arising from saline solution access

Hydrogeological risks generally occur in underground mines, which, if not controlled, could cause significant damage. To secure mines, extensive exploration occurs by means of seismology, drilling and ground-penetrating radar. The maintenance of protective layers against water-bearing rock and the size of the safety pillars ensure the greatest possible safety in a mine. Constant scheduled maintenance activities ensure that the risk of ground water flowing over a shaft extension can virtually be ruled out. Because the top of a shaft is in a high position, surface water is not expected to gain access to the mine complex even if a flood occurs. On the basis of our extensive precautionary measures we consider that risk to be unlikely.

Research and Development

The markets relevant to us are only subject to technological change to a limited degree. We have intensified our own development activities through research cooperation with industrial partners as well as colleges. Thus, technical possibilities for optimising production processes are being examined on an ongoing basis. The reduction of solid and liquid production residues in potash production as well as opportunities to cut costs stand at the forefront. In addition, we provide our agricultural customers with intensive application advice, which enables us to identify future needs early on. We regard significant adverse effects on the net assets, financial position and results of operations from our research and development activities as unlikely.

Personnel risks

The competence and commitment of our employees are important factors in our successful development. Our vocational training, in the context of demographic change too, contributes to securing and strengthening these factors. By means of practice-based support for future generations of employees, targeted further training measures and encouragement for those who display potential, the K+S Group has demonstrated that it is an attractive employer able to retain managerial personnel in particular over the long term. With this strategy and increased cooperation with selected colleges, we offer qualified employees very promising career prospects. We are thus well prepared for the increased competition on the labour market for specialist and managerial personnel. Key positions are regularly analysed with respect to forward-looking succession planning, and suitable candidates are prepared for such tasks. Further elements are assistance and advice geared towards target groups as well as attractive incentive systems. Furthermore, the K+S Group maintains a good and constructive relationship with its employees and its unions, since the employees of the Group, and in particular its employees in Germany and North America, are traditionally largely organised in trade unions.

In 2009, we had to scale back the production of fertilizers due to the weak demand. In this context, we introduced a number of short-time working phases at our plants. In doing so, we primarily intended, on the one hand, to achieve cost savings and, on the other, make the effects on the employees as bearable as possible. Together with the trade unions and employee representatives, it proved possible to reach agreement on corresponding collectively agreed and Company regulations intended to ensure employment. Overall, we consider even moderate effects on the net assets, financial position and results of operation from the personnel risks described as unlikely.

Compliance risks

Compliance with applicable laws, corporate guidelines and regulatory standards recognised by the Company is an integral part of the corporate culture and thus a responsibility and duty of every employee. In order to ensure behaviour that complies with these regulations, we have established a groupwide compliance programme, which, for example, provides for employee training on the risk areas antitrust / competition law and anticorruption. We regard serious violations by individual employees, which could have a significant impact on the net assets, financial position and results of operations, as unlikely. A detailed presentation of our compliance system can be found in the Corporate Governance chapter on page 41 et seq. of this Financial Report.

IT risks

Our IT systems support almost all Company functions to a high degree. Our management of information technology risks is based on the DIN ISO 31000 standard Risk Management – Principles and Guidelines. With the establishment of an IT security management system based on the DIN ISO 27001 standard, a key prerequisite for the management of IT risks was created. In order to protect our business processes against IT risks, structures were established and measures adopted, which make the occurrence of risks improbable. The redundant design of the IT systems and their infrastructure are of particular importance in this. Our computer centre is thus operated as a 2-location system, and the components of the infrastructure (power supply, data cables etc.) are duplicated. We meet the increased security requirements faced by the IT organisation through the functions of IT compliance, the IT security officer and the data protection officer. To a great extent, our operational concepts, e.g. in the areas of monitoring, data backup, access control, fault management and business continuity management ensure the availability of the IT systems. We classify the likelihood of short-term effects due to IT risks as moderate. We consider it improbable that damage will occur. The IT integration of Morton Salt commenced at the start of 2010.

Financial risks

Risks due to exchange rate fluctuations

The significant revenues of the K+S Group is settled in euros, but in financial year 2009 the part of our revenues generated in US dollars accounted for about 46 % of Group revenues. In addition to this, revenues of a secondary magnitude were also generated in other national currencies. As a result, our business operations are exposed to the fluctuations in exchange rates between the euro and a variety of currencies, in particular the US dollar. This 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. Furthermore, currency effects, in particular in the Salt business segment, also have an effect where the majority of earnings and cash flows are generated in US dollars and converted into the Group currency, the euro (translation risks). Such translation risks also exist in relation to the net assets of subsidiaries, whose functional currency is not the euro, which may result in fluctuations in equity as at the reporting date. This applies especially in the case of the acquisition of Morton Salt, which was completed in October 2009, through which we now hold a significant proportion of foreign currency assets. Fluctuations in exchange rates cannot always be hedged and cannot be hedged completely. Exchange rate fluctuations may therefore have a considerable adverse effect on the net assets, financial position and results of operations of the K+S Group.

We use derivative financial instruments to counter exchange rate risks (see Risk management in relation to financial instruments). Within the framework of transaction hedging, net positions, i.e. the payments resulting from revenues generated in foreign currencies less the costs to be paid in foreign currencies, are hedged against exchange rate fluctuations through derivatives, normally options and futures. Hedge transactions are concluded in relation to billed receivables and anticipated net positions on the basis of projected revenues. The net positions are determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis in order to avoid excess hedging or hedging shortfalls. More information on the foreign currency hedging system can be found on page 101 et seq. In relation to the current results, we consider the possible risk arising from exchange rate fluctuations to be moderate.

Risks arising from a change in the Company rating

At present, we are rated in the investment grade by the rating agencies Moody's Investors Service and Standard & Poor's. While the outlook is given by Standard & Poor's again as "stable" following the capital increase successfully completed in December 2009, it continues to be classified as negative by Moody's, partly due to the uncertain market environment in the fertilizer sector (Moody's issuer rating: Baa2 negative outlook, Standard & Poor's issuer rating: BBB stable outlook). Rating downgrades, in particular the loss of the rating into the investment grade risk class, could have a negative impact on the costs and availability of financing possibilities, require the furnishing of creditors with collateral and decrease the readiness of business partners to do business with the K+S Group. In the case of existing credit lines, higher interest margins would have to be paid under certain circumstances. At the same time, new credit lines could become more expensive. We regard the risk of a downgrade of the credit rating, in particular into the "non-investment" grade segment, as unlikely. We classify the effect as moderate.

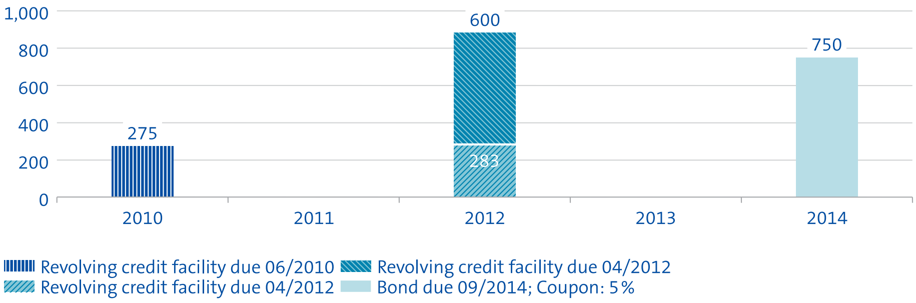
Risks arising from the increase in the general interest rate level

As of 31 December 2009, a good half of the financial liabilities are hedged against a rise in interest rates by means of fixed-rate financing. The financial liabilities with a short-term interest rate lock-down period were matched by investments with a short-term interest rate lock-down period of almost the same magnitude. Rising interest rates would thus only have an immaterial adverse impact on the financial result and the associated cash flows. A change in the interest rate lock-down period would, under certain circumstances, result in an increasing risk of a change in interest rates. Therefore, interest rates are analysed regularly to manage this risk. Ceteris paribus, an increase in the relevant reference interest rates by one percentage point in 2009 would have influenced Group earnings before income taxes by not more than 1%. Due to the measures adopted, we thus regard even moderate effects of increases in interest rates as unlikely.

Liquidity risks

Liquidity is monitored on an ongoing basis and managed optimally by means of central cash pooling, in which Morton Salt is yet to be included. Investment is to optimise the income earned from liquid funds at low risk. In the case of all forms of investments, there are certain set creditworthiness requirements in relation to issuers that have to be met. A syndicated loan was taken out on attractive terms for the acquisition of Chilean SPL in 2006, from which a credit line of € 275 million currently still exists. A further syndicated loan of € 600 million, which extends the financial leeway for short-term financing undertakings or general business purposes, was agreed in 2008. A loan taken up in 2009, partly to finance the acquisition of Morton Salt, was fully repaid at the start of 2010 and is currently available as a syndicated credit line of € 283 million. Beyond that, there are also bilateral framework credit agreements which have not been taken up. There is no particular dependency on any individual lenders. Within the framework of the existing credit lines, the K+S Group has entered into certain obligations (financial covenants) to maintain certain financial figures. If these obligations were violated, a premature termination of this financing through lenders is possible. However, a violation of the currently valid financial covenants appears unlikely. The bond issued in September 2009 with a volume of € 750 million and a term of five years is not subject to the obligation to maintain certain key figures. With regard to the maturity structure of our liabilities, we classify a material liquidity or financing risk for the K+S Group as unlikely.

FIG. 31: MATURITY PROFILE OF FINANCIAL DEBT (in € million)



Credit lines above show maximum possible headroom, not the actual amount drawn.

Risks arising from the default of payment by customers and the risk of financial institutions failing

We maintain extensive business relationships with many customers. If one or more major customers are not in a position to fulfil their contractual obligations towards us or become insolvent, this could result in losses for us. The majority of risks arising from defaults of payment are covered by credit insurance. The waiving of insurance cover for receivables is only possible after specific approval, which, depending on the magnitude, has to be issued by the management of the business segment or the competent member of the Board of Executive Directors, has been obtained and the long-term customer relationship has been reviewed critically. The financial crisis has led to a reduction in cover by the credit insurers in the case of financially weak customers. Nevertheless, across the Group and without taking into consideration MORTON SALT acquired in October 2009, more than 90 % of all insurable receivables are still hedged against a default. The internal credit management currently applied at MORTON SALT operates without hedging against defaults in payment. Taking into consideration the credit management pursued in the rest of the Group, this will be reviewed and, if necessary, adjusted in 2010.

Default risks also exist with respect to financial institutions with which we have concluded hedging transactions, with which credit lines exist or investments were made. This risk has increased recently due to the financial crisis and is limited by the fact that the financial transactions are only effected with institutions having good credit ratings. In order to ensure this, the creditworthiness of financial institutions is constantly monitored.

A potential default on receivables could have a moderate adverse effect on the financial position of the K+S GROUP. However, due to the selection of financial institutions as well as the diversification described above, we regard this as unlikely.

Assessment of overall risk situation

Overall risk is assessed on the basis of the risk management system in conjunction with the planning, management and control systems used. The main potential risks to the future development of the K+S GROUP are posed in particular by risks arising from fluctuations in supply and demand and risks stemming from the change of or refusal to grant permits by public agencies. On the basis of the findings of our medium-term planning, no such serious risks to future development are identifiable at the present time that could, whether individually or in conjunction with other risks, have a lasting and material adverse influence on the net assets, financial position and results of operations of the K+S Group. Future opportunities have not been considered in assessing the overall risk. In terms of organisation, we have fulfilled all the conditions for being able to recognise possible opportunities and risks in good time.

Subsequent Events

No material changes have occurred in the economic environment or in the position of our industry since the close of the financial year. No other events of material importance for the K+S Group requiring disclosure have occurred.

Forecast Report

Future Group directions

Planned changes in business policy

We do not intend to introduce any fundamental change in our business policy over the coming years. We wish to expand our market positions in our business segments, especially by increasing sales of speciality products, enhance our efficiency through the exploitation of further synergies, press ahead with the integration of Morton Salt as well as grow organically and externally in our core business sectors.

Future markets

During the past year, demand for potash and magnesium products in Europe decreased far more sharply than it did overseas. Consequently and as a result of the first-time inclusion of the North American salt producer Morton Salt in the fourth quarter, the share in revenues generated overseas rose markedly, so that, for the first time, Europe/overseas revenue shares for the K+S Group were almost equal. For us, as the largest European producer of potash and magnesium products, the pickup in demand expected for 2010, particularly in Europe, should again result in an increase in the revenues generated in this region. However, due to the first-time inclusion of Morton Salt for the whole year, overseas revenues will also increase considerably. Against this backdrop, we also expect that 2010 revenues will again be split almost equally between Europe and overseas.

The growing global population as well as the tendency for the emerging market countries to consume more meat and the associated increase in the need for feed should again boost demand for large parts of our fertilizer product range both in Europe and on overseas markets during the coming years. In the medium to long term, the growth rates of the overseas markets Latin America and South East Asia should thereby gain further momentum. We assume that, in these regions, we will sell a good third of our fertilizer products in future, deploying our efficient logistics.

The European salt market is a mature market with constantly high salt consumption, except for fluctuations in the use of de-icing salt due to weather conditions. In comparison to the more rapidly growing overseas markets, it displays low levels of susceptibility to fluctuations, thanks to developed structures and demand that is very differentiated. Since the acquisition of the Chilean salt producer SPL in 2006, we are, however, now also exploiting the potential offered by overseas markets that are more dynamic as a result of a growing and increasingly more prosperous population. The change in the habits of South Americans is leading to a marked increase in demand for food grade salt, industrial salt and salt for chemical use. Following the acquisition of Morton Salt, in North America we have now also tapped into the food grade salt and industrial salt segments and, moreover, gained access to regions of the North American de-icing salt market, which are characterised by a tendency to be less susceptible to fluctuation.

Future use of new processes

We are constantly working on process improvements to increase raw material exploitation and energy efficiency and to further reduce solid and liquid production residue. In the Potash and Magnesium Products business segment in particular, very promising processes enhancing economic efficiency and raw material exploitation are being developed for both underground and above-ground applications. Moreover, following the acquisition of Morton Salt, we want to identify the respective best practice processes on both sides of the Atlantic and implement them across the whole Salt business segment.

Future research and development

In the future too, we want to consistently pursue research and development goals defined in close consultation with marketing and production. Research expenditure in 2010 will rise, mainly due to consolidation factors. The already higher number of employees working in research in 2009 due to consolidation factors should remain roughly constant in the coming year andincrease further in 2011, in order to meet the coming challenges, in particular in the area of the environment.

In 2010 and 2011, the research projects carried out should include the following:

- the reorientation and optimisation of extraction and production processes with regard to increasing efficiency as well as the reduction of solid and liquid production residue. Within this framework, experiments on cooling or evaporating saline water, the further development of dry processing technologies and improvements in preliminary deposit explorations form important focal points;
- continued cooperation on research into the effects of the optimal application of fertilizer on the efficiency of the use of water of the soil/plant system;
- the development of plant protection products in collaboration with SYNGENTA;
- continued cooperation with the Dutch research institute WETSUS in, among other things, the use of renewable energies;
- the development of new stabilised and partly coated fertilizers for application on green spaces;
- research into optimising energy at saline works;
- at MORTON SALT, research will focus on new exploration borehole drilling processes as well as on drainage and drying processes for evaporated salt products.

Following the restructuring of the Nitrogen Fertilizers business segment, the development and trialling of speciality fertilizers from COMPO is managed by the newly established Research & Development Center of COMPO EXPERT. This coordinates the laboratory and field testing at research institutes at home and abroad. Research into nitrogenous fertilizers from the COMPO Consumer segment is carried out in the research facilities of the K+S Research Institute, at public agricultural and horticultural research facilities, as well as at universities of applied sciences and other universities in various countries. K+S NITROGEN collaborates closely with the K+S Research Institute and BASF's Limburgerhof agricultural centre. Moreover, we cooperate with universities and other university-level institutions in order to apply the findings from basic research to fertilizing practice.

Future products and services

- The high-purity potassium chloride of food grade quality (Food Chemicals Codex) suitable for the production of low-sodium foods, which is produced in a newly constructed facility at the Zielitz site, is currently at the stage of market launch and is intended to further consolidate our market position in the Healthcare & Food sector.
- In the SPL end customer business in South America, the product portfolio of the BIOSAL® and LOBOS® brands is being further expanded.

- At COMPO, the MAGNA® and MAGNACOTE® product lines are being developed. These highly concentrated granulates are used both in irrigation farming and in the non-irrigated cultivation of special crops.
- In North America, MORTON SALT currently introduces five new sea salt products into the food grade salt market. These new products enable us to participate in the strong growth in this market. The new products have already been very positively received by the trade.

Moreover, we assume no significant changes in our range of products and services.

Anticipated personnel development, anticipated personnel expenses

In future too, K+S will face competition for good employees. We will continue to bring particularly young people into the Company in order to respond to the demographic change timely and successfully. However, we also want to win older and experienced employees for our Company.

Despite the economic crisis, K+S continues to regard vocational training an important investment in the future and will therefore make no fundamental changes to its training policy. For our German companies, we continue to aim at a trainee ratio of about 6%. Training will continue to be given special emphasis. Also in the years to come, we want to recruit many of our future specialist and managerial personnel from our own ranks.

For the current year, we are expecting the number of employees to remain about the same as the number employed at the end of 2009 (15,208). With the inclusion of the employees of MORTON SALT for the whole year, the average number of employees in the coming year should, however, increase considerably, to about 15,150 (2009: 13,044; inclusion of the employees of MORTON SALT only in the fourth quarter). Personnel expenses should also increase significantly in 2010 due to consolidation factors.

Future macroeconomic situation

The following discussion about the future macroeconomic situation is essentially based on the assessements of the KIEL INSTITUTE FOR THE WORLD ECONOMY (Kiel Discussion Papers: Weltkonjunktur und deutsche Konjunktur im Winter 2009) and of DEKA BANK (Makro Research, Volkswirtschaft Prognosen of 12 February 2010).

Percentage change in Gross Domestic Product (real in %)

Year	Germany	EU-25/ EU-27	World
2011e	+ 1.4	+ 1.7	+ 3.8
2010e	+ 1.4	+ 0.8	+ 3.9
2009	(5.0)	(4.1)	(1.1)
2008	+ 1.3	+ 1.2	+ 3.1
2007	+ 2.5	+ 3.1	+ 4.8

Source: Deka Bank

The global economic recovery, which started in 2009, should also continue in 2010. From a global perspective, there is a different view: while production in the emerging market countries should increase quite powerfully, the economies of the industrialised nations will only experience a moderate upswing. Overall, it is expected that the global economic growth will probably amount to 3.9 % in 2010.

In the emerging market countries, a powerful upturn is anticipated, which can be attributed not only to increasing demand from the industrialised nations, but also primarily to considerable economic policy measures intended to stabilise domestic demand. Above all in China, the economy should continue to gather momentum. Meanwhile, growth in the gross domestic product of 9.5 % is again expected there.

For the United States, however, less dynamic development is anticipated than after previous recessions. This is primarily due to the decreasing effect of economic stimulus programmes and to no more than a sluggish recovery on the part of private households. The gross domestic product is expected to be at about 3.4 %, while the inflation rate, assuming a stable oil price, should be approximately 2.1 %.

In 2010, the recovery in the European Union will, in all likelihood, turn out to be modest. At 0.8 %, the gross domestic product should only display weak growth. At 1.7 %, the inflation rate will continue to be less than the maximum 2 % target set by the ECB. As in the United States too, the deficit situation of some eurozone countries is regarded as critical.

In Germany, a further low utilisation of capacity is to be expected during the course of 2010. This may be due to the only moderate economic recovery of the most important trading partners abroad. Domestic demand should, however, slowly gather momentum, with private consumption particularly seeing a significant increase in expenditure. A deterioration on the employment market is being compensated for by tax reliefs for private households, so that disposable incomes should increase significantly. As an annual average for 2010, an increase in real gross domestic product of 1.4 % is currently expected. The inflation rate is expected to be 0.9 %.

As relatively low pressure on prices is to be assumed in the coming year, despite the positive economic indicators, the central banks may leave their key interest rates at a low level until well into 2010. With respect to the oil price, we anticipate a level of about US$ 80 per barrel in 2010. The expectations for the annual average USD/EUR exchange rate are about 1.39 USD/EUR.

Impact on K+S:

- The economic upturn in the emerging market countries has continued and is improving the standard of living of the population of such countries. This is increasing per capita consumption of food, including meat, as well as the pressure on the agricultural sector to meet this challenge.
- As a result of the financial crisis, the strong decline in cereal prices in the agricultural sector led to uncertainty about the future income situation. The resultant volume of orders for fertilizers, which was lower throughout 2009, is starting to grow, boosted by the conclusion of supply contracts with China in December and the resultant return of confidence in price stability. Demand for potash fertilizers should again increase significantly due to the meanwhile lower stocks of straight fertilizers in the trade sector and due to the lower potash content of the soil following two very good harvests and the reduced application of fertilizers since autumn 2008. We therefore assume global potash sales volumes of about 45 million tonnes in 2010 as a whole (2009: just under 30 million tonnes).
- The global economic crisis has led to a deterioration in the possibilities and terms for borrowing. However, we are only affected by this to a limited extent, following the bond issue and the capital increase, which have provided us with a stronger financial base.
- Options are used to hedge incoming US dollar payments expected in coming years, which for 2010 define a worst-case scenario of about 1.45 USD/EUR incl. costs for planned revenues of the Potash and Magnesium Products business segment. Within the framework of translation hedging in the Salt business segment, hedging transactions exist, which guarantee a "worst case" translation of the hedged net position at 1.46 USD/EUR. The selected instruments also provide the K+S Group with the opportunity to participate in a potentially rising US dollar.

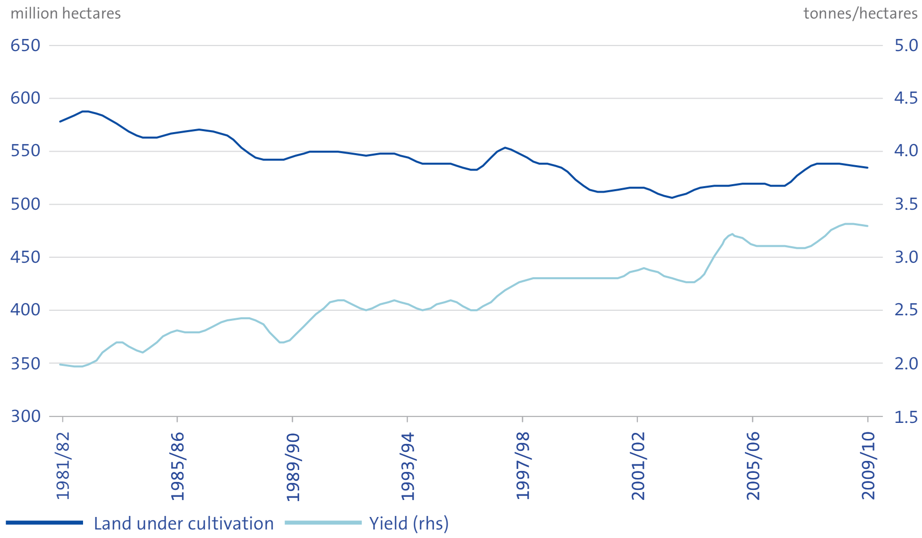
Future industry situation

Medium- to long-term trends that have a positive impact on demand for our products in the Fertilizers business sector remain uninterrupted, despite the financial crisis:

Fertilizers Business Sector

A global population that is growing by about 80 million people every year as well as, despite recurrent economic crises, changes in eating habits that are moving towards greater consumption of meat and, not least, the growing importance of renewable raw materials for the generation of bioenergy are all tending to increase demand for agricultural raw materials around the world. Especially against the backdrop of a decline in the availability of agricultural land per capita, this poses an enormous challenge for the agricultural sector. The following diagram shows that the land available for the cultivation of cereals worldwide decreased by a total of 0.3 % p.a. over the past 30 years. During the same period, the world's population has risen from about 4.4 billion to 6.9 billion people.

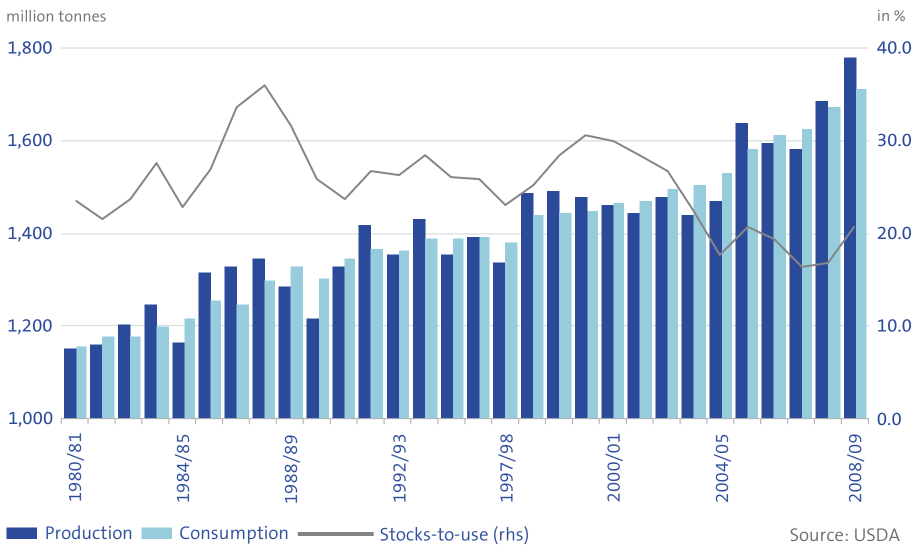
FIG. 32: LAND UNDER CULTIVATION AND YIELDS PER HECTARE FOR WHEAT AND COARSE GRAINS



Source: United States Department of Agriculture (USDA)

That cereal production could nevertheless increase over this period of time can be attributed to, among others, the use of mineral fertilizers for which there is no substitute. Balanced, sustainable mineral fertilizer use will remain a key factor also in the future for countering the decline in the land available for cultivation, prompted by urbanisation, erosion and flooding, by means of intensifying farming on the land that remains.

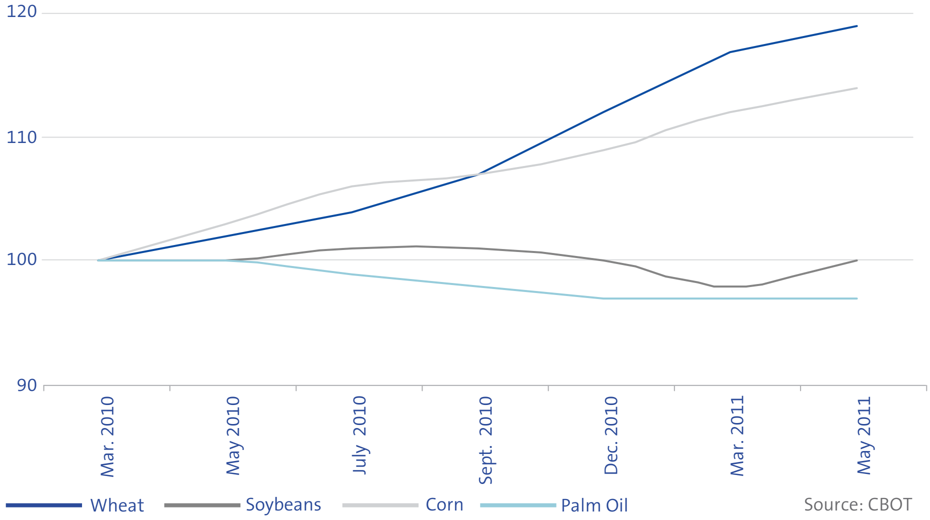
FIG. 33: EXCESS PRODUCTION/PRODUCTION DEFICIT AND STOCKS-TO-USE RATIOS FOR WHEAT AND COARSE GRAINS



Source: USDA

Despite the great efforts made on the production side over the past few decades, more cereals have tended to be consumed than produced. During the past financial year and in spite of the global economic crisis, fortunately, the highest global demand for cereals ever coincided with the largest areas under cultivation and the second-highest hectare yields in comparison to the past ten years. The latter was primarily due to very favourable weather conditions in the northern hemisphere. This resulted in cereal prices decreasing tangibly during the course of the year due to the unexpectedly large supply. Simply assuming the continuation of these very high yields per hectare and historically high areas under cultivation could, however, rapidly turn out to be too optimistic: If, for example, one assumes utilisation of land in the coming year corresponding to the average for the past five years, and an average yield per hectare during this period along with an unchanged level of growth in demand in the long-term average, this would result in the largest production deficit ever recorded in the past 30 years, which would, in turn, bring about sharply declining stocks of cereals. Parallels to the "food crisis" frequently cited in 2008 would be the logical consequence. In all probability, the futures for agricultural products, which fell sharply, have stabilised in the meantime and are above the current market price for wheat and maize (see following diagram).

Fig. 34: Futures for agricultural products (Index: March 2010, in %)



Source: CBOT

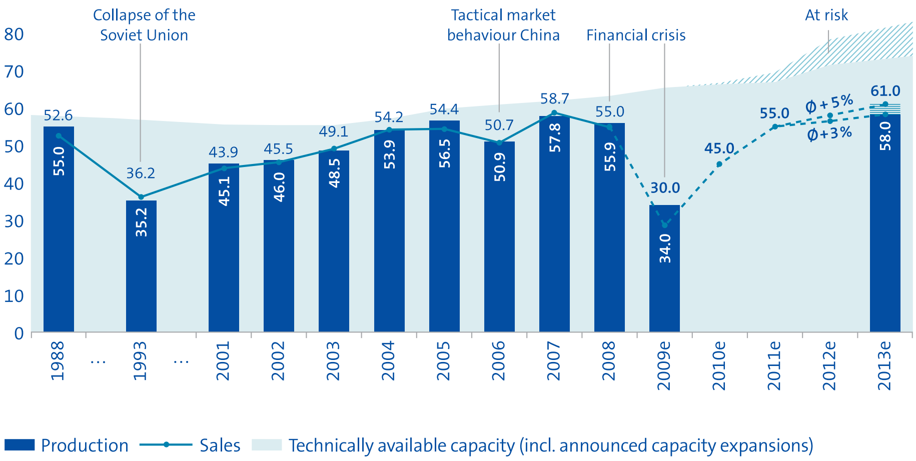
In 2010, demand for fertilizers and in particular for potash fertilizers, should again increase significantly due to the meanwhile lower stocks of straight fertilizers in the trade sector and due to the lower potash content of the soil following two very good harvests and the reduced application of fertilizers since autumn 2008. We therefore assume global potash sales volumes of about 45 million tonnes in 2010 as a whole (2009: about 30 million tonnes). For 2011, we estimate global potash sales volumes at about 55 million tonnes. The level of sales volumes that existed before the financial and economic crisis should thus almost be reached again. K+S, as the world's fourth-largest individual producer with a market share of more than 10 %, should noticeably participate in this.

With regard to the trend in prices: On 23 December 2009, the Russian/Belarusian export organisation BPC agreed contracts with Chinese importers concerning the delivery of one million tonnes for potassium chloride standard at US$/t 350 incl. freight. Against this backdrop, a level of US$/t 385 for potassium chloride standard and US$/t 400 for granulated potassium chloride has developed on the other overseas markets. At the start of 2010, K+S announced the new price for granulated potassium chloride of €/t 285 incl. freight. Moreover, an increase of at least € 10 from March was announced. Since the beginning of the year, demand has increased significantly, particularly in Asia, Brazil and Europe.

It is very difficult to forecast the medium-term potash price level. On the supply side, however, a further decline in the potash price would very probably result in the postponement or abandonment of much new potash capacities, thus far only planned. For the economic viability of time-consuming and very capital intensive new projects (Greenfield mines) is dependent on a reasonable potash price level: New capacity cannot be realised cost effectively at the price level prevailing three to four years ago. On the demand side, by contrast, not only a rapid normalisation of sales volumes, but also an additional pent-up demand would be anticipated in the event of significantly lower potash prices. As already in 2007/2008, this would confront the demand side with enormous production challenges. The consequence would once again be erratic price fluctuations, which would not serve the purpose of a sustainable and balanced supply and demand situation.

After decades during which the potash price remained almost constant until 2004 and the investment backlog this triggered, which also lasted for decades, the demand for potash in a globalised world with constantly rising dietary expectations cannot be met by the currently installed capacities alone.

FIG. 35: WORLD POTASH CAPACITY, PRODUCTION AND SALES VOLUMES (in million tonnes)



(Incl. sulphate of potash and low grade potash)

Sources: IFA, K+S

Salt business sector

Over the coming years too, the situation of the industry and competition will be shaped by the continuation of the consolidation process in the European salt industry. Depending on the level of freight costs, the intense competition characterising the market situation for European producers will be further exacerbated by rising imports from non-EU countries. As Europe's largest salt producer, we are well equipped to meet the challenges arising in this market environment. While demand in the food grade salt and industrial salt segments in Europe is expected to remain stable during the coming two years, sales volumes of salt for chemical use should again increase moderately in light of the emerging economic recovery.

With the Chilean salt producer SPL, the largest salt producer in South America, we have a very good starting point for participating in the dynamic growth of the South and Central American markets. While the demand from the chemical industry for salt for chemical use should also still be subdued due to the global economic crisis, the South American market for industrial salt and food grade salt should grow constantly in line with the local population development.

Following the acquisition of Morton Salt, the largest salt producer in North America in terms of production capacity, in the de-icing salt sector we have access to new markets with winter business in North America that is less susceptible to fluctuations. In the industrial salt and food grade salt segments too, North America is now among our most important sales regions. With the brands Umbrella Girl® and Windsor Castle®, Morton Salt has brands in the United States and Canada that are very well positioned in the consumer business, which should enable us to achieve stronger sales volumes of higher-margin speciality products.

Expected development of revenues and earnings

The following forecasts relate exclusively to the expected organic development of revenues and earnings; increases resulting from possible acquisitions and cooperation are not taken into consideration.

K+S Group

Revenues

Following the estimates in the outlook for the third quarter of 2009 and against the background of the demand and price trends emerging at the end of the year and during the course of the first quarter of 2010, revenues of the K+S Group should rise considerably in financial year 2010 against the previous year. While we assume a moderate increase in revenues in the Potash and Magnesium Products business segment and a tangible one in the Nitrogen Fertilizers business segment, we even expect a significantly higher level of revenues in the Salt segment. Alone as a result of the first-time inclusion of Morton Salt for a whole year, a consolidation effect of over € 500 million is anticipated. The revenue forecast assumes an average US dollar exchange rate of 1.39 USD/EUR (2009: 1.39 USD/EUR).

Costs

As the effect of the consolidation of Morton Salt is very marked, the main items in our income statement will increase significantly in comparison to the previous year.

The following forecast of the expected development of costs is structured by cost type: The total costs of the K+S Group should rise significantly year on year. This is mainly due to the first-time inclusion of Morton Salt for the whole year. If this consolidation-related effect, which impacts all cost types, is eliminated from the analysis, the following picture emerges: As far as personnel expenses are concerned, in light of the expected higher utilisation of capacity and the most recent higher pay settlements under collective bargaining agreements, we anticipate a moderate increase. Energy costs too should rise moderately in relation to the preceding year. In the course of projected higher sales volumes, we anticipate a correspondingly significant increase in freight costs as well as material costs, the increase in which is likely, however, to be rather moderate due to input costs lower than those for the previous year. We expect depreciation/amortisation charges – without the inclusion of Morton Salt, it should be noted – to be on about the same level as in the previous year.

The increase in total costs is thus explained both by the first-time inclusion of Morton Salt for a whole year as well as the expected increase in capacity utilisation and sales volumes, with the consolidation effect being by far the main factor.

Operating earnings

For the financial year 2010, we are forecasting significantly higher operating earnings EBIT I in comparison to last year’s figure. This depends primarily on the already described consolidation effect in the Salt business segment as well as on the incipient turnaround in earnings in the Nitrogen Fertilizers business segment. On the basis of our US dollar estimate of 1.39 USD/EUR (average rate for 2009: 1.39 USD/EUR) this does not result in a material currency-related effect.

Group earnings after taxes

The adjusted Group earnings after taxes should also be significantly higher in 2010 in line with the development of operating earnings. Our projection is based not only on the effects described for revenues and the operating earnings, but also on the following circumstances expected from today's perspective:

- In spite of higher interest payments, a somewhat better financial result, after this was negatively impacted by special effects in the previous year;
- A domestic Group tax rate to be applied in accordance with IFRSs of 27.9 % and an overall adjusted Group tax ratio derived from this of 25 % (2009: 23.7 %).

Forecast for 2011

After 2010 should be regarded as still a transitional year for the Fertilizers business sector, for 2011, we see opportunities to further increase revenues again. This projection is mainly based on higher revenues due to volume factors in the Potash and Magnesium Products and Nitrogen Fertilizers business segments. Given that, we see realistic chances of a further increase also in operating earnings, that should then also have a positive impact on adjusted Group earnings after taxes.

Potash and Magnesium Products Business Segment

The present sales situation is developing very positively. However, from today´s perspective it is still unclear to what extent this involves only a normalisation of the trade sector´s stocks or a sustainable normalisation of the end customers' demand. Our forecast is therefore based on an increase in sales volumes of just under 6 million tonnes of goods (2009: 4.3 million tonnes) and could still, if necessary, be adjusted upwards given a good spring season in Europe. Assuming the potash price current at the start of the year, a significantly lower average price level compared with that of the previous year is to be expected. On this basis, revenues in the Potash and Magnesium Products business sector in 2010 should increase slightly as against the previous year. Despite the expected higher production output, the total costs should only rise moderately, due to the high proportion of fixed costs and the cost reduction measures already launched last year. Operating earnings of the business segment should therefore again reach the previous year's level.

From the perspective of today, for 2011, we assume a further increase in the level of sales volumes and thus see opportunities for a further improvement in revenues and earnings.

Nitrogen Fertilizers Business Segment

In financial year 2010, revenues of the Nitrogen Fertilizers business segment should increase tangibly. While there is a high level of competitive pressure in the consumer sector and lower average mineral fertilizer prices against previous year, there are significantly increasing sales volumes for nitrogen fertilizers. While the Nitrogen Fertilizers business segment was still adversely impacted last year by high raw material costs, a low level of capacity utilisation due to weak demand for speciality mineral and stabilised fertilizers as well as one-off costs, for the current year, we anticipate a more favourable raw material cost basis and an increasing utilisation of capacity (>90%) as a result of growing demand for fertilizers. After the high losses of the previous year, moderately positive earnings should therefore be possible this year.

In 2011, revenues should continue to increase; on the one hand, a renewed increase in macroeconomic activity and the resultant strengthening of the propensity to consume, and, on the other, higher consumption and average prices for nitrogen fertilizers should also result in an tangible increase in operating earnings.

Salt Business Segment

As a result of the first-time inclusion of MORTON SALT for the whole year, a consolidation effect of over € 500 million is expected in the revenues for 2010. MORTON SALT was included as of 1 October 2009. The very good start with de-icing salt in Europe due to weather conditions was, so far, able to make up for a lower-than-average business with de-icing salt in North America. Overall, we therefore anticipate a significant increase in revenues in the Salt business segment, mainly as a result of consolidation factors. This forecast takes into consideration an average de-icing salt business in the fourth quarter as well as a relatively stable development in revenues in the food grade salt and industrial salt segments. In the case of salt for chemical use, we again expect a moderate increase in sales volumes in view of the emerging economic recovery. Without taking into consideration the consolidation effect, on the costs side smaller costs arising from one-time effects connected with the acquisition of MORTON SALT will be accompanied by moderately increasing energy costs in particular. Operating earnings should therefore be clearly higher than for the previous year, mainly due to consolidation factors.

As against the level of revenues for 2010, we anticipate a stable development of revenues for 2011 and moderately higher operating earnings on the basis of normal winter business.

Complementary Business Segments

In the Complementary Business Segments, we expect a moderate increase in revenues. The Waste Management and Recycling sector should see particular growth. For operating earnings, we expect a significant increase compared with the previous year, which primarily results from the higher contributions to earnings deriving from waste management and logistics.

For 2011, we expect from today's perspective a stable development in revenues and earnings of the Complementary Business Segments.

Anticipated financial position

Expected financing structure

With net indebtedness (including non-current provisions) of € 1,338.9 million and a level of indebtedness of 61.2 %, the K+S GROUP has a strong financial base as a result of normally high operating and free cash flows. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities. In view of the expected earnings development and without taking into account possible acquisitions, share repurchase transactions or CTA allocations, the development of the level of our financial debt should be tangibly regressive compared with the previous year; subject to these conditions, we will, in all likelihood, also display an equity ratio of more than 40 % in 2010 and 2011, and the level of indebtedness should be under 60 %.

Expected development of liquidity

For the current and the coming year, we are anticipating a positive development of liquidity; the projected development of earnings should also have an impact on the cash flow provided by operating activities. The latter might tangibly exceed outlays connected with capital expenditure, so that we can expect to generate a positive free cash flow over the next two years.

Planned capital expenditure

K+S Group

Our aim is essentially that capital expenditure related to maintenance and safeguarding production capacity will not exceed the level of depreciation. Also, cash flow from operating activities should offer sufficient scope for profitable investments in expansion and rationalisation projects.

In October 2008, K+S has announced a comprehensive package of measures on water protection for the Hesse and Thuringia potash district. The resultant investments to improve the water quality total up to € 360 million until 2015. The year 2010 is expected to account for € 50 to € 60 million of this amount. The volume of capital expenditure in 2010 including the investments at Morton Salt should therefore total approximately € 260 million. Investments relating to replacement and ensuring production should account for a good 80 % of that amount; this share should thus be slightly below the expected depreciation of € 230 million.

In 2011, the K+S Group's capital expenditure should, in the light of expenditure of just under € 80 million accounted for by the package of measures, amount to € 300 million. Measures relating to replacement and ensuring production will again account for a good 80 % of this.

Potash and Magnesium Products Business Segment

Capital expenditure in 2010 should, at a good € 160 million, exceed the value of 2009 due to expenditure for the package of measures accounting for € 50 to € 60 million. The focus will also be on projects aimed at increasing raw material exploitation and process optimization. Furthermore, 2010 will be marked by measures designed to save energy at the Zielitz site. In all, maintenance and ensuring production capacity will account for a good 80 % of the volume of capital expenditure.

In 2011, the level of capital expenditure should be € 200 million considering the investments of just under € 80 million due to the package of measures. This assumes that we will receive approval for the planned construction of the saline water pipeline from the Neuhof site to the Werra plant (approximately € 30 million). Investments for measures relating to replacement and ensuring production will account for a good 80% of the volume of capital expenditure.

Nitrogen Fertilizers Business Segment

The volume of capital expenditure should be approximately € 10 million in each of 2010 and 2011 and therefore roughly at the level of 2009. The construction of the third facility for coated fertilizers at the Krefeld site will be completed in 2010. Product development projects in the COMPO consumer sector will account for a further part of capital expenditure. The expansion investment component should again be slightly above that of replacement investments in 2010.

Salt Business Segment

The volume of capital expenditure in the Salt business segment should increase significantly to about € 70 million in 2010; Morton Salt accounts for a good € 40 million of this. Approximately 80% will be invested in measures relating to replacement and ensuring production. The priority here will be the modernization of a shaft winding engine at the Borth site in Germany, major overhauls extending the useful life of the Empremar shipping company's ships, the modernization of a loading terminal and the expansion of the sifting capacity at SPL. Furthermore, at Morton Salt, the modernization of a loading terminal in the Bahamas and the installation of more efficient crystallization facilities at the Grand Saline site will be continued.

Capital expenditure of approximately € 70 million can also be expected for 2011.

Complementary Business Segments

Capital expenditure in each of 2010 and 2011 will be approximately € 3 million and will therefore be below the level for the year under review (€ 4.6 million). This amount will be divided in roughly equal parts into the Waste Disposal and Recycling, Logistics and Animal Hygiene Products business segments and will primarily include measures relating to replacement and ensuring production.

Expected development of dividends

Dividend payment for financial year 2009

Development of dividends
(in €)

Year	Dividend per share
2009	0.20
2008	2.40
2007	0.50
2006	0.50
2005	0.45

On 14 May 2009, the dividend for 2008 in the amount of € 396.0 million was paid from the accumulated profit of € 399.4 million available at the end of 2008. In financial year 2009, K+S AG achieved net income for the year of € 42.8 million (2008: € 629.4 million). After the inclusion of profit carried forward amounting to € 3.4 million, of those € 46.2 million are disclosed as balance sheet profit.

As a result of the strong decrease in the adjusted earnings of the K+S Group in 2009 and in line with our long-term dividend policy, the Board of Executive Directors proposes to the Annual General Meeting the payment of a dividend of € 0.20 per share (previous year: € 2.40 per share).

Assuming that we will not hold any own shares on the date of the Annual General Meeting, this will result in a total dividend payment of € 38.3 million; a dividend payout rate of 41% is within the payout corridor of 40% to 50% of the adjusted K+S Group earnings that we are in principle seeking to achieve.

Future dividend policy

We pursue a dividend policy that is in principal earnings-based. According to this, a dividend payout rate of 40% to 50% of the adjusted Group earnings forms the basis for future dividend recommendations to be determined by the Board of Executive Directors and the Supervisory Board. The significant increase of the adjusted Group earnings after taxes expected for 2010 should have a corresponding impact on the future dividend payment. For 2011, due to the anticipated improvement in the earnings level, an appropriate increase in the dividend is possible.

Opportunities

Opportunities from the development of framework conditions

The historically relatively low ratio of stocks of important agricultural products to annual consumption already described under the heading Future industry situation on page 146 et seqq. should in future be reflected in the price determination for agricultural products. Attractive price levels will in turn encourage farmers worldwide to both utilise any additional available land and to increase the intensity of cultivation. Both these elements require greater use of fertilizers and could result in global demand for fertilizers after 2010 again rising at a faster pace than the 2% to 3% per year hitherto forecast.

Corporate strategy opportunities

In view of the high level of utilisation of the technical capacity available to us in Germany in normal years, we have for some time now been working in the Potash and Magnesium Products business segment to expand our potash capacities, and have been reviewing projects within as well as outside Europe. The construction of a new potash mine requires a mining licence and generally involves long preparatory periods for exploration, the construction of shafts and the establishment of surface infrastructure. However, we are confident that, at least over the medium term, we will be able to continue to strengthen the earnings capacity of the business segment not only in terms of price, but also through a higher sales volume.

The acquisition of MORTON SALT, apart from the consistent exploitation of logistical and production-process-oriented synergies, also opens up new earnings potential to be realized in the consumer business. In particular, the continuing expansion of the product range distributed in North America under the very well known UMBRELLA GIRL® and WINDSOR CASTLE® salt brands should result in sustainable margin improvements.

A further expansion of the Chilean salt producer SPL also provides an opportunity to increase the enterprise value of the K+S GROUP. Our in global terms very attractive cost structures and regional possibilities of expansion into existing markets as well as markets not as yet serviced provide us with new opportunities.

Economic performance opportunities

A decrease in energy costs would have a favourable impact on the cost structure and thus the business success of the energy-sensitive Potash and Magnesium Products and Salt business segments. A decrease in K+S‘ energy costs from the current level by 10 % means approximately € 25 million lower costs per year; a corresponding decrease in freight costs would result in a reduction of about € 45 million. In addition, energy and ammonia costs have tended to move in tandem historically: accordingly, it is highly probable that a decrease in energy costs would also result in lower ammonia costs and thus in lesser procurement costs in the Nitrogen Fertilizers business segment. A sustainable decrease in freight costs could also have a positive effect on the cost structure.

Other opportunities

In the autumn of 2004, rising fuel and electricity prices prompted us to revise our energy concept for the Group’s Werra potash compound site. In conjunction with E.ON ENERGY FROM WASTE, a technical concept was developed for the construction of an substitute fuel power plant aligned to the existing facilities. With the facility becoming operational at the end of 2009, the dependence of the Wintershall potash plant on expensive natural gas will be greatly reduced; with current energy costs this gives annual potential savings in the middle of the single-digit millions range. A similar concept is being planned at Frisia Zout in the Netherlands.

General statement on the expected development of the K+S Group

Overview of revenues and earnings trends described*

in € million	Potash and Magnesium Products	Nitrogen Fertilizers	Salt	Complementary Business Segments	K+S
Revenues 2009	1,421.7	1,016.2	1,014.6	120.7	3,573.8
Revenues 2010	+	+ +	+ + +	+	+ + +
Revenues 2011	+	+	o	o	+
EBIT I 2009	231.7	(108.1)	140.4	15.2	238.0
EBIT I 2010	o	+ + +	+ + +	+ +	+ + +
EBIT I 2011	+	+ +	+	o	+

* Trend year-on-year; –/+: slight to moderate; – –/++: tangible; – – –/+++: significant

The fertilizer business is again increasing appreciably in terms of volume, and the salt business is again profiting from a good de-icing salt demand this year. For the business development in 2010, we are therefore expecting, from today's perspective – above all as a result of the first-time inclusion of Morton Salt for the entire year – a significant increase in revenues. In the case of earnings too, on account of the impending operating turnaround in the nitrogen fertilizers business and Morton Salt's first-time earnings contribution for the entire year, we are confident that we will again be able to report significant gains as compared with the previous year.

In view of the agricultural land which is only available to a limited extent globally, a fertilizing intensity which was slight in the past year across all nutrients and which will still be insufficient in the years to come, and probably a more normal and therefore less favourable overall weather situation in important producing regions of the world as compared with the previous year, the future cereal supply should not keep pace with the demand; a positive price impulse would be the logical consequence and should additionally support the pent-up demand for fertilizers. In 2011, we therefore expect to see a further increase in the sales volumes of the mineral fertilizers we offer, so that there are good opportunities for both revenues and earnings of the K+S Group to increase further in relation to the expected values for 2010.

Our outlook for the years 2010 and 2011 is based, among other things, on the following assumptions:

- a continuously normalising demand for potash fertilizers,
- a US dollar rate of approximately 1.39 USD/EUR,
- tangibly increasing oil and gas prices,
- an average de-icing salt business in the fourth quarter of 2010 and average sales volumes of de-icing salt in 2011 in Europe and North America.

Moreover, further growth in our core business sectors remains the focal point of our strategy and encompasses both acquisitions and cooperation arrangements.

Guarantee of the legal representatives of K+S Aktiengesellschaft

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, the consolidated financial statements give a true and fair view of the asset, liabilities, financial position and profit or loss of the Group, and the 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, 23 February 2010

K+S Aktiengesellschaft
The Board of Executive Directors

Forward-looking statements

This financial 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 risks arise – examples of which are mentioned in the risk report – actual developments and events may deviate from current expectations. Outside statutory disclosure provisions, the Company does not take any obligation to update the statements contained in this management report.

Living:
INTERNATIONALITY

As a result of the global economic crisis, financial year 2009 presented a real challenge, but it has shown that, even during a difficult economic crisis, we can seek, find and exploit opportunities. With the acquisition of Morton Salt, we have considerably expanded our internationality and been able to position ourselves at the top of the global salt market. By connecting two successful companies with many years of know-how, we will also continue to go for sustainable growth for the K+S Group and, as a strong Company, shape the future together while creating and preserving values.

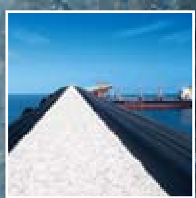
1:1 SCALE

File	CONSOLIDATED FINANCIAL STATEMENTS K+S GROUP
Description	Conveyor belt in SPL's own Puerto Patillos port facility
Location	Pacific coast of Chile

PAGE

CONSOLIDATED FINANCIAL STATEMENTS OF THE K+S GROUP

■ CONSOLIDATED FINANCIAL STATEMENTS



Living:
INTERNATIONALITY

Conveyor belt in SPL's own Puerto Patillos port facility

Auditor's Report

We have audited the consolidated financial statements, consisting of the balance sheet, income statement, statement of changes in equity, cash flow statement and notes, prepared by K+S Aktiengesellschaft, Kassel, as well as the group management report for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Report Standards (IFRSs) as applied within the EU and the supplementary commercial law provisions as applied in accordance with Sec. 315a, para. 1 of the German Commercial Code (HGB) is the responsibility of the company's Board of Executive Directors. Our responsibility is to express an opinion of the consolidated financial statements and the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and per-form the audit in such manner that material misstatements affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting rules and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group as well as evaluations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control relating to the accounting system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of con-solidation, the accounting and consolidation principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on our audit findings, the consolidated financial statements of K+S Aktiengesellschaft, Kassel, comply with the IFRSs as applied in the EU as well as the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with such provisions. The group management report is consistent with the consolidated financial statements, provides a suitable understanding of the position of the Group and suitably presents the risks of future development.

Hanover, 25 February 2010

Deloitte & Touche GmbH	(Prof. Dr. Beine)	(Römgens)
Wirtschaftsprüfungsgesellschaft	Auditor	Auditor

Income Statement

in T€	Notes	2009	2008
Revenues	[1]	**3,573,784**	**4,794,397**
Cost of sales		2,343,873	2,552,859
Gross profit		**1,229,911**	**2,241,538**
Selling expenses		712,455	775,986
General and administrative expenses		123,056	104,364
Research and development costs		18,720	18,070
Other operating income 1)	[2]	154,514	159,535
Other operating expenses 1)	[3]	253,282	167,023
Income from investments, net	[4]	921	2,519
Result from operating forecast hedges 1)	[5]	(35,946)	(145,849)
Result after operating hedges (EBIT II) 2)		**241,887**	**1,192,300**
Interest income	[6]	4,652	25,056
Interest expenses	[6]	(61,714)	(29,652)
Other financial result	[7]	(58,384)	11,353
Financial result		**(115,446)**	**6,757**
Earnings before income taxes		**126,441**	**1,199,057**
Taxes on income	[8]	29,574	327,686
- of which deferred taxes		(8,659)	61,374
Net income		**96,867**	**871,371**
Minority interests in earnings		483	485
Group earnings after taxes and minority interests		**96,384**	**870,886**
Earnings per share in € (undiluted ≙ diluted)	[11]	0.58	5.28
Operating earnings (EBIT I) 2)		**237,991**	**1,342,673**
Earnings before income taxes, adjusted 3)		**122,545**	**1,349,430**
Group earnings, adjusted 3)	[11]	**93,575**	**979,305**
Earnings per share in €, adjusted 3)	[11]	**0.56**	**5.94**
Average number of shares in million		166.15	164.95

Statement of Comprehensive Income

in T€	Notes	2009	2008
Net income		**96,867**	**871,371**
Available-for-sale financial assets		–	(20,296)
Foreign currency translation		6,334	18,697
Earnings without recognition in profit or loss		**6,334**	**(1,599)**
Comprehensive income		**103,201**	**869,772**
Minority interests in comprehensive income		483	485
Group comprehensive earnings after taxes and minority interests		**102,718**	**869,287**

Operating Earnings (EBIT I)

in T€	Notes	2009	2008
Result after operating hedges (EBIT II) 2)		**241,887**	**1,192,300**
+/- Result from operating forecast hedges 1),2)	[5]	35,946	145,849
+/- Realized earnings from operating forecast hedges 2)		(39,842)	4,524
Operating earnings (EBIT I) 2)		**237,991**	**1,342,673**

1) Since financial year 2009, all income from operating forecast hedges is shown under "Result from operating forecast hedges". That part of the hedging income which was recorded under "Other operating income" and "Other operating expenses" in the previous year has been reclassified under this item (see also "Notes to the income statement and statement of comprehensive income" on page 190 et seqq.). The previous year also includes income from no longer operating derivatives.

2) Management of the K+S Group is handled on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded below the income statement. For more information, see "Notes to the income statement and statement of comprehensive income" on page 190 et seqq.

3) The adjusted key figures include without change only realised income from operating forecast hedges of the reporting period in question. However, market value changes from still outstanding operating forecast hedges are not taken into account in the adjusted earnings. Related effects on deferred and cash taxes are likewise eliminated; tax rate 2009: 27.9 % (2008: 27.9 %).

Cash Flow Statement

in T€	Notes	2009	2008
Result after operating hedges (EBIT II)		**241,887**	**1,192,300**
Income (-)/expenses (+) from market value changes of hedging transactions not yet due		9,664	15,351
Neutralising previous market value changes of derecognised hedging transactions		(13,560)	(1,722)
Income (-)/expenses (+) from double-knock-out options		–	136,744
Operating earnings (EBIT I)		**237,991**	**1,342,673**
Depreciation (+)/write-ups (-) on intangible assets, property, plant and equipment and financial assets		173,785	141,712
Increase (+)/decrease (-) in non-current provisions (without interest rate effects)		6,496	(29,527)
Interests, dividends and similar income received		4,474	5,068
Realised gains (+)/losses (-) on the disposal of financial assets and securities		1,092	11,508
Interest paid		(63,774)	(26,423)
Remaining financial costs (-)/ financing income (+)		532	(495)
Income tax paid (-)/received (+)		(38,233)	(266,312)
Other non-cash expenses (+)/income (-)		1,556	(262)
Gross cash flow		**323,919**	**1,177,942**
Gain (-)/loss (+) on the disposal of fixed assets and securities		368	(9,704)
Increase (-)/decrease (+) in inventories		210,179	(314,599)
Increase (-)/decrease (+) in receivables and other assets other assets from operating activities		171,849	(181,081)
- of which premium volume for derivatives		38,212	(46,334)
Payments from the exercise/sale of double-knock-out options		–	37,559
Increase (+)/decrease (-) in liabilities from operating activities		(138,716)	13,864
- of which premium volume for derivatives		(3,321)	4,400
Increase (+)/decrease (-) of current provisions		(30,480)	86,078
Out-financing of provisions		(2,295)	(7,351)
Cash flow from operating activities		**534,824**	**802,708**
Proceeds from disposals of fixed assets		5,526	2,501
Disbursements for intangible assets		(4,479)	(7,146)
Disbursements for property, plant and equipment		(168,281)	(160,977)
Disbursements for financial assets		(1,778)	(4,561)
Disbursements for the acqisition of consolidated companies	[41]	(1,176,897)	(9)
Proceeds from sale (+)/disbursements (-) for acquisition of securities		–	27
Cash flow for investing activities		**(1,345,909)**	**(170,165)**
Free cash flow		**(811,085)**	**632,543**
Dividends paid		(396,000)	(82,500)
Payments from the issuance of new shares (less ancillary costs)		668,132	–
Payments from other allocations to equity		7,922	3,187
Purchase of own shares		(13,901)	(6,122)
Sale of own shares		1	746
Increase (+)/decrease (-) in liabilities from finance lease		(1,196)	(335)
Taking out (+)/repayment (-) of loans		156,174	(232,953)
Incoming payments (+)/repayments(-) from the issuing of bonds		746,985	–
Cash flow from/for financing activities		**1,168,117**	**(317,977)**
Change in cash and cash equivalents affecting cash flow		**357,032**	**314,566**
Changes in cash and cash equivalents resulting from exchange rates		1,646	(195)
Consolidation-related changes		879	(2,411)
Change in cash and cash equivalents		**359,557**	**311,960**
Net cash equivalents as of 1 January		**160,560**	**(151,400)**
Net cash equivalents as of 31 December	[42]	**520,117**	**160,560**

Balance Sheet

in T€	Notes	2009	2008	2007
Intangible assets	[12]	915,306	177,137	172,481
- of which goodwill from acquisitions	[12]	548,006	104,839	99,724
Property, plant and equipment		1,728,342	1,246,430	1,124,804
Investment properties	[13]	7,940	7,773	7,899
Financial assets	[14]	22,386	22,270	17,815
Receivables and other assets	[17, 18]	264,258	33,160	126,301
- of which derivate financial instruments		–	17,638	113,139
Securities		–	–	37,133
Deferred taxes	[15]	32,692	46,299	70,053
Recoverable income taxes		476	543	547
Non-current assets		**2,971,400**	**1,533,612**	**1,557,033**
Inventories	[16]	680,365	684,611	368,637
Accounts receivable - trade	[17]	849,634	901,535	757,237
Other receivables and assets	[17, 18]	152,218	155,319	195,533
- of which derivate financial instruments		19,554	48,727	92,196
Recoverable income taxes		29,785	30,855	36,951
Cash on hand and balances with banks		529,067	167,823	49,411
Current assets		**2,241,069**	**1,940,143**	**1,407,769**
ASSETS		**5,212,469**	**3,473,755**	**2,964,802**

Statement of Changes in Equity

in T€	Subscribed capital	Additional paid-in capital	Accumulated profit/ other reserves [22]
Balances as of January 2009	165,000	4,466	1,564,169
Comprehensive income	–	–	96,384
Dividend for the previous year	–	–	(396,000)
Issuance of shares to employees	–	(1,583)	–
Capital increase from cash contributions	26,400	662,468	–
Capital increase costs (after taxes)	–	(16,519)	–
Other changes in equity	–	–	(1,578)
Balances as of 31 December 2009	**191,400**	**648,832**	**1,262,975**
Balances as of 1 January 2008	108,800	7,649	829,599
Comprehensive income	–	–	870,886
Dividend for the previous year	–	–	(82,500)
Issuance of shares to employees	–	(3,183)	–
Capital increase out of retained earnings	56,200	–	(56,200)
Other changes in equity	–	–	2,384
Balances as of 31 December 2008	**165,000**	**4,466**	**1,564,169**

in T€	Notes	2009	2008	2007
Subscribed capital	[20]	191,400	165,000	108,800
Additional paid-in capital		648,832	4,466	7,649
Other reserves and accumulated profit	[21]	1,252,623	1,547,483	814,512
Minority interests		1,815	1,332	847
Equity		**2,094,670**	**1,718,281**	**931,808**
Bank loans and overdrafts	[28]	1,146,414	107,116	360,223
Other liabilities	[18, 28]	18,595	21,548	29,976
- of which derivative financial instruments		4,490	7,015	14,849
Provisions for pensions and similar obligations	[24]	181,852	93,064	125,754
Provisions for mining obligations	[25]	419,217	378,306	357,565
Other provisions	[26, 27]	220,070	97,646	123,839
Deffered taxes	[15]	245,152	58,677	21,662
Non-current debt		**2,231,300**	**756,357**	**1,019,019**
Bank loans and overdrafts	[28]	120,481	159,288	328,067
Account payable - trade	[28]	346,908	465,357	409,091
Other liabilities	[18, 28]	77,389	61,151	70,615
- of which derivative financial instruments		3,303	17,209	2,006
Income tax liabilities		41,637	25,820	6,155
Provisions	[25, 26, 27]	300,084	287,501	200,047
Current debt		**886,499**	**999,117**	**1,013,975**
EQUITY AND LIABILITIES		**5,212,469**	**3,473,755**	**2,964,802**

Differences from foreign currency translation [22]	Available-for-sale financial assets	Total K+S AG shareholders' equity	Minority interests	Equity
(16,686)	–	1,716,949	1,332	1,718,281
6,334	–	102,718	483	103,201
–	–	(396,000)	–	(396,000)
–	–	(1,583)	–	(1,583)
–	–	688,868	–	688,868
–	–	(16,519)	–	(16,519)
–	–	(1,578)	–	(1,578)
(10,352)	**–**	**2,092,855**	**1,815**	**2,094,670**
(35,383)	20,296	930,961	847	931,808
18,697	(20,296)	869,287	485	869,772
–	–	(82,500)	–	(82,500)
–	–	(3,183)	–	(3,183)
–	–	–	–	–
–	–	2,384	–	2,384
(16,686)	**–**	**1,716,949**	**1,332**	**1,718,281**

Development of Fixed Assets 2009/2008

	Gross carrying amounts						
in T€	Balance as of 01.01.2009	Change from consolidation	Additions	Disposals	Reclassi-fication	Currency differences	Balance as of 31.12.2009
Concessions, industrial property rights, similar rights & assets as well as licences for such rights & assets	114,068	306,408	2,661	4,868	5,545	2,757	426,571
Goodwill from acquisitions	104,839	442,145	–	–	–	1,022	548,006
Internally generated intangible assets	9,668	–	1,288	–	(2,405)	–	8,551
Emission rights	97	–	–	–	–	–	97
Payments on account	5,707	–	530	503	(2,927)	–	2,807
Intangible assets[12]	**234,379**	**748,553**	**4,479**	**5,371**	**213**	**3,779**	**986,032**
Land, rights similar to land and buildings, including buildings on third-party land	529,375	177,107	14,857	7,363	8,279	3,044	725,299
Salt deposits	255,402	73,250	–	–	–	(6,529)	322,123
Technical equipment and machinery	1,780,443	167,924	97,773	22,221	43,317	2,188	2,069,424
Ships	55,244	2,715	6,093	43	83	(1,854)	62,238
Other equipment, fixtures and fittings	218,862	7,632	24,262	5,920	1,090	264	246,190
Payment on account and constructions in progress	57,204	36,159	32,575	1,329	(52,982)	587	72,214
Leasing and similar rights	3,459	6,935	–	–	–	140	10,534
Property, plant and equipment	**2,899,989**	**471,722**	**175,560**	**36,876**	**(213)**	**(2,160)**	**3,508,022**
Investment properties[13]	**17,158**	**559**	**31**	**885**	**–**	**(1)**	**16,862**
Investments in associated companies	11,763	(275)	593	–	–	–	12,081
Loans to associated companies	390	–	–	134	–	–	256
Investements	8,451	2,215	918	29	–	20	11,575
Loans to companies in which equity interests are held	835	–	–	206	–	–	629
Sundry loans and other financial assets	2,022	–	236	756	–	–	1,502
Financial assets [14]	**23,461**	**1,940**	**1,747**	**1,125**	**–**	**20**	**26,043**
Fixed assets	**3,174,987**	**1,222,774**	**181,817**	**44,257**	**–**	**1,638**	**4,536,959**

	Gross carrying amounts						
in T€	Balance as of 01.01.2008	Change from consolidation	Additions	Disposals	Reclassi-fication	Currency differences	Balance as of 31.12.2008
Concessions, industrial property rights, similar rights & assets as well as licences for such rights & assets	110,808	–	3,517	3,915	896	2,762	114,068
Goodwill from acquisitions	99,724	–	9	–	–	5,106	104,839
Internally generated intangible assets	7,102	–	1,540	450	1,429	47	9,668
Emission rights	126	–	–	29	–	–	97
Payments on account	5,643	–	2,126	85	(1,984)	7	5,707
Intangible assets [12]	**223,403**	**–**	**7,192**	**4,479**	**341**	**7,922**	**234,379**
Land, rights similar to land and buildings, including buildings on third-party land	467,294	–	69,949	11,864	3,793	203	529,375
Salt deposits	243,396	–	–	1,449	–	13,455	255,402
Technical equipment and machinery	1,691,404	–	81,222	24,629	31,940	506	1,780,443
Ships	26,070	–	28,725	1,093	36	1,506	55,244
Other equipment, fixtures and fittings	205,746	78	20,646	7,895	422	(135)	218,862
Payments on account and construction in progress	43,420	–	49,992	238	(36,532)	562	57,204
Leasing and similar rights	3,388	–	61	–	–	10	3,459
Property, plant and equipment	**2,680,718**	**78**	**250,595**	**47,168**	**(341)**	**16,107**	**2,899,989**
Investment properties [13]	**17,395**	**–**	**–**	**238**	**–**	**1**	**17,158**
Investments in associated companies	8,856	697	2,460	250	–	–	11,763
Loans to associated companies	74	–	316	–	–	–	390
Investments in associated companies	7,592	–	1,066	207	–	–	8,451
Loans to companies in which equity interests are held	41	–	800	6	–	–	835
Sundry loans and other financial assets	2,643	–	181	808	–	6	2,022
Financial assets [14]	**19,206**	**697**	**4,823**	**1,271**	**–**	**6**	**23,461**
Fixed assets	**2,940,722**	**775**	**262,610**	**53,156**	**–**	**24,036**	**3,174,987**

Depreciation, amortisation and write-downs									Net carrying amounts
Balance as of 01.01.2009	Change from consolidation	Scheduled additions	Non-scheduled additions	Disposals	Reclassi-fications	Write-ups	Currency differences	Balance as of 31.12.2009	**Balance as of 31.12.2009**
54,022	–	16,702	123	4,728	2,487	–	(59)	68,547	358,024
–	–	–	–	–	–	–	–	–	548,006
3,220	–	923	521	–	(2,485)	–	–	2,179	6,372
–	–	–	–	–	–	–	–	–	97
–	–	–	–	–	–	–	–	–	2,807
57,242	**–**	**17,625**	**644**	**4,728**	**2**	**–**	**(59)**	**70,726**	**915,306**
235,894	–	20,074	103	735	15	–	44	255,395	469,904
4,100	–	2,219	–	–	–	–	(32)	6,287	315,836
1,233,681	–	102,433	105	20,719	(17)	–	244	1,315,727	753,697
4,541	–	6,902	–	4	–	–	(154)	11,285	50,953
174,001	–	20,629	–	5,611	–	–	103	189,122	57,068
115	–	–	–	–	–	–	–	115	72,099
1,227	–	528	–	–	–	–	(6)	1,749	8,785
1,653,559	**–**	**152,785**	**208**	**27,069**	**(2)**	**–**	**199**	**1,779,680**	**1,728,342**
9,385	**–**	**57**	**–**	**520**	**–**	**–**	**–**	**8,922**	**7,940**
372	–	–	1,100	–	–	–	–	1,472	10,609
74	–	–	10	–	–	–	–	84	172
735	–	–	1,356	–	–	–	–	2,091	9,484
–	–	–	–	–	–	–	–	–	629
10	–	–	–	–	–	–	–	10	1,492
1,191	**–**	**–**	**2,466**	**–**	**–**	**–**	**–**	**3,657**	**22,386**
1,721,377	**–**	**170,467**	**3,318**	**32,317**	**–**	**–**	**140**	**1,862,985**	**2,673,974**

Depreciation, amortisation and write-downs									Net carrying amounts
Balance as of 01.01.2008	Change from consolidation	Scheduled additions	Non-scheduled additions	Disposals	Reclassifi-cation	Write-ups	Currency differences	Balance as of 31.12.2008	**Balance as of 31.12.2008**
48,432	–	8,768	331	3,913	63	79	420	54,022	60,046
–	–	–	–	–	–	–	–	–	104,839
2,490	–	1,156	–	450	(1)	–	25	3,220	6,448
–	–	–	–	–	–	–	–	–	97
–	–	–	–	–	–	–	–	–	5,707
50,922	**–**	**9,924**	**331**	**4,363**	**62**	**79**	**445**	**57,242**	**177,137**
221,913	–	15,359	66	1,307	1	152	14	235,894	293,481
3,887	–	1,580	–	1,449	–	–	82	4,100	251,302
1,164,600	–	89,093	1,910	22,509	348	–	239	1,233,681	546,762
1,033	–	4,541	–	1,093	–	–	60	4,541	50,703
163,578	(10)	18,601	38	7,741	(411)	–	(54)	174,001	44,861
–	–	–	115	–	–	–	–	115	57,089
903	–	318	–	–	–	–	6	1,227	2,232
1,555,914	**(10)**	**129,492**	**2,129**	**34,099**	**(62)**	**152**	**347**	**1,653,559**	**1,246,430**
9,496	**–**	**60**	**–**	**171**	**–**	**–**	**–**	**9,385**	**7,773**
372	–	–	–	–	–	–	–	372	11,391
74	–	–	–	–	–	–	–	74	316
935	–	–	7	207	–	–	–	735	7,716
–	–	–	–	–	–	–	–	–	835
10	–	–	–	–	–	–	–	10	2,012
1,391	**–**	**–**	**7**	**207**	**–**	**–**	**–**	**1,191**	**22,270**
1,617,723	**(10)**	**139,476**	**2,467**	**38,840**	**–**	**231**	**792**	**1,721,377**	**1,453,610**

Development of Provisions

€ million	Balance as of 01.01.2009	Currency differences	Change from consolidation	Additions
Backfilling of mines and shafts	210,445	341	13,399	2,800
Mining damage risks	34,120	–	–	1,461
Maintenance of stockpiles	96,497	–	–	23,194
Other mining obligations	37,244	107	6,311	1,595
Provisions for mining obligations [25]	**378,306**	**448**	**19,710**	**29,050**
Jubilee pay	22,486	1	50	1,802
Partial retirement	32,735	–	–	36,045
Social plan expenses	630	–	–	171
Other personnel obligations	19,455	(11)	98	6,729
Personnel obligations [26]	**75,306**	**(10)**	**148**	**44,747**
Other environmental obligations (chemical sites) [27]	**–**	**980**	**106,163**	**–**
Other provisions	**22,340**	**95**	**19,859**	**4,961**
Provisions (non-current debt)	**475,952**	**1,513**	**145,880**	**78,758**
Other taxes	850	(28)	–	108
Provisions for mining obligations	7,986	–	–	119
Personnel obligations	107,861	404	14,261	79,866
Provisions for obligations from sale transactions [26]	106,301	290	8,907	80,060
Provisions for obligations from purchase contracts [26]	25,867	(60)	–	38,082
Other environmental obligations (chemical sites) [27]	–	121	13,060	–
Other provisions	38,636	(99)	4,560	38,377
Provisions (current debt)	**287,501**	**628**	**40,788**	**236,612**
Provisions	**763,453**	**2,141**	**186,668**	**315,370**

Segment Reporting

	Total revenues		of which intersegment revenues	
in T€	**2009**	2008	**2009**	2008
Potash and Magnesium Products	1,500,004	2,500,953	78,272	103,570
Nitrogen Fertilizers [1)]	1,019,527	1,662,554	3,336	10,174
Salt	1,018,825	622,962	4,240	4,381
Complemenary Business Segments	155,762	170,564	35,117	45,276
Reconciliation [2)] [37]	(120,334)	(162,636)	(120,965)	(163,401)
K+S Group	**3,573,784**	**4,794,397**	**0**	**0**

	Assets [39]		Liabilities	
in T€	**2009**	2008	**2009**	2008
Potash and Magnesium Products	1,480,357	2,346,798	630,571	613,650
Nitrogen Fertilizers [1)]	556,291	978,206	393,458	582,848
Salt	2,635,850	990,894	359,009	238,397
Complementary Business Segments	144,136	153,837	82,927	81,046
Reconciliation [2)] [37]	395,835	(995,980)	1,651,834	239,533
K+S Group	**5,212,469**	**3,473,755**	**3,117,799**	**1,755,474**

1) As of 1 January 2009, the COMPO and fertiva business segments were grouped together under “Nitrogen Fertilizers”. The reason for this is the reorganisation of the nitrogen fertilizers business, within which the business activities of fertiva GmbH were combined with parts of COMPO’s professional fertilizer business into a new company, K+S Nitrogen GmbH. The figures for the previous year have been adjusted accordingly.

2) Figures for business segments are shown before inter-segment consolidation. Expenses and income as well as items disclosed on the balance sheet that cannot be allocated to business segments are recorded separately. Both effects are shown under “Reconciliation” and result in the Group figures.

Accrued interest	Provisions used	Provisions reversed	Reclassification	CTA reclassification	Balance as of 31.12.2009
5,404	5,908	7,348	–	–	219,133
(379)	857	853	–	–	33,492
1,796	444	1,328	–	–	119,715
1,787	133	34	–	–	46,877
8,608	**7,342**	**9,563**	**–**	**–**	**419,217**
1,089	2,300	116	–	–	23,012
–	26,247	3,155	–	2,295	37,083
–	249	18	–	–	534
–	14,217	111	(15)	–	11,928
1,089	**43,013**	**3,400**	**(15)**	**2,295**	**72,557**
1,092	**–**	**–**	**(3,349)**	**–**	**104,886**
761	**160**	**4,120**	**(1,109)**	**–**	**42,627**
11,550	**50,515**	**17,083**	**(4,473)**	**2,295**	**639,287**
–	–	–	(809)	–	121
–	1,013	–	–	–	7,092
–	103,466	2,447	(146)	–	96,333
–	75,733	30,226	36	–	89,635
–	23,180	3,454	1,442	–	38,697
–	3,304	–	3,349	–	13,226
–	21,929	3,104	(1,461)	–	54,980
–	**228,625**	**39,231**	**2,411**	**–**	**300,084**
11,550	**279,140**	**56,314**	**(2,062)**	**2,295**	**939,371**

of which with third parties [38]		EBIT I		EBITDA		Gross cash flow	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
1,421,732	2,397,383	231,708	1,203,204	317,241	1,286,262	334,631	1,271,822
1,016,191	1,652,380	(108,096)	121,409	(94,445)	133,899	(95,945)	131,454
1,014,585	618,581	140,366	45,171	200,336	77,609	205,373	77,133
120,645	125,288	15,254	25,136	21,653	31,221	21,263	30,689
631	765	(41,241)	(52,247)	(33,009)	(44,606)	(141,403)	(333,156)
3,573,784	**4,794,397**	**237,991**	**1,342,673**	**411,776**	**1,484,385**	**323,919**	**1,177,942**

Invested capital [3]		Capital expenditure [4] [40]		Depreciation [5]		Employees as of 31 Dec. [6]	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
956,532	1,169,275	107,373	111,090	84,434	81,792	7,818	7,845
264,076	244,181	11,197	10,699	11,459	11,520	1,249	1,318
2,035,508	791,825	48,018	58,622	59,970	32,438	5,279	2,394
118,187	122,920	4,626	9,948	6,372	6,085	278	285
23,417	30,145	6,370	7,107	8,232	7,641	584	526
3,397,720	**2,358,346**	**177,584**	**197,466**	**170,467**	**139,476**	**15,208**	**12,368**

[3] Operating assets and Working Capital.
[4] Relates to cash investments in property, plant and equipment and intangible assets.
[5] Concerns scheduled amortisation. Non-scheduled impairment charges are presented in the Notes (36).
[6] Workforce as of 31 Dec. including temporary employees (without students and interns) measured on full-time equivalent basis.

Notes

General principles

The group parent company, K+S Aktiengesellschaft (K+S AG), which is registered in Germany, has prepared the consolidated financial statements of the K+S Group as of and for the period ended 31 December 2009 based on the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in effect on the reporting date insofar as those have been recognised by the European Union. In the interests of clearer presentation, the individual captions in the consolidated financial statements are presented in € thousands (T€).

The consolidated financial statements were approved for release by the Board of Executive Directors at its meeting on 23 February 2010 and, after being considered by the audit committee, were presented to the Supervisory Board for approval for its meeting on 10 March 2010.

Scope of consolidation

The scope of consolidation changed as follows in 2009:

K+S Sal do Brasil Participacoes e Investimentos Ltda., SPL Brasil Empreendimentos e Participacoes Ltda. as well as Salsul Indústria e Comércio Ltda. were merged with Salina Diamante Branco Ltda.

K+S Finance Belgium BVBA, which was formed in December 2008, was consolidated for the first time. The company serves as a Group financing company.

The business name of K+S Projekt GmbH was changed to K+S Nitrogen GmbH. The change of corporate name was related to the restructuring of the nitrogenous fertilizer business.

The following companies were also renamed.

- COMPO Agricoltura S.p.A. in K+S Agricoltura S.p.A.
- COMPO Agricultura S.L. in K plus S Española S.L.
- COMPO Hellas S.A. in K+S Hellas S.A.
- COMPO Fertilizantes de México S.A. de C.V. in K+S Agro México S.A. de C.V.
- COMPO France S.A.S. in K+S France S.A.S.

On 1 October 2009, the K+S Group acquired Morton International Inc. (Morton Salt). In connection with this, a further eleven companies were fully consolidated as of 31 December 2009 (see the information on acquisitions contained on page 175).

The following 21 (2008: 21) domestic and 58 (2008: 46) foreign companies have been fully consolidated in the consolidated financial statements:

Germany (in %)	Share of capital	Share of voting rights
K+S Aktiengesellschaft, Kassel	–	–
Chemische Fabrik Kalk GmbH, Cologne	100.00	100.00
COMPO Gesellschaft mbH & Co. KG, Münster	100.00	100.00
Deutscher Straßen-Dienst GmbH, Hanover	100.00	100.00
esco – european salt company GmbH & Co. KG, Hanover	100.00	100.00
esco international GmbH, Hanover	100.00	100.00
fertiva GmbH, Mannheim	100.00	100.00
German Bulk Chartering GmbH, Hamburg	100.00	100.00
K+S Baustoffrecycling GmbH, Sehnde	100.00	100.00
K+S Beteiligungs GmbH, Kassel	100.00	100.00
K+S Entsorgung GmbH, Kassel	100.00	100.00
K+S IT-Services GmbH, Kassel	100.00	100.00
K+S KALI GmbH, Kassel	100.00	100.00
K+S Nitrogen GmbH, Mannheim	100.00	100.00
K+S Salz GmbH, Hanover	100.00	100.00
Kali-Transport Gesellschaft mbH, Hamburg	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH, Kassel	100.00	100.00
park GmbH, Recklinghausen	100.00	100.00
Torf- und Humuswerk Gnarrenburg GmbH, Gnarrenburg	100.00	100.00
Torf- und Humuswerk Uchte GmbH, Uchte	100.00	100.00
UBT See- und Hafen-Spedition GmbH Rostock, Rostock	100.00	100.00

Outside Germany (in %)	Share of capital	Share of voting rights
Canadian Brine Ltd., Québec, Canada	100.00	100.00
Canadian Salt Finance Company, Québec, Canada	100.00	100.00
Canadian Salt Holding Company, Québec, Canada	100.00	100.00
Compania Minera Punta de Lobos Ltda., Santiago de Chile, Chile	99.70	100.00
COMPO Austria GmbH, Vienna, Austria	100.00	100.00
COMPO Benelux N.V., Deinze, Belgium	100.00	100.00
COMPO do Brasil S.A., Guaratinguetá, Brazil	100.00	100.00
COMPO Horticulture et Jardin S.A.S., Roche-lez-Beaupré, France	100.00	100.00
COMPO Jardin AG, Allschwil, Switzerland	100.00	100.00
Empresa de Servicios Ltda., Santiago de Chile, Chile	99.70	100.00
Empresa Maritima S.A., Santiago de Chile, Chile	48.62	99.44
esco benelux N.V., Brussels, Belgium	100.00	100.00
esco france S.A.S., Levallois-Perret, France	100.00	100.00
esco Holding France S.A.S., Dombasle sur Meurthe, France	100.00	100.00
esco Spain S.L., Barcelona, Spain	100.00	100.00
Fertilizantes COMPO AGRO Chile Ltda., Santiago de Chile, Chile	100.00	100.00
Frisia Zout B.V., Harlingen, The Netherlands	100.00	100.00
GLC Trucking Co. Inc., Chicago, USA	100.00	100.00
Glendale Salt Development LLC, Chicago, USA	100.00	100.00
Inagua General Store Ltd., Chicago, USA	100.00	100.00
Inagua Transports Inc., Chicago, USA	100.00	100.00
Inversiones Columbus Ltda., Santiago de Chile, Chile	2.00	100.00
Inversiones Empremar Ltda., Santiago de Chile, Chile	48.89	100.00
Inversiones K+S Sal de Chile Ltda., Santiago de Chile, Chile	100.00	100.00
Inversiones y Prospecciones Mineras Tarapacá Ltda., Santiago de Chile, Chile	100.00	100.00
International Salt Company LLC., Clarks Summit, USA	100.00	100.00
K plus S Española S.L., Barcelona, Spain	100.00	100.00
K+S Agricoltura S.p.A., Cesano Maderno, Italy	100.00	100.00
K+S Agro México S.A. de C.V., Mexico-City, Mexico	100.00	100.00
K+S Argentina SRL, Buenos Aires, Argentina	100.00	100.00
K+S Finance Belgium BVBA, Brussels, Belgium	100.00	100.00
K+S Finance Ltd., St. Julians, Malta	100.00	100.00
K+S France S.A.S., Roche-lez-Beaupré, France	100.00	100.00
K+S Hellas S.A., Marousi, Greece	100.00	100.00
K+S Investments Ltd., St. Julians, Malta	100.00	100.00
K+S KALI Atlantique S.A.S., Pré en Pail, France	100.00	100.00
K+S KALI du Roure S.A.S., Le Teil, France	100.00	100.00
K+S KALI France S.A.S., Reims, France	100.00	100.00
K+S KALI Rodez S.A.S., Onet le Château, France	97.45	97.45
K+S KALI Wittenheim S.A.S., Wittenheim, France	100.00	100.00
K+S Mining Argentina S.A., Buenos Aires, Argentina	100.00	100.00
K+S Montana Holdings LLC, Chicago, USA	100.00	100.00
K+S North America Corporation, New York, USA	100.00	100.00
K+S North America Salt Holdings LLC, Chicago, USA	100.00	100.00

Outside Germany (in %)	Share of capital	Share of voting rights
K+S Salt of the Americas Holding B.V., Harlingen, The Netherlands	100.00	100.00
Montana US Parent Inc., Chicago, USA	100.00	100.00
Morton Bahamas Ltd., Chicago, USA	100.00	100.00
Morton International Inc., Chicago, USA	100.00	100.00
Navigation Sonamar Inc., Québec, Canada	100.00	100.00
Salines Cérébos et de Bayonne S.A.S., Levallois-Perret, France	100.00	100.00
Salina Diamante Branco Ltda., Natal, Brazil	100.00	100.00
Servicios Maritimos Patillos S.A., Santiago de Chile, Chile	49.85	50.00
Servicios Portuarios Patillos S.A., Santiago de Chile, Chile	99.70	100.00
Sociedad Punta de Lobos S.A., Santiago de Chile, Chile	99.70	99.69
SPL USA Inc., Clarks Summit, USA	100.00	100.00
The Canadian Salt Company Limited, Québec, Canada	100.00	100.00
Transporte por Containers S.A., Valparaiso, Chile	47.99	100.00
VATEL Companhia de Produtos Alimentares S.A., Alverca, Portugal	100.00	100.00

In the case of Servicios Maritimos Patillos S.A, the K+S Group provides the majority of members of its executive bodies and exercises a controlling influence over the company.

Interests in companies over which companies of the K+S Group can exercise significant influence (associated companies) are measured using the equity method unless they are immaterial. The K+S Group holds shares in seven associated companies (see Information on Related Companies on page 194). The potential impact on earnings of accounting for such equity interests using the equity method is immaterial from a Group perspective.

As a result of their overall immateriality, all interests in associated companies were stated at acquisition cost in financial year 2009.

Acquisitions

On 1 October 2009, K+S AG acquired, through the Group company K+S MergerCo Inc., Chicago (USA), 100 % of the shares of Morton International Inc., Chicago (USA), and acquired control of the company. K+S MergerCo Inc. was subsequently merged with Morton International Inc. Morton Salt operates six rock salt mines as well as seven brine plants and ten evaporated salt plants and is thus the largest salt producer in North America. Annual production capacity totals about 13 million tonnes of salt. With the Umbrella Girl® and Windsor Castle® brands, Morton Salt has very well positioned brands in the consumer business in the United States and in Canada with which consumers are highly familiar.

In connection with the acquisition, the following companies in the year under review had been acquired and fully consolidated for the first time as of 31 December 2009:

- Canadian Brine Ltd.
- Canadian Salt Finance Company
- Canadian Salt Holding Company
- GLC Trucking Co. Inc.
- Glendale Salt Development LLC
- Inagua General Store Ltd.
- Inagua Transports Inc.
- Morton Bahamas Ltd.
- Morton International Inc.
- Navigation Sonamar Inc.
- The Canadian Salt Company Ltd.

The companies formed to execute the acquisition were also fully consolidated for the first time:

- K+S MergerCo Inc. (merged with Morton International Inc. as of 1 October 2009)
- Montana US Parent Inc.
- K+S Montana Holdings LLC
- K+S North America Salt Holdings LLC

Preliminary costs related to the acquisition of the Morton Group comprise the following:

in T€	
Purchase price (preliminary)	1,071,360
Capitalised ancillary acquisition costs	14,029
Expenses related to currency hedging of USD purchase price	28,784
Total purchase price (preliminary)	**1,114,173**

The purchase price of T€ 1,071,360 was determined on the basis of a balance sheet prepared as of the acquisition date (1 October 2009). As the vendor has yet to confirm the balance sheet prepared by the K+S Group, the purchase price is to be deemed of a preliminary nature.

To minimise exchange rate risks arising from possible fluctuations in the US dollar during the period of time between the signing of the purchase agreement (2 April 2009) and the payment of the USD purchase price (1 October 2009), various currency hedging transactions were concluded. A hedging relationship within the meaning of IAS 39 was formed for part of these hedging transactions. The sum of T€ (28,784), recorded in the cash flow hedge provision as of 30 September 2009, was reclassified as costs related to acquiring the company as of 1 October 2009. The hedging transactions, without the hedging relationship in accordance with IAS 39, generated expenses of T€ 59,150, which were recorded in the other financial result.

The fair values of the MORTON SALT assets, liabilities and contingent liabilities as stated at the time of acquisition along with their carrying amounts immediately before the merger are set out in the table below:

in T€	Carrying amounts at time of acquisition	Adjustments (preliminary)	Fair values at time of acquisition (preliminar)
Intangible assets	7,587	298,821	306,408
Property, plant and equipment	204,719	267,000	471,719
Financial assets	–	2,235	2,235
Receivables and other assets	222,675	14,579	237,254
Deffered taxes	39,547	(39,532)	15
Non-current assets	**474,528**	**543,103**	**1,017,631**
Inventories	172,470	33,463	205,933
Accounts receivable - trade	81,493	–	81,493
Other receivables and assets	21,317	628	21,945
Cash on hand and balances with banks	9,047	–	9,047
Current assets	**284,327**	**34,091**	**318,418**
ASSETS	**758,855**	**577,194**	**1,336,049**
Bank loans and overdrafts	98,888	13,912	112,800
Other liabilities	1,108	–	1,108
Provisions for pensions and similar obligations	22,165	65,100	87,265
Provisions for mining obligations	19,710	–	19,710
Other provisions	125,889	–	125,889
Deffered taxes	52,830	157,637	210,467
Non-current debt	**320,590**	**236,649**	**557,239**
Bank loans and overdrafts	7,531	–	7,531
Accounts payable - trade	41,049	–	41,049
Other liabilities	15,375	–	15,375
Income tax liabilities	2,559	–	2,559
Provisions	40,268	–	40,268
Current debt	106,782	–	106,782
EQUITY AND LIABILITIES	**427,372**	**236,649**	**664,021**
Net assets acquired (preliminary)	**331,483**	**340,545**	**672,028**
Goodwill (preliminary)			**442,145**
Total purchase price (preliminary)			**1,114,173**

Given the complex nature of the identifcation and valuation of the assets and liabilities as well as the short period of time between the date of acquisition (1 October 2009) and the timing of the preparation of the consolidated financial statements of the K+S Group, no conclusive purchase price allocation could be performed. The final purchase price allocation will take place within a period of 12 months from the date of acquisition.

A comparison of the acquisition costs and the re-valued net assets results in goodwill of T€ 442,145. This mainly results from assets that cannot be capitalised separately, such as the geographical location of crude salt deposits, regional market shares, the logistical network as well as the workforce. In addition, goodwill also arises from joint distribution with SPL and the market opportunities related to this. The high level of goodwill is largely shaped by the recognition of deferred taxes in connection with the re-measurement of assets and liabilities. Since its inclusion as of 1 October 2009, Morton Salt has contributed to the earnings of the K+S Group as follows:

in T€	
Revenues	237,610
EBIT	9,771
Financial result	(15,744)
Earnings before taxes	(5,973)
Actual taxes	(14,257)
Deferred taxes	21,485
Earnings after taxes	1,255

It is not possible to determine revenues and earnings assuming that the Morton Group had already been purchased at the beginning of the reporting period, as no reliable IFRS figures are available for the period before 1 October 2009.

Consolidation methods

The financial statements of the consolidated companies are prepared as of the balance sheet date for the consolidated financial statements. The assets and liabilities of the consolidated companies are recognised and measured uniformly in accordance with the policies described here and in the following notes.

Revenues, expenses and income between consolidated companies that arise while the companies affected are members of the K+S Group are fully eliminated. Similarly, receivables and liabilities between consolidated companies and inter-company profits resulting from deliveries and services between consolidated companies are eliminated, unless they are immaterial.

In the capital consolidation, the acquisition costs of the investments are set off against the share of the remeasured equity attributable to them as of the time of acquisition. Asset-side balances that remain after allocation to the assets and liabilities are carried as goodwill. Liability-side balances from capital consolidation are released directly affecting profit or loss.

Accounting and valuation principles

Recording of income and expenses

Revenues comprise sales of products and services net of sales deductions. Revenues deriving from the sale of products are reported as of the time when the associated risks of ownership have passed. Services are reported as revenues after having been performed. In addition, payment must be sufficiently probable in both cases. Other income, such as interest or dividends, are recorded for the relevant period as of the time when a respective contractual or legal claim arises.

Operating expenses are charged to profit or loss on the date of performance or at the time they are incurred.

Intangible assets

Intangible assets acquired are stated at acquisition cost. Internally generated intangible assets are capitalised at development cost provided that they are likely to yield a future economic benefit and the costs of such assets can be measured reliably. Interest on borrowed capital for qualified assets is capitalised.

Insofar as their useful lives can be determined, intangible assets are amortised on a regular straight-line basis; in the event that an indefinite useful life is anticipated, no regular amortisation is applied. An indefinite useful life is also assumed in the case of goodwill. The following useful lives are applied in the case of straight-line amortisation:

Useful lifes for intangible assets with finite useful lives

in years	
Port concessions	250
Brands	5 – 15
Customer relations	5 – 20
Other intangible assets	2 – 10

Special write-downs are recorded in the event of impairment. If the reasons giving rise to the write-down no longer exist, a write-up is recognised that may not exceed the amortised carrying amount. Impairment charges to goodwill are not reversed.

The value of goodwill is tested at regular intervals. Appropriate impairment charges are recognised when necessary. Any need for recognition of an impairment charge is determined in accordance with IAS 36 by making a comparison with the discounted future cash flows that are expected for the cash-generating units to which the corresponding amounts of goodwill have been allocated.

CO_2 emission rights are stated in the balance sheet at acquisition cost. Thus, rights granted without payment are capitalised with a value of zero and those acquired for payment are capitalised at acquisition cost. If their value on the reporting date falls below the acquisition cost, they are written down to the lower value.

Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less regular, use-related depreciation. The acquisition or production costs also include future restoration expenses. In the case of certain qualified assets, interest on borrowed capital is capitalised. Non-scheduled depreciation charges are recognised for any impairment losses that exceed the use-related depreciation already recorded; they are reported under other operating expenses. Such impairment losses are determined in accordance with IAS 36 by making a comparison with the discounted future cash flows that are expected for the assets affected. If no independent cash flows can be allocated to the assets affected, the cash flows for the corresponding cash-generating unit are used. Should the reasons giving rise to the non-scheduled depreciation charge cease to apply, appropriate write-ups are recognised.

The newly-acquired salt deposits in the United States and in Canada are recorded as property, plant and equipment. Their disclosure as property, plant and equipment is in line with the appropriate US GAAP rules, which have been followed according to IAS 8, because this is not specifically regulated under the IFRSs.

Gallery and excavation work are capitalised under property, plant and equipment.

If property, plant and equipment are sold or in case of their retirement, the gain or loss represented by the difference between sales proceeds and the residual carrying amount are recorded under other operating income or expenses.

Property, plant and equipment are depreciated using the straight-line method and the depreciation charges are based on customary useful lives.

Scheduled straight-line depreciation is based on the following useful lives that apply across the Group:

Useful lives for property, plant and equipment

in years	
Salt deposits	19 – 250
Gallery and excavation work	5 – 125
Buildings	14 – 33⅓
Technical equipment and machinery	4 – 25
Other equipment, factory and office equipment	3 – 10

Finance leases

A lease relationship is an agreement under which the lessor transfers to the lessee the right to use an asset for a particular period of time in exchange for a single payment or a series of payments. A finance lease arises if substantially all the risks and rewards incident to ownership of an asset are transferred to the lessee. If that is the case, the lessee capitalises the asset at its present value or, if lower, at the present value of the minimum lease payments. A corresponding amount is recognised as a liability arising from the lease. The asset is depreciated in a manner that essentially does not differ from the treatment applied to comparable assets.

Investment properties

Investment properties are mainly leased objects. They are stated at amortised cost less straight-line, scheduled, use-related depreciation. The underlying useful lives are 50 years. Proceeds from the sale of investment properties are recorded in the financial result.

Financial instruments

Financial instruments are contracts that give rise to a financial asset for one of the parties to such contract and to a financial liability or equity instrument for the other party. Essentially, financial assets and financial liabilities are disclosed separately from each other (no offsetting). Financial assets mainly comprise cash on hand and balances with banks, trade receivables, other receivables, securities, financial investments as well as derivative financial instruments with a positive market value. Financial liabilities include in particular trade payables, financial liabilities, other liabilities as well as derivative financial instruments with a negative market value. Financial instruments are recognised for the first time at their fair value as soon as the reporting enterprise becomes a contractual party for the financial instrument. Transaction costs that are to be allocated directly to the acquisition are then taken into account in determining the carrying amount insofar as the financial instruments are not subsequently measured at fair value with recognition in profit or loss.

The classification of financial instruments to one of the following categories defined in IAS 39 determines subsequent measurement:

- Loans and receivables:
  This category mainly comprises trade receivables, other receivables, loans, and cash on hand and bank balances. The item cash on hand and bank balances as disclosed in the balance sheet mainly comprises cheques, cash on hand and bank balances. It also includes securities with maturities less than three months and which are not subject to any significant fluctuations in value.

  Loans are essentially measured at acquisition cost. Interest-free loans or loans at low rates of interest are stated at present value. Foreseeable risks are reflected by special write-downs.

  After being recognised for the first time, the other financial assets belonging to this category are measured at amortised cost applying the effective interest method less impairments. Non-interest-bearing or low-interest receivables due in more than three months are discounted. Any impairments that may be required are based on the expected risk of default and are recorded in separate allowance accounts. Receivables are derecognised when settled or when they become uncollectible. Other assets are derecognised on disposal or in the absence of value.

- Financial assets stated at fair value through profit or loss:
  This category comprises securities "held for trading", which have been acquired with the intention to be sold over the short term. Derivatives with positive market values are also classified as "held for trading" unless they form part of a hedging relationship in accordance with IAS 39. They are stated at fair value. Changes in value are recognised in profit or loss. Securities are derecognised after disposal on the settlement date.

- Financial assets available for sale:
  This category comprises all financial assets not allocated to any of the categories mentioned above. Securities are essentially categorised as "available for sale" unless a different categorisation is required for an explicitly designated purpose. They are measured for the first time on the transaction settlement date for the purchase. Equity instruments such as, for example, investments in (non-consolidated) associated companies as well as stocks held in listed companies also belong to this category.

Basically, financial instruments belonging to this category are subsequently measured at fair value. Changes in fair value arising on subsequent measurement are recorded in the revaluation reserve and not recognised in profit or loss. Realised gains or losses are only recognised in profit or loss upon sale. If there are objective indications of lasting impairment on the balance sheet date, a special write-down to the fair value is to be recognised. The amount recorded in the revaluation reserve is derecognised without recognition in profit or loss. Subsequent impairment reversals are not recognised in profit or loss.

In the case of financial instruments for which there are no active markets which provide fair values to be determined reliably, such financial instruments are stated at acquisition cost. This applies to investments in (non-consolidated) associated companies and equity investments. Other than temporary impairments are accounted for by special write-downs to lower values with recognition in profit or loss. Such write-downs may not be reversed. Shares and investments are derecognised upon disposal to a party outside the Group. Securities are derecognised after disposal on the settlement date.

- Financial liabilities carried at amortised cost:
  All financial liabilities with the exception of derivative financial instruments are stated at amortised cost applying the effective interest method. Liabilities are derecognised on settlement or if the reasons for recognizing a liability no longer apply.

- Financial liabilities stated at fair value through profit or loss:
  This category comprises derivative financial instruments with negative market values which are essentially classified as “held for trading". This rule does not apply to derivatives which are part of a hedging relationship in accordance with IAS 39.

Derivatives
Hedging relationships for derivatives and underlying transactions are only established for a modest portion of the derivatives. Derivatives are stated at their market value. Changes in market value are recognised in profit or loss. Derivatives are derecognised on the settlement date.

Inventories

In accordance with IAS 2, assets that are designated for sale in the normal course of business (finished goods and merchandise), are in the process of being produced for sale (work in progress) or are used in production or the rendering of services (raw materials and supplies) are recorded under inventories.

Inventories are valued at average cost or at the lower net selling price. In addition to direct costs, production costs also include reasonable proportions of fixed and variable material and manufacturing overheads as long as they occur in connection with the production process. The same applies to general administrative expenses, pension and support expenses as well as other social expenses. Interest on borrowed capital is not included. The net selling price corresponds to the estimated price less the costs that are yet to be incurred until completion and the necessary selling expenses.

Provisions for pensions and similar obligations

Pension provisions for employees and pensioners in Germany are computed in accordance with actuarial principles applying the projected unit credit method. The discount factor is computed on the basis of the yields obtainable on the reporting date for first-rank fixed-rate corporate bonds, with the maturity of the bonds corresponding to the anticipated timing of the pension obligations.

Pension obligations of foreign companies are computed applying similar principles and with due consideration given to country-specific features. Insofar as plan assets exist, such assets are offset against pension provisions.

Mining and other provisions

Provisions are recognised in an amount corresponding to the extent to which they are expected to be needed for discharging present obligations in relation to third parties arising from a past event. Such need must be more probable than improbable and it must be possible to reliably estimate the amount of the obligations. Non-current provisions with a residual maturity of more than one year are discounted applying a capital market rate of interest of suitable duration to take into account future cost increases insofar as the interest rate effect is material.

Deferred taxes

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method that is commonly accepted internationally. This results in the recognition of deferred tax items for all temporary differences between the carrying amounts disclosed in the tax balance sheet and the consolidated balance sheet as well as for tax loss carryforwards and for appropriate consolidation procedures. However, deferred tax assets are only recognised to the extent they are expected to be realised. Deferred taxes are measured applying the tax rates that, under current provisions of the law, would apply in the future when the temporary differences will probably be reversed. The effects of changes in tax legislation on deferred tax assets and liabilities are recognised in profit or loss for such period in which the material condition causing such amendments to enter into force arise (in Germany: Bundesrat approval). Deferred tax assets and liabilities are not discounted applying the rules contained in IAS 12. Deferred tax assets and liabilities are offset within individual companies or tax groups according to timing.

Acquisitions

Mergers are accounted for using the purchase method. In connection with the revaluation of a company that has been acquired, all the hidden reserves and hidden liabilities of the company that have been acquired are identified and assets, liabilities and contingent liabilities are stated at their fair value. Any resulting positive difference in relation to the cost of acquiring the company is then capitalised as goodwill.

Discretionary assumptions and estimates

Discretionary assumptions concerning the application of accounting and valuation methods

Non-current intangible assets, property, plant and equipment and investment properties are stated in the balance sheet at amortised cost. The also allowed alternative treatment of reporting them at fair value is not utilised.

Securities are generally classified as "available for sale" so that changes in fair value to be recognised in the balance sheet are recorded in equity without recognition in profit or loss. Insofar as securities are classified at fair value and recognised in profit or loss, changes in fair value have a direct effect on the net profit or loss for the period.

Estimates and premises concerning the application of accounting and valuation methods

The values stated in the IFRS financial statements are in part based on estimates concerning the recognition and the measurement as well as on the determination of certain premises. This is particularly necessary in the case of

- determining the useful lives of depreciable non-current assets,
- determining measurement premises and future earnings in connection with impairment tests, especially for capitalised goodwill,
- determining the net selling price of inventories,
- determining the premises necessary for measuring pension provisions (discount factor, future development of wages/salaries and pensions, anticipated yield of plan assets),
- determining amounts, performance due dates and interest rates for discounting in connection with the measuring of provisions for mining obligations.
- selecting parameters in connection with the model-based measurement of derivatives (e.g. assumptions regarding volatility and interest rate),

- determining to what extent tax loss carryforwards can be utilised as well as
- determining the fair value of intangible assets, property, plant and equipment as well as liabilities acquired in connection with a business combination as well as determining the useful lives of the intangible assets and property, plant and equipment acquired.

Despite exercising the greatest of care in producing such estimates, actual developments may differ from the utilised assumptions.

Foreign currency translation
In the single-entity financial statements of Group companies, all receivables and liabilities denominated in foreign currencies are measured at the exchange rate applicable on the balance sheet date irrespective of whether they are hedged or not. Hedging transactions are carried at their respective market values.

The annual financial statements of foreign Group companies are converted to euros in accordance with the functional currency concept set forth in IAS 21. All companies conduct their operations independently in financial, economic and organisational terms. The functional currency generally corresponds to the local currency. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and income and expenses at the average exchange rate for the year.

In the case of K+S Finance Belgium BVBA, Empresa Maritima S.A., Sociedad Punta de Lobos S.A., Servicios Portuarios Patillos S.A., Compania Minera Punta de Lobos Ltda., Morton Bahamas Ltd., Inagua General Store Ltd. and Inagua Transports Inc., however, the US dollar, in deviation from the local currency, is used as the functional currency, as these companies generate the majority of their cash inflows and cash outflows in this currency.

Differences not recognized in profit or loss resulting from the exchange rates prevailing on the balance sheet date of the previous year, are reported as a separate component of equity ‘differences from foreign currency translation’. The balance of these translation differences compared with the preceding year was T€ 6,334.

If Group companies are no longer consolidated, the currency translation difference concerned is released and recognised in profit or loss.

The translation of currencies important for the Group was based on the following euro exchange rates:

Exchange rate in relation to € 1	2009 Rate on report. date	2009 Average rate for the year	2008 Rate on report. date	2008 Average rate for the year
US dollar (USD)	1.441	1.395	1.392	1.471
Canadian dollar (CAD)	1.513	1.585	1.700	1.559
Swiss franc (CHF)	1.484	1.510	1.485	1.587
Brazilian real (BRL)	2.511	2.767	3.244	2.674
Chilean peso (CLP)	731.032	776.661	888.600	763.098
Mexican peso (MXN)	18.922	18.799	19.233	16.291

Effects of new accounting standards and interpretations

Standard/Interpretation			Date of entry into force [1]	Endorsement [2] (31.12.2009)
Changes	IAS 1	Presentation of Financial Statements	01.01.2009	yes
Changes	IAS 23	Borrowing Costs	01.01.2009	yes
Changes	IAS 32/ IAS 1	Puttable Financial Instruments and Obligations arising on Liquidation	01.01.2009	yes
Changes	IAS 39/ IFRS 7	Reclassification of Financial Assets	01.07.2008	yes
Changes	IAS 39/ IFRS 7	Reclassification of Financial Assets - Effective Date and Transition	01.07.2008	yes
Changes	Improvements 2008	Improvements to IFRSs	01.01.2009	yes
New	IFRS 1	First-time Adoption of IFRSs	01.01.2009	yes
Changes	IFRS 1/ IAS 27	Cost of an Investment in a Subsidiary, jointly controlled Entity or Associate	01.01.2009	yes
Changes	IFRS 2	Share-based Payment, vesting Conditions and Cancellation	01.01.2009	yes
Changes	IFRS 7	Financial instruments: Additional Disclosures	01.01.2009	yes
New	IFRS 8	Operating Segments	01.01.2009	yes
New	IFRIC 12	Service Concession Arrangements	01.01.2008	yes
New	IFRIC 13	Customer Loyalty Programmes	01.07.2008	yes
New	IFRIC 15	Agreements for the Construction of Real Estate	01.01.2009	yes
New	IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01.10.2008	yes

[1] To be applied in the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

IAS 1 "Presentation of Financial Statements"

Amended IAS 1 sets out rules for the presentation of financial statements, especially an amended statement of changes in equity and a more comprehensive overall financial performance statement. Consequently, the presentation of the income statement and the statement of changes in equity has changed. In addition, the revised standard has made it necessary to prepare a third comparative period for the balance sheet, as the K+S Group has applied a new accounting principle retroactively.

IAS 23 "Borrowing Costs"

The amendment to IAS 23 stipulates that borrowing costs which can be directly allocated to the construction or production of a so-called "qualifying asset" are to be capitalised. The hitherto alternative treatment of an expenditure-charged recording of borrowing costs ceased to apply. As a result, the acquisition costs capitalised for the assets concerned increase.

IAS 39/IFRS 7 "Reclassification of Financial Assets"

In response to the current financial crisis, IAS 39 permits the implementation of additional reclassification measures within the financial instrument categories if certain conditions are met. The amendments to IAS 39/IFRS 7 have no impact on the 2009 consolidated financial statements of the K+S Group.

Improvements to IFRSs

The standard entitled "Improvements to IFRSs" brings together numerous smaller changes to existing standards. For the K+S Group, it is necessary to make a retroactive adjustment arising from the change to IAS 1, which requires derivatives to be reported as non-current or current financial instruments in accordance with the anticipated time of settlement.

IFRS 2 "Share-based Payment, Vesting Conditions and Cancellation"

The amendments to IFRS 2 define the vesting conditions linked to share-based payment. They have an influence on the accounting treatment of share-based payment. In addition, the treatment of the cancellation of the contract has also been given concrete form. The amendments to IFRS 2 have no impact on the 2009 consolidated financial statements of the K+S Group.

IFRS 7 "Financial Instruments: Enhanced Disclosures"

The core element of revised IFRS 7 is the obligation to provide additional disclosures regarding the manner in which fair value is determined for financial instruments that are measured at fair value. In addition, information is to be provided on the liquidity risk associated with derivative financial instruments. The amendments to IFRS 7 have an impact on the 2009 consolidated financial statements of the K+S Group.

IFRS 8 "Operating Segments"

IFRS 8 replaces the hitherto valid IAS 14 "Segment Reporting". A business segment is defined as an operating part of a company, whose operating earnings are regularly presented to persons responsible so that they can decide on the further allocation of resources. The presentation of the segments is thus essentially orientated towards the internal reporting structure of the financial information. The new rule has not resulted in any significant change in segment presentation, as the external reporting was already largely in line with the internal organisational and reporting structure before the amending of the standard.

The other new accounting standards and interpretations are of no relevance to the consolidated financial statements of the K+S Group.

New accounting standards and interpretations yet to be applied

The following accounting standards and interpretations were published by the IASB up to the balance sheet date, but their application by the K+S Group will only become mandatory at a later date.

Standard/Interpretation			Date of entry into force [1]	Endorsement [2] (31.12.2009)
Changes	IAS 24	Related Party Disclosures	01.01.2011	no
Changes	IAS 27	Consolidated and Separate Financial Statements	01.07.2009	yes
Changes	IAS 32	Classification of Rights Issues	01.02.2010	yes
Changes	IAS 39	Financial Instruments: Recognition and Measurement: Eligible Hedged Items	01.07.2009	yes
Changes	IAS 39/ IFRIC 9	Embedded Derivatives	30.06.2009	yes
Changes	Improvements 2009	Improvements to IFRSs	01.07.2009	no
Changes	IFRS 1	First-time Adoption of IFRS: Additional Exemptions	01.01.2010	no
Changes	IFRS 2	Group Cash-settled Share-based Payment Transactions	01.01.2010	no
New	IFRS 3	Business Combinations	01.07.2009	yes
New	IFRS 9	Financial Instruments	01.01.2013	no
Changes	IFRIC 14	Minimum Funding Requirements	01.01.2011	no
New	IFRIC 17	Distributions of Non-cash Assets to Owners	01.07.2009	yes
New	IFRIC 18	Transfers of Assets from Customers	01.07.2009	yes
New	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01.07.2010	no

[1] To be applied in the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

IAS 27 "Consolidated and Separate Financial Statements"

The amendments to IAS 27 give concrete form to the presentation rules to be applied if the level of an investment changes or control over a subsidiary ceases. Changes in investments are now presented as equity transactions without recognition in profit or loss.

When control ceases, the result on deconsolidation is to be recognised in profit or loss. The first-time adoption of the new rules contained in IAS 27 will have an appropriate impact on how changes in investments are accounted for in the future.

Improvements 2009

The standard entitled “Improvements to IFRSs” brings together numerous smaller changes to existing standards. The impact of the improvements on the consolidated financial statements of the K+S Group is currently being examined.

IFRS 3 “Business Combinations”

IFRS 3 introduces an optional accounting treatment for the goodwill of minority interests. The goodwill of minority interests can either be measured at fair value based on the market or at fair value proportionate to the interest’s share in the identifiable net assets. There are also new rules governing how the successive acquisition of interests is to be accounted as well as how the fair value of conditional consideration is to be recorded. In addition, ancillary acquisition costs are no longer a component of acquisition costs but are to be recognised in profit or loss. The first-time application of the new rules contained in IFRS 3 will have an appropriate impact on how future business combinations will be accounted for.

IFRS 9 “Financial Instruments”

The goal of IFRS 9 is to fully replace IAS 39 by the end of 2010. The implementation will take place in three phases. The content of phase 1, which was published in November 2009, concerns the classification and measurement of financial assets. Accordingly, financial assets are to be allocated to two categories and to be accounted for applying the rules applicable to the respective category. The categories cover financial assets that are to be subsequently measured at amortised cost as well as financial assets that are to be subsequently measured at fair value. Equity instruments are to be carried at fair value. The impact of IFRS 9 on the consolidated financial statements of the K+S Group is currently being examined.

The other accounting standards and interpretations are not expected to have any impact on the consolidated financial statements of the K+S Group.

Notes to the income statement and the statement of comprehensive income

The income statement and the statement of comprehensive income are presented on page 164.

The K+S Group employs various derivatives to hedge exchange rate risks arising from US dollar receipts as well as risks arising from future increases in energy prices and freight rates. In addition, and increasingly from the fourth quarter of 2009 onwards, risks arising from the translation of future earnings of foreign currency companies into the Group currency, the euro (translation risks). The hedging strategy is described in greater detail in Note (18). No hedging relationship in accordance with IAS 39 is established between the derivatives outstanding and the hedged items described, with the result that market value changes of derivatives have to be recognised in profit or loss on each balance sheet date. Furthermore, earnings are als impacted by the exercise, sale or expiry of the derivates used for hedging purposes. From financial year 2009 onwards, all effects on earnings arising from the hedging of future payment positions deriving from operating activities or from the hedging of future translation risks will now be combined in a single earnings line item in the income statement ("Result from operating anticipatory hedging transactions"). In the preceding year, by contrast, market value changes and effects arising from realised hedging transactions were reported in various earnings line items in the income statement. The changes are shown in the following table:

in T€	2008 (old)	Delta	2008 (new)
Other operating income	173,608	(14,073)	159,535
- of which income from operating forecast hedges	14,073	(14,073)	–
Other operating expenses	(176,572)	9,549	(167,023)
- of which expenses for operating forecast hedges	(9,549)	9,549	–
Market value changes from forecast hedges (until 2008)	(150,373)	4,524	–
Result from operating forecast hedges (from 2009)	–	–	(145,849)
Earnings after operating hedges (EBIT II)	1,192,300	–	1,192,300

The income from realised operating anticipatory hedging transactions totalling T€ 14,073 and T€ (9,549) recorded under "Other operating income" or "Other operating expenses" in the previous year have been, along with "Market value changes from hedging transactions", reclassified into the new item "Result from operating anticipatory hedging transactions". The terms "operating" and "anticipatory" make clear that only underlying transactions are concerned that will have effects on EBIT I in future periods (e.g., US dollar receipts, payments for energy and freight, the translation into the euro of earnings generated in functional local currency). Now, only the effects on earnings arising from the hedging of existing foreign currency receivables are reported under "Other operating income" and "Other operating expenses" (e.g., the hedging of USD receivables against foreign currency fluctuations by means of a USD/euro forward transaction). Hedging transactions in the financing field are reported in the financial result, provided that no cash flow hedge accounting, without recognition in profit or loss, is applied within the meaning of IAS 39.

Operating earnings EBIT I, the key controlling variable for the K+S Group, are presented in a separate reconciliation below the income statement from financial year 2009 onwards. In a first step, earnings after operating hedging transactions (EBIT II) are adjusted for the result from operating anticipatory hedging transactions. EBIT II includes all earnings from operating hedging transactions, i.e, both measurement effects related to the reporting date as well as earnings from realised derivatives. If the result from operating anticipatory hedging transactions is eliminated from EBIT II, a notional subtotal is arrived at for earnings that do not take account of any anticipatory hedging measures. Then, in a second step, this subtotal is adjusted to take account of the result realised from operating anticipatory hedging transactions. The income realised on the hedge corresponds to the exercise value of the derivative at the time of maturity (difference between the spot rate and the hedged rate), and, in the case of options, less premiums paid. Changes in the market value of operating anticipatory derivatives still outstanding are not taken into account here, so that EBIT I reflects operating earnings free of any market value fluctuations related to the reporting date.

This new form of presenting earnings does not result in any change in the content of EBIT I and EBIT II, i.e., there is no change in the level of operating earnings. The effects on earnings from operating anticipatory hedging transactions are only combined in an earnings line item in the income statement and reconciled to EBIT I below the income statement.

(1) Revenues

Revenues generated by the K+S Group amounted to T€ 3,573,784 (2008: T€ 4,794,397), with T€ 3,423,461 (2008: T€ 4,653,094) resulting from the sale of goods and T€ 150,323 (2008: T€ 141,303) resulting from the rendering of services. The breakdown of the revenues by business segment as well as intersegment revenues are presented in the segment information on page 170 et seq. The regional breakdown of the revenues is disclosed in the Notes to the segment reporting under Note (38).

(2) Other operating income

Other operating income includes the following material items:

in T€	2009	2008
Foreign exchange rate change	54,187	80,639
Release of provisions	50,874	34,279
Reversals of allowances for receivables	17,894	2,020
Compensation and refunds received	9,963	13,188
Income from the derecognitions of inventories	8,174	8,576
Rentals and leasing	1,859	1,932
- of which investment properties	1,324	1,378
Disposals of fixed assets	888	755
Sundry income	10,675	18,146
Other operating income	**154,514**	**159,535**

Compensation and refunds received mainly comprised refunds related to semi-retirement totalling T€ 4,414 (2008: T€ 5,507), refunds of contributions to professional associations totalling T€ 2,862 (2008: T€ 3,588) and income from compensation for damages totalling T€ 2,687 (2008: T€ 4,093).

The income of T€ 14,073 deriving from operating anticipatory hedging transactions recorded under "Gains on exchange rate differences" in the preceding year have been reclassified as "Result from operating anticipatory hedging transactions" (see Notes to the income statement and statement of comprehensive income on page 190 et seqq.).

(3) Other operating expenses

Other operating expenses include the following material items:

in T€	2009	2008
Expenses unrelated to the period	67,207	6,096
Exchange rate hedging costs/foreign exchange rate losses	62,011	65,841
Partial retirement expenses	30,167	14,334
Allocations/utilisation of other provisions	20,943	(292)
Expenses/refunds for disused plants and maintenance of Merkers	16,498	2,938
Inventory derecognition expenses	8,174	8,576
Consultancy, expert opinion and legal fees	7,265	9,839
Depreciation	3,884	5,696
Write-downs on trade receivables	3,879	19,703
Ancillary capital expenditure costs	3,346	3,924
Losses on disposals of fixed assets	2,464	2,548
Expenses related to leased investment properties	2,103	2,471
Sundry expenses	25,341	25,349
Other operating expenses	**253,282**	**167,023**

The expenses of T€ 9,549 related to operating anticipatory hedging transactions recorded under “Exchange rate hedging costs/foreign exchange rate losses” in the preceding year have been reclassified as "Result from operating anticipatory hedging transactions" (see “Notes to the income statement and statement of comprehensive income” on page 190 et seqq.).

(4) Income from investments, net

in T€	2009	2008
Result from distributions from affiliates	3,262	2,532
Expenses for absoption of losses	–	(6)
Write-ups/write-downs on investments	(2,456)	(7)
Income from the disposal of investments	115	–
Income from investments, net	**921**	**2,519**

(5) Result from operating anticipatory hedging transactions

in T€	2009	2008
Result from settled, sold or expired currency hedging transactions	(21,390)	6,246
- positive income	9,916	12,681
- negative income	(31,306)	(6,435)
Result from settled energy price hedging transactions	(4,892)	–
Result from settled, sold or expired hedging transactions	**(26,282)**	**6,246**
Market value changes from hedging transactions yet to reach maturity	(10,744)	421
- of which positive market changes	1,715	15,540
- of which negative market changes	(12,459)	(15,119)
Market value changes for energy price hedging transactions yet to reach maturity	–	(9,134)
Market value changes for freight price hedging transactions yet to reach maturity	1,080	(6,638)
Result from market value changes for hedging transactions yet to reach maturity	**(9,664)**	(15,351)
Income from derivates no longer in operation	–	(136,744)
- of which positive earnings contributions	–	9,081
- of which negative earnings contributions	–	(145,825)
Result from operating forecast hedges	**(35,946)**	**(145,849)**

The item “Result from settled, sold or expired hedging transactions” includes all the earnings effects arising from the exercise/settlement, sale or expiration of operating anticipatory hedging transactions. The item “Result from market value changes of hedging transactions yet to reach maturity” shows market value changes for derivatives outstanding that serve to hedge future payment positions or future translation risks from business operations (for further information, see “Notes to the income statement and the statement of comprehensive income” on page 190 et seqq.).

The double-knock-out options that still existed at the beginning of financial year 2008 no longer served, as a result of the change in hedging strategy, to hedge the operational basic business, so that income from the exercise, sale or expiry of the options was fully disclosed in EBIT II (income from derivatives no longer in operation).

(6) Interest income, net

in T€	2009	2008
Interest income from measurement of provisions for mininig obligations	–	19,988
Interest and similar income	4,652	5,068
Interest income	**4,652**	**25,056**
Interest expenses in allocations to provisions for pensions	(7,578)	(2,344)
Interest expenses from measurement of provisions for mining obligations	(8,608)	–
Interest expenses in allocations to provisions for jubilee benefits	(1,089)	(981)
Sundry interest and similar expenses	(44,439)	(26,327)
Interest expenses	**(61,714)**	**(29,652)**
Interest income, net	**(57,062)**	**(4,596)**

The interest rate effects from pension provisions comprise interest expenses ("accumulation"), plan income as well as the amortisation of actuarial losses.

In financial year 2009, interest expenses of T€ 366 were capitalised under property, plant and equipment (financing cost factor: 4.0 %).

The "Interest portion from the valuation of mining provisions" consists of the balance of the following items:

in T€	2009	2008
Interest effect from the change in the discount factor for mining provisions	–	26,586
Interest effect from the reversal of mining provisions	11,651	12,003
Increase in mining provisions due to expiry ("accumulation")	(20,259)	(18,601)
Interest portion from the valuation of mining provisions	**(8,608)**	**19,988**

(7) Other financial result

in T€	2009	2008
Result from realisation of financial assets/liabilities	(57,527)	11,508
Result from market valuation of financial assets/liabilities	(857)	(196)
Other financial expenses	–	41
Other financial result	**(58,384)**	**11,353**

Expense for the period under review comprised T€ 59,150 from transactions to hedge the USD purchase price of MORTON SALT against currency fluctuations and for which no hedging relationship was recorded within the meaning of IAS 39.

The disposal of properties not required for business purposes produced income of T€ 547 (2008: T€ 318). In 2008, the contribution to the contractual trust arrangement (CTA) of securities hitherto recorded in accordance with IAS 39 had resulted in income of T€ 10,454.

(8) Taxes on income

in T€	2009	2008
Current taxes	38,233	266,312
- Germany	12,795	251,200
- other countries	25,438	15,112
Deferred taxes	(8,659)	61,374
- Germany	6,912	68,302
- other countries	(15,571)	(6,928)
- of which from loss carryforwards	6,779	40,203
Taxes of income	**29,574**	**327,686**

Domestic deferred taxes were calculated using a tax rate of 27.9 % (2008: 27.9 %). In addition to the corporate income tax rate of 15.0 % and the solidarity surcharge of 5.5 %, the average trade tax rate of 12.1 % was taken into account. Deferred taxes in other countries are computed applying the respective national income tax rates for profit retention.

The following table reconciles the anticipated to the reported tax expense. The anticipated income tax expense was calculated based on the domestic Group income tax rate of 27.9 % for 2009.

in T€	2009	2008
Earnings before taxes	126,441	1,199,057
Anticipated income tax expense (27.9 % Group tax rate; previous year: 27.9 %)	**35,277**	**334,537**
Changes in anticipated tax expense:		
Reduction in tax resulting from tax-exempt income and other items		
- Tax-exempt income from investments and profits on disposals	(574)	(5,319)
- Other tax-exempt income	(8,871)	(2,204)
Trade tax additions/reductions	984	1,261
Increase in tax resulting from non-deductible		
expenses and other items	2,862	1,625
Valuation allowances for deferred tax assets	4,546	–
Effects from tax rate differences	(4,131)	(8,932)
Taxes for preceding years	(106)	5,375
Other effects	(413)	1,343
Actual tax expense	**29,574**	**327,686**
Tax ratio	**23.4%**	**27.3%**

(9) Cost of materials

in T€	2009	2008
Raw materials, supplies and purchase merchandise	1,012,892	1,577,156
Purchased services	331,857	337,157
Energy costs	210,670	253,123
Cost of materials	**1,555,419**	**2,167,436**

(10) Personnel expenses / Number of employees

in T€	2009	2008
Wages and salaries	592,828	586,823
Social securities	146,452	143,782
Pension expenses	16,866	7,590
Support	274	304
Personnel expenses	**756,420**	**738,499**

Under the stock option programme, the Board of Executive Directors and certain managerial personnel can use part of their performance-related remuneration for a basic investment in K+S shares. By acquiring and holding such basic shares, the participants receive virtual stock options that trigger a cash payment when exercised. The amount of the cash payment depends on the extent to which the K+S share outperforms the benchmark index (MDAX until 19 September 2008, DAX from 22 September 2008 onwards) and is capped at 25 % of excess performance. A lock-up period of two years applies to the exercise of the options and the options expire after a maximum period of five years.

In 2009, payments for stock options exercised totalling T€ 15,959 (2008: T€ 13,445) were recorded under personnel expenses. The expense was to a large extent neutralized through the utilisation of provisions. A provision has been recognised for stock options that had not been exercised as of the balance sheet date (see Note (26)).

Under the employee share ownership programme, K+S Group employees have the possibility of acquiring K+S shares at a discount. A one-year vesting period applies to employee shares. They are stated at fair value. Expenses totalling T€ 1,542 (2008: T€ 746) were incurred in connection with the employee share ownership programme enacted in 2009. The issuing of free bonus shares in connection with earlier employee share ownership programmes gave rise to personnel expenses of T€ 850 (2008: T€ 792).

The pension expenses do not include the interest portion of the allocations to the pension provisions. This is reported as an interest expense in interest income, net.

Personnel expenses include sums totalling T€ 1,816 that are unrelated to the reporting period.

Employees, including those with temporary contracts

Average number	2009	2008
Germany	10,228	10,111
Outside Germany	2,816	2,103
Total	**13,044**	**12,214**
- of which trainees	557	547

(11) Earnings per share

in T€	2009	2008
Group earnings after taxes and minority interests	**96,384**	**870,886**
+/- Result from operating forecast hedges	35,946	145,849
+/- Result realised on operating forecast hedges	(39,842)	4,524
Elimination of resulting deffered taxes and cash taxes	1,087	(41,954)
Group earnings, adjusted [1]	**93,575**	**979,305**
Average number of shares (million)	166.15	164.95
Earnings per share (in €)	**0.58**	**5.28**
Earnings per share, adjusted (in €) [1]	**0.56**	**5.94**

[1] The adjusted figures only contain the result realised from operating anticipatory hedging transactions for the respective reporting period. Changes in the market value of operating anticipatory hedging transactions still outstanding, however, are not taken into account in the adjusted earnings. The effects on earnings of deferred and cash taxes are also eliminated; tax rate 2009: 27.9% (2008: 27.9%). The previous year also includes the results for derivatives no longer in operation and those too were eliminated. More information can be found in the "Notes to the income statement and statement of comprehensive income" on page 190 et seqq.

In accordance with IAS 33, earnings per share are to be determined on the basis of Group earnings. Given the limited economic meaningfulness of unadjusted Group earnings, we additionally report adjusted Group earnings, which only contain the result realised from operating anticipatory hedging transactions for the respective reporting period. Changes in the market value of operating anticipatory hedging transactions still outstanding, however, are not taken into account, so that the adjusted Group earnings are free of any market value fluctuations in these derivatives related to the reporting date. In addition, the effects on deferred or non-cash taxes resulting from the adjustment are also eliminated.

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. Neither discontinued activities nor changes in accounting treatment needed to be taken into account in earnings per share.

If use is made of the authorised capital (see Note (20)), earnings per share could potentially become diluted in the future.

Notes to the balance sheet

The balance sheet is presented on page 166 et seq. The development of the gross carrying amounts and depreciation on the individual non-current asset items is shown separately on page 168 et seq.

(12) Intangible assets

The amortisation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned and are disclosed under the following items:

- Cost of sales
- Selling expenses
- General and administrative expenses
- Research and development costs
- Other operating expenses

The goodwill disclosed in the consolidated balance sheet is allocated to the following cash-generating units (CGUs):

in T€	2009	2008
CGU Salt America	534,149	90,982
CGU Salt Europe	13,251	13,251
CGU Nitrogen Fertilizers	606	606
Total Goodwill	**548,006**	**104,839**

With regard to goodwill allocation, it should be borne in mind that the goodwill of T€ 446,227 (value as of 31 December 2009) resulting from the acquisition of Morton Salt cannot yet be definitively allocated to the corresponding cash-generating units because the purchase price allocation is not yet final and the integration of the company has just begun; the entire provisional goodwill has thus been initially allocated to the Salt America CGU, because this unit will essentially benefit from the acquisition.

The Salt business segment is divided into the cash-generating units Salt America and Salt Europe. In connection with the testing of goodwill for impairment, the residual carrying amounts for the respective cash-generating units were compared with their value in use. The determination of value in use was based on the present value of the future cash flows of the business segments assuming continued use. The cash flow forecast is based on the current medium-term plans of the K+S Group and the respective business segments. The key premises underlying the medium-term plans are largely based on own experience figures. The forecast period covers the years 2010 to 2012, with a growth rate of 2.0 % for nominal cash flow (2008: 2.0 %) assumed for subsequent years to compensate for inflation with respect to costs and revenues.

The following discount factors were applied as of 31 December 2009:

Interest rates in %	2009 before taxes	2009 after taxes	2008 before taxes	2008 after taxes
CGU Salt America	10.1	7.6	10.3	8.5
CGU Salt Europe	10.1	7.6	10.4	7.5
CGU Salt Nitrogen Fertilizers	10.1	7.6	10.4	7.5

The rates of interest for the cash-generating units correspond to the weighted cost of capital for the K+S Group before and after taxes.

The impairment test conducted at the end of financial year 2009 confirmed that the goodwills are not impaired.

In connection with the testing for impairment of the other intangible assets, the residual carrying amounts for the respective assets were compared with their value in use as of the balance sheet date. The impairment tests conducted at the end of financial year 2009 required recognition of a write-down totalling T€ 644 (2008: T€ 331) recorded under other operating expenses.

In connection with the acquisition of Morton Salt, brand rights totalling T€ 89,060 (value as of 31 December 2009) were assumed and, especially in view of the level of brand awareness in North America as well as the strategic relevance are classified as assets with useful lives of unlimited duration.

These brands were measured as of 1 October 2009 for the first time using the relief-from-royalty method, which derives the market value from the licensing costs saved. Firstly, the brand-related revenues for the years 2009-2012 were determined on the basis of the Morton Salt budget and an annual growth rate of 1.0 % was assumed for the period from 2013. The applicable licence prices for the brands were determined with the aid of third-party comparisons. Fair value was then determined by applying a discount factor of 11.0 % to the licence costs saved and taking account of tax benefits.

The brand impairment test as of 31 December 2009, which was conducted in a similar manner on the basis of fair value, showed no impairment.

In addition, a further brand with an indefinite useful life and with a value of T€ 1,705 was recorded as of the balance sheet date.

(13) Investment properties

The fair values of investment properties amounted to T€ 27,194 as of 31 December 2009 (2008: T€ 27,162). The fair values were estimated by internal specialist departments on the basis of local market conditions. In determining the values, particular account was taken of local property valuation records and, in part, on external valuation reports.

(14) Financial assets

T€ 20,265 (2008: T€ 19,423) included in financial assets is accounted for by investments in associated companies, loans to associated companies as well as other equity investments. T€ 2,121 (2008: T€ 2,847) relates to other loans (mainly to employees) and other financial assets. The effective annual rates of interest range between 0 % and 6.25 % and the remaining fixed interest period ranges between 1 year and 20 years.

The maximum default risk as of the balance sheet date corresponds to the amount stated in the balance sheet. There are no specific grounds that would suggest the occurrence of events of default. There are no significant concentrations of default risk.

(15) Deferred taxes

The following deferred tax assets and liabilities relate to reporting and measurement differences for individual balance sheet line items and tax loss carryforwards:

	Deferred tax assets		Deferred tax liabilities	
in T€	**2009**	2008	**2009**	2008
Intangible assets	5,964	6,672	125,863	11,514
Property, plant and equipment	1,916	1,087	215,785	96,713
Financial assets	13,327	–	903	5
Inventories	4,948	6,230	26,065	129
Receivables and other assets	8,309	5,535	107,062	15,069
- of which derivative financial instruments	31	–	1,243	4,367
Provisions	136,310	42,300	4,035	2,578
Liabilities	56,596	7,458	6,724	488
Gross amount	**227,370**	**69,282**	**486,437**	**126,496**
- of which non-current	188,062	48,304	445,580	111,180
Tax loss carryforwards	37,030	27,250	–	–
Impairments	(1,806)	–	–	–
Consolidation	364	16,470	(11,019)	(1,116)
Balances	(230,266)	(66,703)	(230,266)	(66,703)
Balance sheet carrying amount (net)	**32,692**	**46,299**	**245,152**	**58,677**

Deferred taxes totalling T€ 10,272 (2008: T€ 3,403) were not capitalised because utilisation of the underlying loss carryfowards and realisation of taxable income appear unlikely. The underlying loss carryforwards amount to T€ 111,671 (2008: T€ 20,354).

During the year under review, T€ 7,092 in actual and deferred taxes were offset directly against equity without recognition in profit or loss; T€ 6,168 stemmed from the reduction of the capital increase transaction costs recorded in equity by income tax benefits. The remaining T€ 924 resulted from currency-related translation effects and are show in the other statement of changes in equity.

The deferred taxes reported as of 31 December 2008 and as of 31 December 2009 differed by T€ (200,081) in total (deferred tax assets: T€ (13.607); deferred tax liabilities: T€ 186,474). This includes the booking, without recognition in profit or loss, of deferred taxes totalling T€ 210,453 (deferred tax assets: T€ 14; deferred tax liabilities: T€ 210,467) deriving from the first-time consolidation of the Morton Group and which are largely attributable to temporary differences relating to intangible assets and property, plant and equipment. Taking into account the deferred taxes offset directly against equity in the year under review (T€ 3,858) as well as currency-related effects (T€ (2.145)), this gives rise to the deferred tax income of T€ (8,659) disclosed in the income statement.

Temporary differences of T€ 86,886 are related to shares in subsidiaries and may not be recognised as deferred tax liabilities in accordance with IAS 12.39.

(16) Inventories

in T€	2009	2008	2007
Raw materials and supplies	164,590	213,350	134,612
Work in progress	28,144	36,045	32,647
Finished products and merchandise	477,282	435,216	201,078
Payments on account	10,349	–	300
Inventories	**680,365**	**684,611**	**368,637**

Inventories of T€ 151,036 (2008: T€ 138,625) were stated at net realisable value. The reporting of net realisable value resulted in the writing down of inventories by T€ 34,657 (2008: T€ 16,599) during the period under review.

(17) Receivables and other assets

in T€	2009	of which residual term >1 year	2008	of which residual term >1 year	2007	of which residual term >1 year
Accounts receivable - trade	849,634	–	901,535	–	757,237	–
Receivables from associated companies	8,712	–	8,518	–	11,803	–
Receivables from companies in which participating interests are held	12	–	2,255	–	1,598	–
Other assets	407,752	264,258	177,706	33,160	308,433	126,301
- of which claim for reimbursement environmental obligations chemical sites	117,334	104,195	–	–	–	–
- of which claim for reimbursement bond Morton Salt	114,172	113,165	–	–	–	–
- of which other claims for reimbursements	17,009	17,009	–	–	–	–
- of which derivative financial instruments	19,554	–	66,365	17,638	205,335	113,139
Receivables and other assets	**1,266,110**	**264,258**	**1,090,014**	**33,160**	**1,079,071**	**126,301**

Derivatives are reported as non-current or current financial instruments retroactively for previous years in accordance with the anticipated time of settlement.

The allowances developed as follows*:

in T€	2009	2008
Balance as of 1 January	38,316	20,941
Change in scope of consolidation	2,625	105
Addition	5,459	19,563
Reversal	13,133	571
Utilisation	7,987	1,722
Balance as of 31 December	**25,280**	**38,316**

* The allowances shown were offset against credit insurance receivables.

Allowances of T€ 24,468 (2008: T€ 37,943) were disclosed for the trade accounts receivables portfolio as of 31 December 2009. T€ 812 (2008: T€ 373) resulted from allowances for other receivables and other assets. The allowances are based on the anticipated risk of default. If receivables have a residual term of more than three months, they are discounted as of the balance sheet date applying money market rates. To this extent, the receivables are exposed to an interest rate risk and thus to a change in fair value. As of 31 December 2009, receivables bearing no interest or interest below market rates were written down by T€ 337 (2008: T€ 3,332).

The following table provides information about the extent of the risk of default contained in the items "Accounts receivable - trade" as well as "Other receivables and nonderivative financial instruments".

in T€	Carrying amount	Of which neither overdue nor adjusted as of the reporting date	Of which unadjusted but overdue as of the reporting date			
			< 30 days	> 31 and < 90 days	> 91 and < 180 days	> 180 days
2009						
Accounts receivable - trade	849,634	572,907	22,260	8,348	3,879	1,416
Other receivables and non-derivative fianccial instruments	372,892	305,884	3,168	1,389	1,738	985
2008						
Accounts receivable - trade	901,535	670,267	22,734	8,433	1,258	1,159
Other receivables and non-derivative fianccial instruments	100,126	53,684	2,429	821	21	158

As of 31 December 2009, the extent of accounts receivable trade for which contractual conditions were renegotiated and which were otherwise adjusted or overdue was insignificant.

Acconts receivable management is geared towards collecting all outstanding accounts punctually and in full as well as to avoid the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts outstanding are monitored on an ongoing basis with system support and in line with the payment terms agreed with the customers. Payment terms generally range from 10 to 180 days, with longer terms being customary in some markets. In the case of late payment, reminders are issued at regular two-week intervals.

The risk of default is the risk of a contractual partner failing to discharge its contractual payment obligations. Customer receivables are to a large extent secured against this risk by means of appropriate insurance coverage and other hedging instruments. This ensures that only immaterial or partial losses are incurred in the event of default. An internal credit check is conducted in the case of customers for whom such cover cannot be obtained. There is no significant concentration of risk with respect to receivables.

The maximum risk of default with respect to receivables and other assets is reflected in the carrying amount disclosed in the balance sheet. As of 31 December 2009, the maximum risk of default in the very unlikely event of a simultaneous default on all unsecured receivables was T€ 285,707 (2008: T€ 70,855).

(18) Derivative financial instruments

Currency and interest rate management is performed centrally for all Group companies. This also applies to the use of derivative financial instruments, e.g. those aimed at limiting certain costs. The use of derivative financial instruments is regulated by an internal guideline. A strict segregation of functions is ensured between trading, settlement and control. Derivative financial instruments are only traded with banks that have a good credit standing, which is monitored continually by means of appropriate instruments. The entire portfolio of derivative financial instruments is spread across several banks to reduce the risk of default. The level of risk of default is limited to the derivatives capitalised on the balance sheet.

The goal of interest rate management is to curb the risks arising from increasing interest rates as a result of changes in the general level of interest rates. To this end, use was made of options (interest rate caps) that prevent an increase in the interest rate burden exceeding a defined level. Currently, the use of derivatives in this regard is not required, as a substantial portion of the financial liabilities (bond) carry a fixed rate of interest. Financial liabilities with a short-term interest rate lock-down period are matched by corresponding money market investments.

Derivatives are used to hedge exchange rate risks in order to limit the risks to which operating business activities can be exposed as a result of changes in exchange rates. The main exchange rate risks relate to the US dollar and, to a lesser extent, the pound sterling as well as to the Chilean peso in the case of a South American subsidiary that reports in the US dollar. Hedging transactions are executed in relation to billed receivables and anticipated net positions on the basis of projected revenues. In this regard, the net positions are determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis to avoid excess hedging or hedging shortfalls. In the case of translation hedging for projected earnings, net positions are determined in a similar fashion on the basis of EBIT I.

The hedging transactions used can have terms of up to three years for the hedging of anticipated positions as well as for translation hedging. The aim is to hedge a worst-case scenario while simultaneously allowing possible opportunities arising from market developments to be taken. The focus in this regard is on the use of simple options (so-called plain vanilla options) as well as so-called compound options. These compound options consist of an option on a simple option that can be acquired at a later date for a fixed amount. Forward exchange transactions are also used selectively. The terms of hedging transactions in respect of invoiced receivables are, in keeping with the agreed payment terms, generally less than one year.

The hedging transactions in respect of anticipated net positions as described above are used in the Potash and Magnesium Products business segment for US dollar positions. Hedging transactions in respect of translation risks associated with projected earnings are concluded in the Salt business segment for the SPL as well as MORTON SALT subunits. Hedging transactions in respect of invoiced receviables are concluded in the Potash and Magnesium Products, Nitrogen Fertilizers as well as Salt business segments.

To hedge freight rates for the years 2010 to 2013, swaps have been concluded that provide for the settlement of any difference between agreed fixed prices and market prices on their respective maturity. They are based on the Baltic Panamax Index.

Depending on assessments of the market, derivatives are also used selectively to restrict increases in energy costs. In this case, options and swaps based on the oil price (fuel oil) are generally used. As of 31 December 2009, there were no longer any hedging transactions; those that had been concluded expired in 2009.

Trade in all the aforementioned derivatives is solely OTC. Because of market transparency, forward exchange transactions are concluded directly with one bank after a comparison with interbank terms has been made by means of a reference system. There is no such transparent market for trading in options. That is why quotations are obtained from several banks for all important option transactions, so that a transaction can then be executed with the bank providing the best quotation.

In the case of the forward exchange transactions, there is a market value risk on the respective reporting date: However, there are countervailing effects stemming from the currency-based measurement of receivables.

The market values computed correspond to the value upon premature hypothetical termination on the balance sheet date. The values are computed using recognised mathematical models generally used by market players. The computations were particularly based on the following parameters that applied on the balance sheet date:

- the spot exchange rates for the currencies concerned,
- the agreed hedging rates or exercise prices,
- the traded volatilities, i.e. the anticipated range of fluctuation for the exchange rates concerned, and
- the interest rates applicable to the currencies concerned.

Essentially, IAS 39 permits hedging relationships to be established between underlying business transactions and derivative financial instruments. These are largely not applied, as market value fluctuations in derivatives designated for future periods are essentially eliminated through reconciliation to EBIT I, which means that an earnings figure adjusted for these effects is available (see “Notes to the income statement and the statement of comprehensive income” on page 190). The application of hedge accounting rules is also dispensed with in the case of hedging transactions that relate to invoiced foreign currency receivables, as market value changes in the forward exchange transactions used and the countervailing effects arising from the measurement of receivables or payment receipts on the reporting date almost fully offset each other. As of 31 December 2008, hedging relationships within the meaning of IAS 39 only existed in selected cases in respect of existing receivables and forward exchange transactions for the hedging of foreign currency risks.

The results arising from the exercise, sale or expiration of the double-knock-out options that still existed at the beginning of the financial year were not included in EBIT I for the previous year, as these options were no longer used to hedge the operational business following the change in the hedging strategy.

The following positions existed as of 31 December 2009:

in T€	2009 Notional amounts*	2009 Fair values	2008 Notional amounts*	2008 Fair values
GBP forward exchange transactions in 2009				
- of which maturing in 2009	–	–	900	8
- of which maturing in 2010	2,772	0	–	–
USD/CLP forward exchange transactions in 2009	–	–	20,257	824
USD forward exchange transactions				
- of which maturing in 2009	–	–	87,696	(857)
- of which maturing in 2010	60,678	(554)	–	–
Simple USD foreign currency options bought				
- of which maturing in 2009	–	–	1,267,626	42,242
- of which maturing in 2010	569,576	19,202	300,000	17,638
Simple USD foreign currency options sold				
- of which maturing in 2009	–	–	303,190	(8,810)
- of which maturing in 2010	70,252	(1,156)	–	–
Foreign currency transactions in total	**703,278**	**17,492**	**1,979,669**	**51,045**

* Translated into euros using weighted hedging rates.

In the previous year, US dollar forward exchange transactions with a nominal value of T€ 83,403 and with a fair alue of T€ (834) were included in hedging relationships with US dollar receivables.

Information on the impact to the aforementioned market values assuming a different exchange rate on the balance sheet is presented below:

The simple options used to hedge operational USD receipts would have changed as follows if the spot rate had changed by+/-10 % on the balance sheet date:

At a rate of 1.2965 USD/EUR (-10 %), the market value reported would have declined by T€ (26,433). At a rate of 1.5847 USD/EUR (+10 %), the market value would have risen by T€ 46,523. At a rate of 1.2525 USD/EUR (-10 %), the market value reported last year would have declined by T€ (42,100). At a rate of 1.5309 USD/EUR (+10 %), the market value would have risen by T€ 68,133.

In addition to derivatives for hedging operational foreign currency positions, derivative financial instruments are acquired in individual cases in order to hedge interest rate risks for particular securities. The market values of these derivatives are reported under other assets or other liabilities and changes in their market values are recorded in the financial result. To hedge interest rate risks, there was an interest rate cap with a nominal value of T€ 15,000 as of 31 December 2008. The instrument used expired in 2009. No such instruments were held as of 31 December 2009.

As of the balance sheet date, the swaps used to hedge freight costs had a notional amount of 720 charter days on the "Baltic Panamax Index" and a fair value of T€ (5,731). A change in price on the freight hedging benchmark index of +/-10 % would have increased or reduced the market value by T€ 810.

The market values of the derivatives used to limit energy cost increases change depending on the oil price as well as the US dollar exchange rate. On the balance sheet date for the previous year, there were energy derivatives with a notional amount of 300,000 tonnes of oil (basis: 1% Fuel Oil FOB Barge) and a fair value of T€ (1,889). Had the oil price changed by +/-10 %, the market values reported would have changed by T€2,480 or T€ (2,530) respectively. In addition, a US dollar stronger or weaker by 10 % would have resulted in a market value change of T€ (210) or T€ 172 respectively. No such instruments were held as of 31 December 2009.

The aforementioned market value changes would have resulted in a corresponding increase or reduction in unadjusted Group earnings before taxes.

(19) Equity

The development of individual equity items is shown separately on page 166 et seq.

(20) Subscribed capital

The subscribed capital of K+S Aktiengesellschaft amounts to € 191.4 million and is divided into 191.4 million no-par value bearer shares. In financial year 2009, an average of 166.15 million no-par value shares were outstanding (2008: 164.95 million; 2007: 164.94 million).

On 25 November 2009, the Board of Executive Directors of K+S Aktiengesellschaft, with the approval of the Supervisory Board, resolved a capital increase from authorised capital from cash contributions, which increases the subscribed capital from € 165.0 million to € 191.4 million. In partial use of the authorised capital, 26.4 million new no-par value bearer shares were issued at a subscription price of € 26.00 per share, so that the capital increase totals 16 % of the existing share capital. The new shares will carry full dividend entitlement as of financial year 2009. Shareholders of K+S Aktiengesellschaft received indirect subscription rights to acquire 4 new shares for 25 shares held. Transaction costs of T€ 22,687 associated with the capital increase were recorded in the capital reserve, reduced by income tax benefits of T€ 6,168.

In accordance with the resolution adopted by the Annual General Meeting on 14 May 2008, the Board of Executive Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 82.5 million in the aggregate through the issuance of no more than 82.5 million new no-par value bearer shares (authorised capital). In connection with the capital increase, the amount of the authorised capital was adjusted by a resolution adopted by the Supervisory Board on 25 November 2009. The Board of Executive Directors is now authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 56.1 million in the aggregate through the issuance of no more than 56.1 million new no-par value bearer shares (authorised capital).

Existing shareholders essentially hold subscription rights in respect of such increase. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders in the following cases and in respect of an amount corresponding to a total of € 41.25 million of the share capital (the equivalent of 41.25 million no-par value shares):

- in respect of fractional amounts arising from such subscription right;
- in the case of capital increases against cash contributions, if the capital increase does not exceed 10 % of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price, which is the weighted average of the exchange prices of the shares in the XETRA computerized trading system for the ten exchange trading days preceding the subscription of the new shares;
- in the case of capital increases from in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company.

The Board of Executive Directors is further authorised to determine further details pertaining to the carrying out of such authorised capital increase with the approval of the Supervisory Board.

In accordance with the resolution of the Annual General Meeting of 13 May 2009, the Board of Executive Directors was authorised to acquire own shares totalling up to 10 % of the share capital until 31 October 2010. Purchases may be made on a stock exchange or by means of a public purchase offer addressed to all shareholders. In the case of a purchase effected on a stock exchange, the purchase price (exclusive of ancillary purchase costs) paid by the Company per share may not exceed or undercut the relevant exchange price by more than 10 %. In the case of a public purchase offer addressed to all shareholders, the purchase price per share (exclusive of ancillary purchase costs) offered may not exceed or undercut the relevant exchange price by more than 10 %.

Shares which were acquired as a result of the authorisation in question or earlier authorisation granted by the Annual General Meeting in accordance with Sec. 71 Para. 1 No. 8 of the German Stock Corporation Act (AktG) may be used for the purposes specified in the resolution of the Annual General Meeting. With the authorisation of 13 May 2009, the authorisation to purchase own shares granted by the Annual General Meeting of 14 May 2008 was cancelled. K+S Aktiengesellschaft did not make any use of the authorisation in financial year 2009.

in T€	Shares outstanding in circulation	Subscribed capital
31.12.2007	41,250	108,800
Capital increase out of retained earnings and share split	123,750	56,200
31.12.2008	165,000	165,000
Capital increase against cash contributions	26,400	26,400
31.12.2009	**191,400**	**191,400**

(21) Other reserves and profit retained

Other reserves and profit retained are reported in the consolidated balance sheet as a single caption in order to reflect the peculiarities of the consolidation. The development of the individual reserves and the profit retained of K+S Aktiengesellschaft is shown separately.

in T€	2009	2008
Other reserves and retained profits as of 1 January	1,547,483	814,512
Consolidation-related effects	(142)	632
Divident payment for previous year	(396,000)	(82,500)
Group earnings after taxes and minority interests	96,384	870,886
Capital increase from corporate funds	–	(56,200)
Other neutral changes	4,898	153
Other reserves and profit retained as of 31 December	**1,252,623**	**1,547,483**

The other changes mainly consist of currency-related effects.

The dividend distribution is based on the annual financial statements of K+S Aktiengesellschaft as prepared in accordance with German commercial law. The intention is to propose to the Annual General Meeting that a dividend of € 0.20 per share (previous year: € 2.40), i.e. T€ 38,280 in total (previous year: T€ 396,000), be distributed to the shareholders. As of the balance sheet date, the profit retained of K+S Aktiengesellschaft was as follows:

in T€	2009	2008
K+S Aktiengesellschaft retained profit as of 1 January	399,394	82,500
Dividend payment for previous year	(396,000)	(82,500)
Net income of K+S Aktiengesellschaft	42,756	629,394
Allocations to other revenue reserves from net income	–	(230,000)
K+S Aktiengesellschaft retained profit as of 31 December	**46,150**	**399,394**

Other K+S Aktiengesellschaft revenue reserves developed as follows over financial year 2009:

in T€	2009	2008
Other K+S Aktiengesellschaft revenue reserves as of 1 January	282,980	109,180
Allocations from net income	–	230,000
Capital increase from corporate funds	–	(56,200)
Other K+S Aktiengesellschaft revenue reserves as of 31 December	**282,980**	**282,980**

(22) Information about capital management

in T€	2009	2008
Equity	2,094,670	1,718,281
Non-current debt	2,231,300	756,357
Current debt	886,499	999,117
Balance sheet total	**5,212,469**	**3,473,755**
Equity ratio	40.2 %	49.5 %
Borrowed capital ratio	59.8 %	50.5 %

Equity rose by T€ 376,389 compared with the previous year. This is mainly due to the fact that the capital inflow as a result of the capital increase and the Group earnings was greater than the dividend payment made in the year under review. The increase of non-current borrowings mainly results from the issuance of the bond, an increase in bank payables and consolidation-related additions due to the acquisition of Morton Salt.

Potential measures to influence the capital structure can affect both equity (e.g. through capital increase, payment of dividends) and debt (e.g. through taking out/repaying loans). The equity ratio as at 31 December 2009 is in our target corridor of about 35 % to 45 %.

(23) Provisions

The development of provisions is shown separately on page 170 et seq.

(24) Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are composed of the following items:

in T€	2009	2008
Provisions for pension commitments	123,580	93,064
Provisions for other post-employment benefits	58,272	–
Provisions for pensions and similar obligations	**181,852**	**93,064**

Provisions for pension commitments, amounting to T€ 87,723 (2008: T€ 90,327), relate to retirement pension plans in Germany. They mainly relate to direct commitments under pension plans that have been discontinued in the meantime. Most of the domestic obligations apply to pensioners. In Europe outside Germany, further provisions for pension commitments amounted to T€ 3,370 (2008: T€ 2,737) as of the balance sheet date.

As a result of the acquisition of Morton International Inc. (Morton Salt) on 1 October 2009, the K+S Group took over further pension commitments and benefit commitments similar to pensions in the USA, in Canada and on the Bahamas. The amount of the pension commitments depends, among other things, on remuneration and length of employment. As of 31 December 2009, provisions amounting to T€ 32,487 were recognised for this. Benefit commitments similar to pensions mainly encompass benefits for medical costs and life insurances. Provisions for these commitments amounted to T€ 58,272 as at 31 December 2009.

The level of the provisions for pensions and similar obligations is calculated as the actuarial present value of pension claims (projected unit credit). A part of the domestic pension claims is financed through external plan assets under a contractual trust arrangement (CTA). Pension commitments in Canada and on the Bahamas are also partially outfinanced by plan assets. The following assumptions have been made in performing the calculations of the provisions for pensions respectively pension commitment expenses:

in % (weighted average)	2009 Germany	2009 Outside Germany	2008 Germany
Interest rate used for accounting [1]	5.3	6.1	5.3
Anticipated annual increase in earnings	1.8	4.0	1.8
Anticipated annual increase in benefits [2]	1.8	–	1.8
Anticipated yield on plan assets	6.0	8.0	6.7

[1] The weighte d average discount factor also applies to benefit commitments similar to pensions.
[2] In the case of one domestic subsidiary, a pension increase of 0 % (previous year: 0 %) was assumed.

In the case of commitments similar to pensions for health care benefits, the following annual cost increases – declining over time – were assumed:

- Canada: 9 % / 5 % (from 2015 onwards)
- USA: 7 % / 5 % (from 2012 onwards)
- Bahamas: 4.5 %

The anticipated yield for plan assets is based on the anticipated long-term income from the securities held as plan assets at the beginning of the financial year and with any new additions taken into account. In this regard, the allocation of plan assets to individual asset classes, the interest rate and dividend expectations and the current economic framework conditions are taken into consideration. At the end of financial year 2009, plan assets comprised the following:

in T€	2009 Total	2009 Germany	2009 Outside Germany	2008 Total
Bonds	86,766	53,284	33,482	63,595
Shares	114,722	37,339	77,383	16,121
Cash on hand and balances with banks	8,051	6,957	1,094	1,354
Plan assets as of 31 December	**209,539**	**97,580**	**111,959**	**81,070**

Actuarial gains and losses are only recorded in the income statement insofar as they exceed the 10 % corridor (maximum of 10 % of obligations and 10 % of plan assets). The excess amount is spread over the average remaining working lives of active employees and recognised in profit or loss.

The following tables show the development of the projected unit credit and the plan assets:

in T€	2009 Total	2009 Germany	2009 Outside Germany	2008 Total
Projected unit credit as of 1 January	196,175	193,438	2,737	208,523
Changes in scope of consolidation	193,716	–	193,716	–
Service costs	4,255	1,626	2,629	2,105
Interest expenses	12,868	9,841	3,027	9,185
Reversal/Reclassification	(277)	–	(277)	(1,223)
Pension payments	(16,872)	(15,493)	(1,379)	(15,366)
Actuarial gains (-)/losses (+)	(927)	(927)	–	(7,087)
Exchange rate fluctuation	5,307	–	5,307	38
Projected unit credit as of 31 December	**394,245**	**188,485**	**205,760**	**196,175**

in T€	2009 Total	2009 Germany	2009 Outside Germany	2008 Total
Plan assets as of 1 January	81,070	81,070	–	80,415
Changes in scope of consolidation	106,322	–	106,322	–
Anticipated income from plan assets	6,974	4,882	2,092	6,869
Differences between anticipated and actual income	15,772	15,444	328	(27,664)
Employer contributions	952	–	952	27,318
Pension payments	(4,886)	(3,816)	(1,070)	(5,868)
Exchange rate fluctuation	3,335	–	3,335	–
Plan assets as of 31 December	**209,539**	**97,580**	**111,959**	**81,070**

The balance sheet carrying amounts correspond to the balance of plan assets and the projected unit credit adjusted for actuarial gains or losses not yet recorded.

in T€	2009 Total	2009 Germany	2009 Outside Germany	2008 Total
Projected unit credit as of 31 December	394,245	188,485	205,760	196,175
- of which fully covered by plan assets	30,111	30,111	–	32,503
- of which partially covered by plan assets	233,372	104,378	128,994	108,787
Plan assets as of 31 December	209,539	97,580	111,959	81,070
Funded status	184,706	90,905	93,801	115,105
Unrecognised actuarial gains (+)/losses (-)	(8,215)	(8,543)	328	(26,598)
Carrying amounts as of 31 December	**176,491**	**82,362**	**94,129**	**88,507**
- of which pension provisions (+)	181,852	87,723	94,129	93,064
- of which assets (-)	(5,361)	(5,361)	–	(4,557)

Pension expenses for defined benefit pension obligations comprise the following:

in T€	2009 Total	2009 Germany	2009 Outside Germany	2008 Total
Service costs	4,255	1,626	2,629	2,105
Interest expenses	12,868	9,841	3,027	9,185
Reversal	(277)	–	(277)	(22)
Payment of actuarial losses	1,684	1,684	–	28
Anticipated income from plan assets	(6,974)	(4,882)	(2,092)	(6,869)
Pension expenses	**11,556**	**8,269**	**3,287**	**4,427**

The service costs are reported under the following items of the income statement in accordance with the allocation of employees:

- Cost of sales
- Selling expenses
- General and administrative expenses
- Research and development costs
- Other operating expenses

Interest expenses, anticipated income arising from plan assets as well as the amortisation of unrecognised actuarial gains and losses are recorded under interest income, net. Reversals of provisions are disclosed under other operating income.

The development of pension obligations and plan assets over time is as follows:

in T€	2009	2008	2007	2006	2005
Projected unit credit as of 31 December	394,245	196,175	208,523	202,569	208,241
Plan assets as of 31 December	209,539	81,070	80,415	82,265	41,670
Short (+)/surplus coverage (-)	**184,706**	**115,105**	**128,108**	**120,304**	**166,571**
Experience-based gains (+)/losses (-) from obligations	927	(6,742)	(3,719)	1,677	2,264
Other gains (+)/losses (-) from obligations	–	13,829	(4,136)	–	–
Experience-based gains (+)/losses (-) from plan assets	15,772	(27,664)	(3,211)	(482)	–

A change of the assumed cost trend for health care benefit commitments would result in the following effects:

	Change by 1% point	
in T€	Increase	Decrease
Effect on service costs and interest expenses	192	(153)
Effect on the projected unit credit	8,637	(6,836)

In financial year 2010, an outflow of funds of T€ 20,680 from pension and pension-similar commitments can be expected. It also encompasses additions to plan assets and pension payments which are not covered by corresponding reimbursements from plan assets.

In addition, there are further retirement pension plans for which no pension provisions have to be recognised.

An important cornerstone of retirement pension benefits in Germany is the statutory pension insurance. The employer contributions made to such insurance and recorded under personnel expenses amounted to T€ 72,005 (2008: T€ 68,639) during the period under review. The future level of such expenses largely depends on how the statutory pension insurance system develops.

Employers and employees make contributions under the supplementary pension plan that has been closed in the meantime and is operated through the BASF pension fund. The provision of such pensions is to be classified as a multi-employer plan within the meaning of IAS 19.29. The plan is essentially a defined benefit plan. As reliable information regarding plan assets and obligations are only available for the pension fund as a whole and not for those shares in it attributable to the K+S Group, no sufficient information is available for reporting the plan on the balance sheet. That is why the plan is treated as a defined contribution plan in accordance with IAS 19.30. The contributions made to the pension fund and recorded under personnel expenses amounted to T€ 9,542 in 2009 (2008: T€ 2,506); the increase in the current financial year results from a non-scheduled solvency payment.

Another defined benefit plan, which is treated as a defined contribution plan in accordance with IAS 19.30, exists at a Swiss subsidiary, where the employee benefits are linked to the Sammelstiftung der Rentenanstalt in Zurich. The expenses amounted to T€ 190 in 2009 (2008: T€ 181).

Under the K+S VorsorgePlus provident fund, which has been in operation since 2004, the basic benefit provision financed by the employer is used to build up retirement pension benefits by means of reinsured life insurance policies. As the claims acquired are fully covered by matching reinsurance with a fair value that equals the obligations, no provision needs to be recognised. The employer-financed contributions to the provident fund resulted in expenses of T€ 582 (2008: T€ 495) in 2009.

With effect from 1 August 2006, capital accumulation benefits were replaced by a new retirement benefit plan. This employer-financed benefit offers employees the possibility of using certain forms of retirement planning, such as the Chemical Industry Pension Plan, to acquire a company pension. The expenses amounted to T€ 856 in 2009 (2008: T€ 718). In addition, further premiums are provided if employees convert part of their remuneration into contributions to the company pension system. In 2009, expenses of T€ 259 (2008: T€ 242) were recorded in this connection.

Further defined contribution plans exist in the USA, which provide for a premium for converting employees' remuneration into pensions or make it possible to build up retirement pension benefits as a solely employer-financed benefit. In financial year 2009, expenses amounting to T€ 1,636 were recorded for this.

(25) Provisions for mining obligations

in T€	2009	Of which current	2008	Of which current
Mine and shaft backfilling	226,225	7,092	218,431	7,986
Maintenance of stockpiles	119,715	–	96,497	–
Mine damages	33,492	–	34,120	–
Restoration	38,679	–	30,639	–
Other	8,198	–	6,605	–
Provisions for mining obligations	**426,309**	**7,092**	**386,292**	**7,986**

Provisions for mining obligations are recognised as a result of statutory and contractual requirements as well as conditions imposed by public agencies and essentially cover obligations to backfill mines and shafts as well as the obligation to maintain stockpiles. In addition, provisions also exist for mining damage risks and restoration obligations.

Mining obligations are based on provisions of statute as the Federal Mining Law (Bundesberggesetz) and are given concrete form primarily in plant plans and permit decisions issued under water law. These obligations, which are mainly of a public law type, require surface securing and recultivation measures. Mining damage can result from underground extraction and the related lowering of the land at surface level or as a result of damage connected with the production process in the form of dust or the excessive release of saline substances. The provisions take account of identifiable obligations connected with use restoration as well as obligations arising from mining damages that have already been caused or have already arisen.

The amount of the provisions to be recognised is based on expected expenditures or estimated compensation. Provisions for mining obligations mainly have a long-term character, and, on the basis of future anticipated expenditure, are carried at the discounted sum required to settle the obligation as of the balance sheet date. In this connection, a future price increase of 1.5 % is assumed for the K+S Group. The interest rate as a discount factor for mining obligations in the EU states amounts to 5.6 % (2008: 5.6 %). An interest rate of 5.8 % (USA) or 6.2 % (Canada) is used as the discount factor for mining obligations of the companies of the Morton Group consolidated for the first time in 2009. The anticipated timing of the settlement of such obligations largely depends on the remaining economic useful life of the sites. With respect to mining damage, the obligations in part extend well beyond 2050.

The allocation to mining provisions for the year under review was T€ 37,777 (2008: T€ 43,858) and mainly consisted in the recognition of additional provisions for mining risks and the revaluation of existing provisions. An increase in the mining provisions of the K+S Group of T€ 19,710 results from the first-time consolidation of the Morton Group in financial year 2009.

Mining provisions in the amount of T€ 8,355 (2008: T€ 8,874) were used to discharge the obligation to maintain disused sites. Further sums were spent on expenditure connected with mining damage risks.

Reversals of provisions amounting to T€ 9,563 (2008: T€ 12,756) mainly result from a reduction in anticipated individual obligations.

(26) Other provisions

The non-current obligations to employees mainly comprise:

- Provisions for semi-retirement T€ 37,083 (2008: T€ 32,735),
- Provisions for anniversary bonuses T€ 23,012 (2008: T€ 22,486) and
- Provisions for the stock option programme T€ 8,347 (2008: T€ 16,223).

The provisions for semi-retirement take into account obligations arising from semi-retirement agreements that have been concluded. Measurement encompasses both fulfilment shortfalls (difference between the value of fulltime employment and semi-retirement remuneration plus related employer contributions to social insurance) as well as step-up contributions to semi-retirement remuneration and contributions to statutory pension insurance. They are stated at present value applying a discount factor of 5.3 % (2008: 5.3 %) with an anticipated annual increase in salaries and wages of 1.8 % (2008: 1.8 %). The semi-retirement obligations of T€ 66,114 (2008: T€ 59,471) as of the balance sheet date were offset against plan assets of T€ 29,031 (2008: T€ 26,736). The plan assets take the form of a contractual trust arrangement (CTA) and serve to secure the benefits due to employees under semi-retirement agreements.

Provisions for anniversary bonuses are recognised for future payments in connection with 25-, 40- and 50-year length of service anniversaries. They are measured using the projected unit credit method. They are stated at present value applying a discount factor of 5.3 % (2008: 5.3 %) with an anticipated annual increase in salaries and wages of 1.8 % (2008: 1.8 %).

The provisions for the stock option programme relate to virtual stock options to be settled in cash. The following options existed at the beginning of the reporting period was as follows:

Number of options	Exercisable for the first time	Expiry	Fair value in T€	Provision in T€
12,840	May 2008	May 2011	47	47
3,207,480	May 2009	May 2012	16,230	13,524
1,452,240	May 2010	May 2013	7,958	2,652
4,672,560			**24,235**	**16,223**

In 2009, eligible employees exercised 3,152,900 options that could be exercised for the first time in May 2009. The disbursement of T€ 15,959 resulted in provision utilisation of T€ 13,244.

In 2009, 3,152,900 options, which became exercisable for the first time May 2009, were exercised by eligible employees. The related payment in the amount of T€ 15,959 resulted in provision utilisation of T€ 13,244.

In addition, employees acquired 2,448,820 options that can be exercised for the first time in May 2011. This resulted in total expenditure for allocation to provisions of T€ 5,368 in 2009.
As of 31 December 2009, the composition of virtual stock options was as follows:

Number of options	Exercisable for the first time	Expiry	Fair value in T€	Provision in T€
12,840	May 2008	May 2011	47	47
54,580	May 2009	May 2012	280	280
1,452,240	May 2010	May 2013	7,624	6,354
2,448,820	May 2011	May 2014	4,996	1,666
3,968,480			**12,947**	**8,347**

The fair value of the exercisable options was T€ 327 as of 31 December 2009. Intrinsic value was used as the fair value as the performance attained by these options is already well above the maximum settlement ceiling of 25 %. The fair value of the options that become exercisable for the first time in May 2010 as well as in May 2011 was determined on the basis of a multi-period binominal model. It relies on the price of the K+S share and the level of the DAX on the valuation date as well as the historical volatility of the K+S share compared with the DAX. The historic volatility of overperformance was determined using price data for the last 250 trading days, as this period corresponds to the average option term expected on the balance sheet date. The volatility computed amounted to 38.21 % for the option programme expiring in May 2013 (2008: 64.00 %), and 38.74 % for the option programme expiring in May 2014. These calculations were performed using a base price for the K+S share of € 46.51 (expiry May 2013) and € 37.79 (expiry May 2014). A risk-free interest rate of 1.90 % was assumed. Anticipated fluctuation was not taken into account as it does not have any material impact on the value of the option. Anticipated dividends are also disregarded, as they are taken into account in the determination of the relevant performance of the K+S share in terms of the advantage to be gained from exercising the option. The provisions are distributed proportionately over the two-year vesting period. For a general description of the stock option programme, see Note (10).

The obligations under sales transactions relate in particular to rebates and price concessions; the provisions for outstanding invoices result from purchase contracts.

(27) Other environmental obligation

The following table summarises other environmental obligations connected with the acquisition of Morton Salt:

in T€	2009
Environmental obligations of chemical sites (non-current)	104,886
Environmental obligations of chemical sites (current)	13,226
Other environmental obligations of chemical sites (total)	**118,112**
- recognised reimbursement claims	117,334

The environmental obligations taken over result from the earlier chemical activities of Morton Salt, which were transferred to the K+S Group together with the acquisition of that company. They include, for example, obligations to eliminate soil and ground water damage. Since only insufficient information was available from the seller Rohm & Haas regarding the extent of the obligation, environmental experts were commissioned to prepare the appropriate reports. These reports formed the basis for a forecast of the future outflows of funds, which were transferred to the provision amount to be applied by means of a weighted average interest rate of 5.0 %. The expected outflows extend over a period of up to 30 years. Since the environmental experts also had only limited information, the estimate of the amount as well as when the outflow of funds falls due are bound up with corresponding uncertainty.

Only the salt activities of Morton Salt were to be taken over in acquiring the company. Thus, even before the transaction was completed on 1 October 2009, certain segments not belonging to the salt business were transferred to a subsidiary of the seller. In the purchase agreement, K+S Aktiengesellschaft also agreed a put right to transfer, 13 months after the consummation of the agreement (closing) at the earliest, i.e. as of 1 November 2010, all assets and liabilities of Morton Salt (including the subsidiaries operating in the salt business) to another company of the K+S Group and subsequently to transfer Morton Salt back to the seller. This return transfer must be effected 26 months after closing at the latest, i.e. by 1 December 2011. As a consequence of this provision, the seller will, after the retransfer, again be directly liable for any remaining obligations at Morton Salt which cannot be attributed to the salt business acquired.

Moreover, according to the purchase agreement, the seller is obliged, as of closing, to compensate or indemnify K+S Aktiengesellschaft for obligations which are not connected with salt activities. The Dow Chemical Company has issued a guarantee in favour of the K+S Group for the seller's compensation and indemnification obligations.

As a result of the contractual provisions described, the K+S GROUP has capitalised claims for reimbursement in an almost identical amount, which are shown under current or non-current receivables and other assets.

(28) Financial liabilities

The following table shows the liquidity analysis of the financial liabilities in the form of contractually agreed undiscounted cash flows.

in T€	2009 Book value	Cash flows 2009 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	1,266,895	1,607,355	172,315	1,276,355	158,685
- of which bonds	857,682	1,158,393	38,920	962,476	156,997
- of which liabilities towards banks	409,213	448,962	133,395	313,879	1,688
Accounts payable - trade	346,908	346,908	346,585	277	46
Liabilities to affiliated companies	8,660	8,660	8,660	–	–
Other liabilities	68,144	68,417	50,052	17,751	614
- of which derivative financial instruments	7,793	8,065	3,325	4,740	–
Financial liabilities	**1,690,608**	**2,031,340**	**577,612**	**1,294,383**	**159,345**

in T€	2008 Book value	Cash flows 2008 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	266,404	266,404	159,288	107,116	–
- of which bonds	–	–	–	–	–
- of which liabilities towards banks	266,404	266,404	159,288	107,116	–
Accounts payable - trade	465,357	465,357	465,142	116	99
Liabilities to affiliated companies	10,391	10,391	10,391	–	–
Other liabilities	54,398	54,398	40,196	14,202	–
- of which derivative financial instruments	24,224	24,224	17,209	7,015	–
Financial liabilities	**796,550**	**796,550**	**675,017**	**121,434**	**99**

in T€	2007 Book value	Cash flows 2007 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	688,290	688,290	328,067	357,577	2,646
- of which bonds	–	–	–	–	–
- of which liabilities towards banks	688,290	688,290	328,067	357,577	2,646
Accounts payable - trade	409,091	409,091	408,905	186	–
Liabilities to affiliated companies	8,105	8,105	8,105	–	–
Other liabilities	74,254	74,254	44,811	29,443	–
- of which derivative financial instruments	16,855	16,855	2,006	14,849	–
Financial liabilities	**1,179,740**	**1,179,740**	**789,888**	**387,206**	**2,646**

Derivatives are reported as non-current or current financial instruments retroactively for previous years in accordance with the anticipated time of settlement.

The financial liabilities as at the balance sheet date mainly relate to K+S Aktiengesellschaft, Morton International Inc. and ISCO LLC. The major part of the financial liabilities is in euros and serves to finance the acquisition of Morton Salt. There are also financial liabilities in US dollars, Canadian dollars, Brazilian reals and Chilean pesos.

The increase in financial liabilities largely relates to the K+S Aktiengesellschaft bond issued in September 2009 with a volume of T€ 750,000, which carries a fixed interest rate of 5.0 % and has a maturity of five years. Also, as part of the acquisition of Morton Salt, a USD bond was taken over with an outstanding sum of TUS$ 145,167 (converted value as at 31 December: T€ 100,768) and maturing in 2020. However, the seller Rohm & Haas is contractually obliged to pay all interest and repayment sums resulting from this bond in the name of Morton International Inc. to a trustee, who then pays the bondholders. Moreover, The Dow Chemical Company has issued a guarantee in the event that Rohm & Haas do not fulfil their payment obligations. The reimbursement claims for interest and repayment amounts resulting from this contractual construction are shown under the item “Receivables and other assets“ in the non-current and current areas.

The period of time over which fixed rates of interest apply is, with the exception of the bond issued, essentially short term and extends to a maximum of twelve months. To this extent, interest-related cash flow risks resulting from possible interest rate adjustments exist. The effective rates of interest are based on the interest rates for the currencies concerned (euro, US dollar, Canadian dollar, Brazilian real, Chilean peso) plus the customary market margins.

The following table shows the Group's liquidity analysis for derivative financial instruments. The table is based on undiscounted net cash flows for derivative financial instruments which are balanced net, and undiscounted gross cash flows for derivative financial instruments, which are balanced gross.

in T€	2009 Book value	2009 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Net fulfilment					
Freight derivatives	5,731	6,003	1,263	4,740	–
Gross fulfilment					
Options	1,156	1,156	1,156	–	–
Currency futures	273	273	273	–	–
Swaps	633	633	633	–	–

(29) Further information about financial instruments

The following table shows the carrying amounts and fair values of Group financial instruments:

in T€	Evaluation category under IAS 39	2009 Book value	2009 Fair value	2008 Book value	2008 Fair value
Financial assets	–	**22,386**	**22,386**	**22,270**	**22,270**
Investments in associated companies and equity interest	Available for sale	20,093	20,093	19,107	19,107
Loans	Loans and receivables	2,293	2,293	3,163	3,163
Accounts receivable - trade	Loans and receivables	**849,634**	**849,634**	**901,535**	**901,535**
Other receivables and assets	–	**416,476**	**416,476**	**188,479**	**188,479**
Remaining receivables and non-derivative financial assets	Loans and receivables	372,892	372,892	100,126	100,126
Derivatives without hedging relationship	Held for trading	19,554	19,554	64,883	64,883
Derivatives with hedging relationship	–	–	–	1,482	1,482
Other assets*	–	24,030	24,030	21,988	21,988
Cash on hand and balances with banks	Loans and receivables	**529,067**	**529,067**	**167,823**	**167,823**
Financial liabilities	Financial liabilities at amortised cost	**1,266,895**	**1,318,104**	**266,404**	**265,311**
Accounts payable - trade	Financial liabilities at amortised cost	**346,908**	**346,908**	**465,357**	**465,357**
Remaining and other liabilities	–	**95,984**	**95,984**	**82,699**	**82,699**
Other non-derivative financial liabilities	Financial liabilities at amortised cost	60,154	60,154	39,124	39,124
Derivatives without hedging relationship	Held for trading	7,793	7,793	21,907	21,907
Derivatives with hedging relationship	–	–	–	2,316	2,316
Liabilities from finance leases	–	8,857	8,857	1,442	1,442
Other liabilities	–	19,180	19,180	17,910	17,910

* This item mainly comprises other clearing accounts.

The carrying amounts of the financial instruments, aggregated according to the IAS 39 measurement categories, are as follows:

in T€	2009	2008
Financial assets available for sale	20,093	19,107
Loans and receivables	1,753,885	1,172,647
Financial assets held for trading	19,554	64,883
Financial liabilities at amortised cost	1,673,956	770,885
Financial liabilities held for trading	7,793	21,907

The fair values of the financial instruments were mainly determined on the basis of the market information available at the balance sheet date and are allocated to a level of the fair value hierarchy.

Level 1 financial instruments are calculated on the basis of quoted prices on active markets for identical assets and liabilities. In Level 2, financial instruments are calculated on the basis of input factors which are derivable from observable market data or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors which are not derivable from observable market data. As at 31 December 2009, financial assets held for trading (T€ 19,554) und financial liabilities held for trading (T€ 7,793) are to be allocated to Level 2 of the fair value hierarchy. There are no financial instruments at Level 1 and Level 3 of the fair value hierarchy.

In the case of equity instruments measured at acquisition cost, it is not possible to determine fair values reliably because of the absence of active markets. This applies to shares in (non-consolidated) associated companies and to equity interests. It is assumed that the carrying amounts correspond to the fair values as of the balance sheet date.

In the case of trade receivables, other receivables and non-derivative assets as well as liquid assets, the carrying amounts correspond to the fair values for these instruments because the maturities are largely short term.

In the case of financial liabilities, trade payables as well as other non-derivative and other liabilities, it is assumed that the carrying amounts correspond to the fair values for these instruments because the maturities are largely short. For non-current financial liabilities, the fair value has been determined as the present value of the future cash flows or from market prices. Market interest rates, based on the corresponding maturity, are used for discounting purposes.

For borrowings and financial lease liabilities, it is assumed that the carrying amounts correspond to fair values because of insignificant deviations in market and computational interest rates.

The net results from financial instruments are shown in the following table:

in T€	2009	2008
Financial assets available for sale	1,278	13,723
Loans and receivables	1,707	9,187
Financial assets and liabilities held for trading	4,874	(142,193)
Financial liabilities at amortised cost	3,764	(8,884)

The net result from financial assets available for sale mainly comprises gains or losses on the disposal of investments and securities as well as the ineffective component of exchange rate hedging in the previous year. In the previous year, an amount of T€ (9,842) arising from measurement, without recognition in net profit or loss, was recorded directly in the revaluation reserve. In the previous year, T€ 10,454 were withdrawn from the revaluation reserve and recognised in profit or loss.

The net result for loans and receivables mainly includes the effects of currency translation and changes in allowances.

The net result for financial assets and liabilities held for trading mainly comprises changes in the market value of derivative financial instruments. It also includes interest income and interest expenses for these financial instruments.

The net result for liabilities measured at amortised cost mainly comprises the effects of foreign currency translation.

Total interest income and expenses for financial assets and liabilities that are not measured at fair value and recognised in profit or loss were as follows:

in T€	2009	2008
Interest income	4,127	3,862
Interest expenses	(44,086)	(26,423)

The following is a sensitivity analysis for the interest income and expenses from financial instruments included in net interest income. With an assumed change in the interest rate level of +/- 1 percentage point, net interest income would have decreased or improved by +/- T€ 4,124 (2008: +/- T€ 3,932).

In addition to receivables and liabilities in the Group currency, the euro, there are also items in foreign currencies. Had the euro appreciated or depreciated against the foreign currencies (mainly the US dollar) by 10%, the change in the fair value recognised in profit or loss after the offsetting of foreign currency receivables and liabilities would have amounted to +/- T€ 19,386 (2008: T€ +/- 21,726).

(30) Contingent liabilities

in T€	2009	2008
Warranty agreements	767	767

(31) Other financial commitments

in T€	2009	2008
Commitments under uncompleted capital expenditure projects	45,240	73,877
Obligations from operating leases		
- due in the following year	23,986	18,727
- due in 2 to 5 years	46,496	23,566
- due after 5 years	14,954	6,239
Other financial commitments	**130,676**	**122,409**

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. Expenditure arising from operating leasing in 2009 came to T€ 22,592 (2008: T€ 18,877).

Notes to the segment reporting

The segment reporting is presented on page 170 et seq.

(32) Definition of segments

Segments are defined according to products. This corresponds to the internal organisation and reporting structure of the K+S Group.

The Potash and Magnesium Products business segment combines the production and marketing of potash fertilizers and fertilizer specialities as well as potash and magnesium compounds for technical, industrial and pharmaceutical applications.

As at 1 January 2009, the previous COMPO and fertiva business segments were combined in the reporting to form the Nitrogen Fertilizers business segment. Since 1 July 2009, the nitrogenous products previously distributed by fertiva have been bundled together with a part of the fertilizers marketed to date by COMPO (EXPERT segment) in the new company K+S Nitrogen. COMPO distributes its products in the Consumer and EXPERT segments. COMPO's Consumer business includes home and garden products for plant nutrition, plant care and plant protection.

The Salt segment encompasses the production and marketing of food grade salt, industrial salt and salt for chemical use, de-icing salt and sodium chloride brine, and was strengthened by the purchase of Morton Salt on 1 October 2009.

Complementary Business Segments bundle together not only recycling activities and waste disposal and reutilisation in potash and rock salt mines, as well as CATSAN® granulation, but also other activities important for the K+S Group. With Kali-Transport Gesellschaft mbH (KTG) and its subsidiaries, the K+S Group possesses its own logistics service provider. Chemische Fabrik Kalk GmbH (CFK) trades in different basic chemicals.

The accounting procedures applied in determining segment information are essentially in compliance with the accounting principles of the K+S Group.

(33) Principles of allocation of segment assets and liabilities

Assets, provisions and liabilities are allocated to the segments in accordance with their utilisation or origin. If they are utilised by or originate in more than one segment, they are allocated on the basis of appropriate keys.

Financial assets (except for participating interests) and non-current financial liabilities are not allocated to the segments.

(34) Principles of allocation of segment earnings

The data for the determination of segment earnings is produced by internal accounting on the basis of income statements in accordance with the nature of costs method (internal reporting structure of the K+S Group). The income statements of the companies included are allocated to the segments under profit centre accounting.

In its function as the final decision-making instance, the Board of Executive Directors of the K+S Group has determined EBIT I (operating earnings) to be the most important internal earnings value and as an indicator of earnings capacity. In addition to disregarding net interest income and the tax expense, other income and expenses affecting the financial result are also excluded. Also, EBIT I only relates to realised income from operating, anticipatory hedging transactions (see "Notes to the income statement and statement of comprehensive income" on page 190 et seqq.).

The earnings of the business segments are presented on a consolidated basis. Intra-segment deliveries and services are consolidated.

(35) Principles of transfer prices between segments

Transfer prices are defined for deliveries and services between segments, which would have to be paid in the respective specific situation and under the same circumstances by a non-related third party. The nature and amount of the billing is determined in accordance with the value and extent of the delivery or service, taking into account the underlying legal relationship. The methods of determining the transfer prices are documented on a timely basis and retained without interruption. The price comparison method, the resale price method, the cost plus method or a combination of these methods can be applied in determining the transfer prices for deliveries. Thereby, the method is chosen that is closest to that under which arm's length prices are determined in comparable markets.

(36) Additional segment information

Potash and Magnesium Products Business Segment

Provisions amounting to T€ 14,386 (2008: T€ 7,882) in the Potash and Magnesium Products business segment were released for obligations from 2008 not claimed. In the reporting period, discounts for financial year 2008 attracted expenses unrelated to the period totalling T€ 18,744 (2008: T€ 0). The Potash and Magnesium Products business segment posted an extraordinary write-down on an investment of T€ 1,100 (2008: T€ 0).

Nitrogen Fertilizers Business Segment

In the reporting period, impairments for inventories amounting to T€ 23,111 (2008: T€ 7,218) were recognised in the Nitrogen Fertilizers business segment. Provisions amounting to T€ 29,823 (2008: T€ 19,525) were released for obligations from 2008 not claimed. Subsequent charges from suppliers for financial year 2008 resulted in expenses unrelated to the period totalling T€ 14,950 (2008: T€ 3,068). Impairment tests conducted at the end of financial year 2009 required recognition of a write-down totalling T€ 2,199 (2008: T€ 1,201) for the Nitrogen Fertilizers business segment which was recorded under other operating expenses (T€ 842) and net income from investments (T€ 1,356).

(37) Reconciliation

The reconciliation between the segment figures to the corresponding items in the consolidated financial statements of the K+S Group comprise items allocated to central functions as well as consolidation effects. The main items are:

T€	2009	2008
Reconciliation of segment results		
Consolidation-related effects	(593)	(6,802)
Result for the central functions	(40,649)	(45,445)
	(41,242)	**(52,247)**
Reconciliation of segment assets		
Fixed assets	51,422	53,351
Deferred tax assets	32,692	46,299
Market values of derivatives (less premiums)	(5,405)	1,824
Tax refund claims from income taxes	30,261	31,398
Other receivables	281,821	30,618
Cash and cash equivalents	425,745	121,707
Consolidation-related effects	(420,701)	(1,281,177)
	395,835	**(995,980)**
Reconciliation of segment liabilities		
Provisions for pensions and suchlike	33,369	37,520
Other provisions	169,380	44,052
Deferred tax liabilities	245,152	58,677
Market values of derivatives	6,461	17,508
Financial liabilities	1,259,934	164,336
Liabilities	25,857	9,540
Income tax liabilities	41,637	25,820
Consolidation-related effects	(129,956)	(117,920)
	1,651,834	**239,533**

(38) Geographical breakdown of revenues

The breakdown of revenues by geographical region is as follows:

T€	2009	2008
Germany	642,412	891,544
Rest of Europe	1,253,825	2,372,302
- of which France	348,400	742,468
Overseas	1,677,547	1,530,551
- of which Brazil	371,944	424,564
- of which USA	486,693	199,257
Total revenues	**3,573,784**	**4,794,397**

The allocation is according to customers' registered seats. In financial years 2008 and 2009, no single customer accounted for more than 10 % of the total revenues.

(39) Geographical breakdown of assets

The breakdown of the assets of the K+S Group, adjusted for income tax receivables and deferred tax assets, by geographical region is as follows:

in T€	2009	2008
Germany	2,243,145	2,023,871
Rest of Europe	329,928	590,798
Overseas	2,576,443	781,389
Total assets	**5,149,516**	**3,396,058**

The allocation is given according to the location of the assets concerned.

(40) Geographical breakdown of capital expenditure

The breakdown of capital expenditure on intangible assets and property, plant and equipment by geographical region is as follows:

T€	2009	2008
Germany	137,779	151,918
Rest of Europe	5,443	6,694
Overseas	34,362	38,854
Total capital expenditure	**177,584**	**197,466**

The allocation is according to the location of the assets concerned.

Notes to the cash flow statement

The cash flow statement is presented on page 165.

(41) Disbursements for the acquisition of consolidated companies

The item disbursements for the acquisition of consolidated companies relates to the expenditure on shares in companies acquired during the financial year:

in T€	2009	2008
Total acquisition price	1,083,981	9
Acquired cash	(9,047)	–
Exchange rate hedging costs	87,934	–
Ancillary acquisition costs	14,029	–
Disbursements for acquisition of consolidated companies	**1,176,897**	**9**

(42) Net cash and cash equivalents

T€	2009	2008
Cash on hand and balances with banks	529,067	167,823
Cash received from associated companies	(5,599)	(6,731)
Bank overdrafts	(3,351)	(532)
Net Cash and cash equivalents	**520,117**	**160,560**

Other information

Auditor's fees

in T€	2009	2008
Auditor's fees	939	867
Audit-related fees	725	–
Other fees	53	37
Auditor's fees total	**1,717**	**904**

Auditor's fees encompass the auditing of the consolidated financial statements and the annual financial statements of the included domestic companies. Audit-related fees exclusively consist of audit services apart from the auditing of the annual financial statements and essentially result from the capital increase and the issuance of the bond.

Government assistance

T€	2009	2008
Investment grants	2,431	3,363
Investment premiums	4,631	1,893
Performance-related assistance	11,878	5,586
Government assistance	**18,940**	**10,842**

The investment grants recorded relate to sums extended under the German Investment Grant Law for Development Area Investments (Investitionszulagengesetz für Investitionen im Fördergebiet). Investment premiums were granted as part of the support for the regional economic structure and for particular transportation projects. Investment grants and premiums are deducted from the carrying amounts of the assets to which they relate.

Performance-related assistance concerns support that is provided by the Federal Labour Office (Bundesagentur für Arbeit) in accordance with the German Law on Semi-retirement (Altersteilzeitgesetz) as well as reimbursements of the employer's share of social security contributions in connection with the short-time allowance.

Related companies and persons

In addition to the subsidiaries included in the consolidated financial statements, the K+S Group has relationships to further related party companies; these include non-consolidated subsidiaries as well as companies on which the K+S Group can exercise decisive influence (associated companies). A complete overview of all related party companies can be taken from the list of all equity holdings (list of shareholdings), which has been submitted to the electronic Federal Gazette (Bundesanzeiger) for publication. Interested persons can download it at www.k-plus-s.com or request it from K+S Aktiengesellschaft.

The following table shows the transactions of the K+S Group with non-consolidated subsidiaries that occurred in the period under review. The business was transacted on customary market terms.

in T€	2009	2008
Revenues from deliveries and services	45,721	45,874
Deliveries and services received	19,916	26,563
Income from dividend payments and profit distributions	3,253	2,276
Other income	597	797
Other expenses	1,352	1,436

The trade revenues mainly result from the sale of goods by consolidated companies to foreign distribution companies. Deliveries and services received mainly concern deliveries of explosives from a German subsidiary as well as commissions, which were billed by foreign distribution companies.

On 31 December 2009, the following outstanding balances with non-consolidated subsidiaries were disclosed:

in T€	2009	2008
Receivables from associated companies	8,712	8,518
Liabilities to affiliated companies	8,660	10,391
- of which from bank transactions	5,599	6,731

On the balance sheet date there were no write-downs on receivables from associated companies (2008: T€ 12). Failure insurances for receivables from subsidiaries do not exist. The receivables and liabilities from bank transactions result from the centralised taking-out and investment of cash at K+S Aktiengesellschaft (cash pooling). Loans to related party companies totalling T€ 256 exist (2008: T€ 390), of which T€ 84 are write-downs (2008: T€ 74).

Related party persons are defined as persons, who are responsible for the planning, management and monitoring of a company. They include the Board of Executive Directors and the Supervisory Board. The remuneration of related party persons is presented in the following section as well as in the remuneration report. Further material transactions with related party persons did not occur.

Total remuneration of the Supervisory Board and the Board of Executive Directors

T€	2009	2008
Total remuneration of the Supervisory Board	1,133	1,900
- of which fixed	1,133	325
- of which performance-related	–	1,575
Total remuneration of the Board of Executive Directos	7,044	8,077
- of which fixed	2,088	1,369
- of which performance-related	1,680	4,615
- of which from exercise of rights under the stock option programme	3,276	2,093
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	2,325	2,498
Pension provisions for former members of the Board of Executive Directors and their surviving dependents [1]	3,861	4,191

[1] The pension provisions were offset with external plan assets (CTA).

The total remuneration of the Board of Executive Directors during the year under review was for five board members. Four board members were in office for twelve months and one board member for seven months. In the previous year, four board members were in office.

The remuneration system for the Board of Executive Directors consists of the following elements:

- regular monthly payments (fixed salary) to which in-kind benefits are added;
- performance-related non-recurrent remuneration, with bonuses based on the return on total investment and on an individual performance-related component and paid in the following financial year (previous year's figures adjusted in accordance with actual bonus payment);
- granting of stock options (previous year's figures adjusted since they related to the payments from the exercise of options).

In 2009, for the members of the Board of Executive Directors active on 31 December 2009, the total expenditure resulting from share-based remuneration, which relates both to the virtual stock option programme granted in 2009 and to the programmes still existing from previous years, was T€ 1,403 (2008: T€ 1,981). The emoluments received by the individual members of the Board of Executive Directors for financial year 2009 are set forth in the remuneration report included in the corporate governance report; the remuneration report also constitutes an integral part of the management report.

Shareholdings in K+S Aktiengesellschaft

There were no essential changes to the shareholder structure in 2009. According to reports in accordance with Sec. 21 of the German Securities Trading Act (WpHG), the Bank of N.T. Butterfield and Son Limited, Bermuda, continues to hold 15.001 % of the shares through MCC Holding Public Limited Company and subsidiaries attributed to it. MCC manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. BASF SE continues to hold about 10.3 % of our shares. Also, BlackRock Inc. reported that through its subsidiaries it had crossed the reporting threshold of 3 % on 8 December 2009 and holds 3.24 % of the K+S shares.

Exemptions pursuant to Sec. 264, Para. 3 and Sec. 264b of the German Commercial Code (HGB)

The following domestic companies, organised in the legal form of a corporation or partnership, have made use of the exemption rules contained in Sec. 264 Para. 3 and Sec. 264b of the German Commercial Code and dispensed with the publication of annual financial statements for 2009 as well as, to a large extent, the preparation of a management report and notes to the financial statements.

COMPO Gesellschaft mbH & Co. KG, Münster
K+S IT-Services GmbH, Kassel
esco – european salt company GmbH & Co. KG, Hanover
esco international GmbH, Hanover
fertiva GmbH, Mannheim
German Bulk Chartering GmbH, Hamburg
K+S Baustoffrecycling GmbH, Sehnde
K+S Beteiligungs GmbH, Kassel
K+S Entsorgung GmbH, Kassel
K+S KALI GmbH, Kassel
K+S Nitrogen GmbH, Mannheim
K+S Salz GmbH, Hanover
Kali-Transport Gesellschaft mbH, Hamburg
Kali-Union Verwaltungsgesellschaft mbH, Kassel
UBT See- und Hafen-Spedition GmbH Rostock, Rostock

Declaration on conformity concerning the German Corporate Governance Code

The declaration on conformity pursuant to Sec. 161 of the German Stock Corporation Act concerning the recommendations made by the “Government Commission on the German Corporate Governance Code” has been made by the Board of Executive Directors and the Supervisory Board of K+S for 2008/2009 and is available to shareholders in the 2008 financial report and can also be accessed on the K+S Group Internet homepage (www.k-plus-s.com). The conformity declaration in respect of 2009/2010 is also published on the K+S Internet homepage and on page 44 of this 2009 financial report.

Members of the Supervisory Board

(on 31 December 2009)

Dr. Ralf Bethke (67), business administration graduate, Deidesheim, Chairman
Shareholder representative

Former chairman of the Board of Executive Directors of K+S Aktiengesellschaft

Supervisory Board chairman since 14 May 2008
In office until the 2012 AGM
First appointed: 1 July 2007

Further Supervisory Board appointments:	Benteler AG, Paderborn Südzucker AG, Mannheim Süddeutsche Zuckerrübenverwertungs-Genos senschaft eG, Ochsenfurt
Other appointments to supervisory bodies:	Dr. Jens Ehrhardt Kapital AG, Pullach (chairman)

Michael Vassiliadis (45), chemical laboratory technician, Hanover, Vice Chairman
Employee representative

Chairman of the Mining, Chemicals and Energy Trade Union

In office until the 2013 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:	BASF SE, Ludwigshafen Evonik STEAG GmbH, Essen (vice chairman) Henkel KGaA, Düsseldorf

Ralf Becker (44), trade union secretary, Lindwedel
Employee representative

State District Manager North of the Mining, Chemicals and Energy Trade Union

In office until the 2013 AGM
First appointed: 1 August 2009

Further Supervisory Board appointments:	Continental Reifen Deutschland GmbH, Hanover

Dr. Uwe-Ernst Bufe (65), chemist, Königstein im Taunus
Shareholder representative
Former chairman of the Board of Executive Directors of Degussa/Hüls AG

In office until 31 August 2009
First appointed: 14 May 2008

Further Supervisory Board appointments:	Cognis GmbH, Monheim UBS Deutschland AG, Frankfurt am Main (vice chairman) – until April 2009
Other appointments to supervisory bodies:	Akzo Nobel NV, Amsterdam Solvay SA, Brussels – until May 2009 SunPower, San José Umicore SA, Brussels

Jella S. Benner-Heinacher (49), lawyer, Meerbusch
Shareholder representative
Federal Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

In office until the 2013 AGM
First appointed: 07 May 2003

Further Supervisory Board appointments:	A.S. Création Tapeten AG, Gummersbach TUI AG, Hanover

George Cardona (58), economist, Monaco
Shareholder representative
Member of the Board of Directors of OJSC EuroChem Mineral and Chemical Co., Russia

In office until the 2010 AGM
First appointed: 9 October 2009

Other appointments to supervisory bodies:	Board of CLL Hedge Portfolio Ltd., Guernsey Board of CLL Management Ltd., Guernsey Board of Diversified Macro Solutions plc, Ireland – since December 2009 Board of Donalink Ltd., Cyprus Board of Erglis Ltd., Cyprus Board of Hamilton Art Ltd., Bermuda Board of Hamilton Jets Ltd., Bermuda Board of Linea Ltd., Bermuda (vice chairman) Board of Linetrust PTC Ltd., Bermuda (vice chairman) Board of MCC Holding plc, Cyprus Board of Directors of OJSC Siberian Coal Energy Co., Russia Board of Valise Ltd., Bermuda (vice chairman)

Harald Döll (45), power plant electronic technician, Philippsthal
Employee representative
Member of the Works Council of K+S Kali GmbH's Werra plant

In office until the 2013 AGM
First appointed: 1 August 2009

Dr. Rainer Gerling (51), engineering graduate, Heringen/Werra
Employee representative
Head of K+S KALI GmbH's Werra plant

In office until the 2013 AGM
First appointed: 14 May 2008

Rainer Grohe (69), engineering graduate, Otterstadt
Shareholder representative
Assistant Professor at the Bundeswehr University, Munich

In office until the 2013 AGM
First appointed: 6 May 1998

Further Supervisory Board appointments:	Aurubis AG, Hamburg Graphit Kropfmühl AG (vice chairman), Hauzenberg PFW Aerospace AG, Speyer
Other appointments to supervisory bodies:	Beirat VRD GmbH and VRD GbR, Heidelberg

Dr. Karl Heidenreich (68), business administration graduate, Mannheim
Shareholder representative
Former member of the Board of Executive Directors of Landesbank Baden-Württemberg

In office until the 2013 AGM
First appointed: 7 May 2003

Other appointments to supervisory bodies:	Stiftung Orthopädische Universitätsklinik Heidelberg – until 31 December 2009

Rüdiger Kienitz (49), mining technologist, Geisa
Employee representative
Member of the Works Council of K+S KALI GmbH's Werra plant

In office until the 2013 AGM
First appointed: 26 March 1998

Klaus Krüger (55), mining technologist, Wolmirstedt
Employee representative
Chairman of the Group Works Council of the K+S Group

In office until the 2013 AGM
First appointed: 9 August 1999

Dieter Kuhn (51), mining engineer, Peißen
Employee representative
Vice Chairman of the Group Works Council of the K+S Group

In office until the 2013 AGM
First appointed: 7 May 2003

Heinz-Gerd Kunaschewski (57), fitter, Philippsthal
Employee representative
Chairman of the Works Council of K+S KALI GmbH's Werra plant

In office until 1 August 2009
First appointed: 7 May 2003

Dr. Bernd Malmström (68), jurist, Berlin
Shareholder representative
Lawyer

In office until the 2013 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:	HHLA Intermodal GmbH & Co. KG, Hamburg IFCO-Systems N.V., Amsterdam (chairman) Lehnkering GmbH, Duisburg (chairman) SBB Schweizer Bundesbahnen AG, Berne (Administrative Board) Stinnes Corporation, New York (chairman) VTG AG, Hamburg
Other appointments to supervisory bodies:	DAL - Deutsche-Afrika-Linien GmbH & Co. KG, Hamburg time:matters GmbH, Neu-Iseburg (chairman)

Dr. Rudolf Müller (66), agricultural engineering graduate, Ochsenfurt
Shareholder representative
Former member of the Board of Executive Directors of Südzucker AG

In office until the 2013 AGM
First appointed: 7 May 2003

Other appointments to supervisory bodies:	Bayerische Landesanstalt für Landwirtschaft, Freising-Weihenstephan
	Fachhochschulrat Fachhochschule Weihenstephan, Freising
	Universitätsrat der Universität Hohenheim, Stuttgart

Friedrich Nothhelfer (49), trade union secretary, Kassel
Employee representative
District Manager of the Mining, Chemicals and Energy Trade Union – District of Kassel

In office until 1 August 2009
First appointed: 14 May 2008

Further Supervisory Board appointments:	EON-Avacon, Helmstedt

Renato De Salvo (45), shop fitter, Auhagen
Employee representative
Member of the Works Council of K+S KALI GmbH's Sigmundshall plant

In office until the 2013 AGM
First appointed: 7 May 2003

Dr. Eckart Sünner (65), lawyer, Neustadt a.d. Weinstraße
Shareholder representative
Chief Compliance Officer of BASF SE

In office until the 2013 AGM
First appointed: 28 April 1992

Further Supervisory Board appointments:	Infineon Technologies AG, Neubiberg

Supervisory Board committees

Nomination committee
- Dr. Ralf Bethke (chairman)
- Jella S. Benner-Heinacher
- Dr. Bernd Malmström
- Dr. Rudolf Müller

Personnel committee
- Dr. Ralf Bethke (chairman)
- Rainer Grohe
- Klaus Krüger
- Michael Vassiliadis

Audit committee
- Dr. Eckart Sünner (chairman)
- Dr. Ralf Bethke
- Dr. Karl Heidenreich
- Klaus Krüger
- Michael Vassiliadis

Mediation committee
- Dr. Ralf Bethke (chairman)
- Klaus Krüger
- Dr. Eckart Sünner
- Michael Vassiliadis

Members of the Board of Executive Directors

Norbert Steiner (55), lawyer, Baunatal, Chairman
Corporate Development and Controlling
Legal Affairs, Compliance
Investor Relations
Communications
International HR Coordination
Salt Business Segment

In office until 11 May 2015
First appointed: 12 May 2000

Further Supervisory Board appointments: E.ON Mitte AG

Joachim Felker (57), industrial business manager, Birkenheide
Potash and Magnesium Products Business Segment
Nitrogen Fertilizers Business Segment

In office until 30 September 2010
First appointed: 1 October 2005

Gerd Grimmig (56), engineering graduate, Söhrewald
Mining and Geology
Technology and Energy
Research and Development
Environmental Protection, Occupational Safety, Quality Management
Inactive plants
Waste Management and Recycling
Animal Hygiene Products
Consulting

In office until 30 September 2010
First appointed: 1 October 2000

Dr. Thomas Nöcker (51), lawyer, Kassel, Personnel Director
Personnel
IT Services
Organisation and Project Management
Health Management
Property Management
Knowledge Management
Logistics (KTG)
Trading Business (CFK)

In office until 31 July 2011
First appointed: 1 August 2003

Other appointments to supervisory bodies: Advisory Board of RAG Bildung GmbH

Jan Peter Nonnenkamp (46), economics graduate, Munich
Finance and Accounting
Purchasing, Materials Management and Warehousing
Audit
Taxes
Insurance

In office until 31 May 2012
First appointed: 1 June 2009

Kassel, 23 February 2010

K+S Aktiengesellschaft
The Board of Executive Directors

NOTES

FURTHER INFORMATION

Information on mineral deposits

This section contains an overview of the mineral deposits and reserves of the K+S Group, divided into potash and magnesium reserves and salt reserves. The reserves were last calculated on 1 January 2008 and were mathematically adjusted to 31 December 2008 levels to take into account actual extraction in the 2008 calendar year. A deviation in future actual extraction will lead to a change in the theoretical lifetime.

Potash and Magnesium Reserves

The following table shows the K+S Group's reserves and extraction capacity for potassium chloride (KCl) and magnesium sulphate ($MgSO_4$).

	Reserves[1]				Extraction 2008		Theoretical lifetime in years; Basis K_2O 2008
Site	million tonnes	million tonnes K_2O[2]	million tonnes KCl[2]	million tonnes kieserite[3]	million tonnes	million tonnes K_2O[2]	
Neuhof-Ellers	108.4	11.1	17.6	22.4	3.81	0.41	27
Sigmundshall	27.8	3.2	5.1	4.0	2.49	0.31	9
Verbundwerk Hattorf-Wintershall	715.1	60.8	96.2	96.0	16.49	1.30	43
Unterbreizbach	110.2	20.5	32.4	9.5	3.08	0.80	25
Zielitz	406.3	51.6	31.7	–	10.74	1.41	37

[1] Presented are exploitable reserves; the categorisation in reserve classes is done on the basis of detailed exploration and calculation rules according to international standards. From the K+S Group's point of view, at several plants it is still possible to expand the quantities of the reserves and the lifespan of the mines.

[2] Potassium oxide (K_2O) is a customary chemical measurement for potassium chloride (KCL), which actually chemically exisits (conversion factor: 100 % KCL corresponds to 63.17 % K_2O).

[3] Kieserite is a usable $MgSO_4$ mineral, other minerals containing $MgSO_4$ cannot be used due to processing requirements (conversion factor: 100 % kieserite corresponds to 86.98 % $MgSO_4$).

Salt Reserves

The following table shows the salt reserves and extraction capacity of the K+S Group including Morton Salt acquired on 1 October 2009.

esco und SPL sites

Site	Production method	Reserves[1] in million tonnes	Extraction 2008 in million tonnes	Theoretical lifetime in years; Basis 2008
Bernburg, Germany	Rock salt mine	42.9	1.42	30
Bernburg, Germany[2]	Brine plant	91.5	0.25	366
Braunschweig-Lueneburg, Germany	Rock salt mine	21.6	0.52	42
Borth, Germany	Rock salt mine	49.7	1.28	39
Harlingen, The Netherlands	Brine plant	8.8	1.00	8-9
Bayonne, France	Brine plant	0.4	0.10	3-4
Rio Grande do Norte, Brasil	Evaporation Salt (ocean)	unlimited	0.50	–
Tarapacá, Chile[3]	Open cast mining	205.0	6.50	32

[1] Presented are exploitable reserves; the categorisation in reserve classes is done on the basis of detailed exploration and calculation rules according to international standards. From the K+S Group's point of view, at several plants it is still possible to expand the quantities of the reserves and the lifespan of the mines.
[2] Including the used Bernburg Gnetsch field and the unused Bernburg Bruendelscher Berg field.
[3] The reserve quantities in the Tarapacá, Chile, site are considerably expandable, as large reserve deposits in the forefield can be assumed with certainty. The stated proven reserves have been detected with certainty through exploration drillings from the surface and exploration of the forefield by drilling.

Morton Salt sites

Site	Production method	Reserves[1] in million tonnes	Extraction 2008 in million tonnes	Theoretical lifetime in years; Basis 2008
Ojibway, Canada	Rock salt mine	48.6	2.9	17
Pugwash, Canada	Rock salt mine	22.0	1.3	17
Mines Seleine, Canada	Rock salt mine	25.5	1.4	19
Weeks Island, USA	Rock salt mine	85.0	1.4	59
Fairport, USA	Rock salt mine	67.5	1.3	51
Grand Saline, USA	Rock salt mine and brine plant	60.0	0.4	151
Rittman, USA	Brine plant	12.5	0.5	25
Hutchinson, USA	Brine plant	9	0.3	30
Silver Springs, USA	Brine plant	12.0	0.3	37
Manistee, USA	Brine plant	6	0.3	23
Windsor, Canada	Brine plant	10.5	0.2	51
Lindbergh, Canada	Brine plant	10	0.1	100
Inagua, Bahamas	Evaporation Salt (ocean)	unlimited	1.1	–
Grantsville, USA	Evaporation Salt (Great Salt Lakes)	unlimited	0.7	–
Glendale, USA	Brine plant	7.5	0.1	77

[1] Presented are exploitable reserves; the categorisation in reserve classes is done according to international standards. From the K+S Group's point of view, at several plants it is still possible to expand the quantities of the reserves and the lifespan of the mines.

Definitions of key financial indicators

Book value per share	=	$\frac{\text{Adjusted equity}^{1)}}{\text{Total number of shares as of 31 Dec.}}$
Enterprise value	=	Market capitalisation + net indebtedness
Equity/assets ratio I	=	$\frac{\text{Adjusted equity}^{1)}}{\text{Operating assets}}$
Equity/assets ratio II	=	$\frac{\text{Adjusted equity}^{1)} + \text{non-current debt}}{\text{Operating assets}}$
Indebtedness I	=	$\frac{\text{Bank loans and overdrafts}}{\text{Equity}}$
Indebtedness II	=	$\frac{\text{Net indebtedness}}{\text{Equity}}$
Liquidity ratio I	=	$\frac{\text{Cash on hand and balances with banks + current securities}}{\text{Current debt}}$
Liquidity ratio II	=	$\frac{\text{Cash on hand and balances with banks + current securities + current receivables}}{\text{Current debt}}$
Liquidity ratio III	=	$\frac{\text{Current assets}}{\text{Current debt}}$
Net financial liabilities	=	Financial liabilities – cash on hand and balances with banks – securities
Net indebtedness	=	Financial liabilities + provisions for pensions and similar obligations + non-current provisions for mining obligations – cash on hand and balances with banks - securities
Operating assets	=	Intangible assets + property, plant and equipment + shares in associated companies + participating interests
Return on capital employed (ROCE)	=	$\frac{\text{Operating earnings(EBIT I)}}{\text{Operating assets}^{2),3)} + \text{working capital}^{2),3),4)}}$
Return on investment (ROI)	=	$\frac{\text{Operating earnings (EBIT I)}}{\text{Disbursements for acquisitions of consolidated companies}}$
Return on equity[5]	=	$\frac{\text{Adjusted Group earnings after taxes}^{1)}}{\text{Adjusted equity}^{1),2),6)}}$
Return on revenues	=	$\frac{\text{Adjusted Group earnings}^{1)}}{\text{Revenues}}$
Return on total investment[5]	=	$\frac{\text{Adjusted earnings before taxes}^{1)} + \text{interest expenses}}{\text{Adjusted balance sheet total}^{1),2),4),6)}}$
Value added	=	(ROCE – weighted average cost of capital before taxes) x (operating assets [2] + working capital [2])
Working capital[3]	=	Inventories + receivables and other assets [7] – current provisions[8] – accounts payable trade – other payables [7]

[1] Adjusted for the effects of market value changes in hedging transactions as well as derivatives no longer in operation; for adjusted Group earnings, the resulting tax effects were also eliminated.
[2] Annual average
[3] Effects from Morton Salt adjusted on a pro rata basis.
[4] Adjusted for reimbursement claims and corresponding obligations.
[5] Adjusted for the effects of derivative financial instruments used to hedge the Morton Salt purchase price.
[6] Effects from the capital increase adjusted on a pro rata basis.
[7] Without the market values of hedging transactions, but including premiums paid for derivatives used for operating purposes; without receivables and liabilities from financial investments; adjusted for reimbursement claims.
[8] Adjusted for obligations for which there are corresponding reimbursement claims.

Financial and economic terms

Cash flow	Net balance of incoming and outgoing payments during a reporting period.
Dividend	Part of retained profit distributed to shareholders.
EBIT I	Operating earnings (EBIT I) include the hedging result of the respective reporting period achieved from the operating derivatives used for the hedging of future payment positions (mainly revenues in US dollars) or future translation risks. The achieved hedging result corresponds to the exercise value of the derivative at the time of it being due (difference between the spot rate and hedged rate), less the premiums paid in the case of option transactions. The changes in market value of the operating, anticipatory hedging transactions still outstanding are, however, taken into consideration separately in the earnings after operating hedging transactions (EBIT II).
EBIT II	Under IFRSs, changes in 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 of the financial sector are shown in the financial result, insofar as no disclosure as hedge accounting not recognised in profit or loss is effected.
Enterprise Value	Is an indicator of the value of a company frequently used by financial analysts. Enterprise value is frequently compared with other figures (e. g. revenues, EBITDA, EBIT), which produces enterprise value multiples, for example.
Free float	The number of shares not held by investors owning more than 5% of the shares of a company (with the exception of shares held by investment companies and asset managers).
Gross domestic product	Value of the economic performance that comprises all the goods and services produced in a country within a reporting period.
Liquidity ratios	Provide information about the extent to which current payment obligations are covered by cash and cash equivalents, current receivables and current assets.

Purchase Price Allocation Allocation of the costs incurred in connection with a corporate acquisition to the assets, liabilities and contingent liabilities acquired.

Value Added This figure is based on the assumption that a company creates added value for the investor when the return on the average capital employed exceeds the underlying cost of capital. This excess return is multiplied by the average capital employed (annual average for operating assets + working capital) to give the company's added value for the year under review.

TABLE OF FIGURES

CONTACT

K+S Aktiengesellschaft
Bertha-von-Suttner-Strasse 7
34131 Kassel | Germany
phone: +49 (0)561/9301-0
fax: +49 (0)561/9301-1753
Internet: www.k-plus-s.com

Investor Relations
phone: +49 (0)561/9301-1100
fax: +49 (0)561/9301-2425
e-mail: investor-relations@k-plus-s.com

Communications
phone: +49 (0)561/9301-1722
fax: +49 (0)561/9301-1666
e-mail: pr@k-plus-s.com

This report was published on 11 March 2010.

IMPRINT

Editorial Team/Text:
K+S Investor Relations

Creation, Typesetting and DTP:
Red Cell Werbeagentur GmbH
Düsseldorf

Photography:
K+S, V. Straub, O. Tjaden

Lithography:
under colour GmbH
Düsseldorf

Printing:
Industriedruck Dresden GmbH
Ottendorf-Okrilla

This Financial Report is also available in German. In the event of any doubt, the German version of the text will prevail.

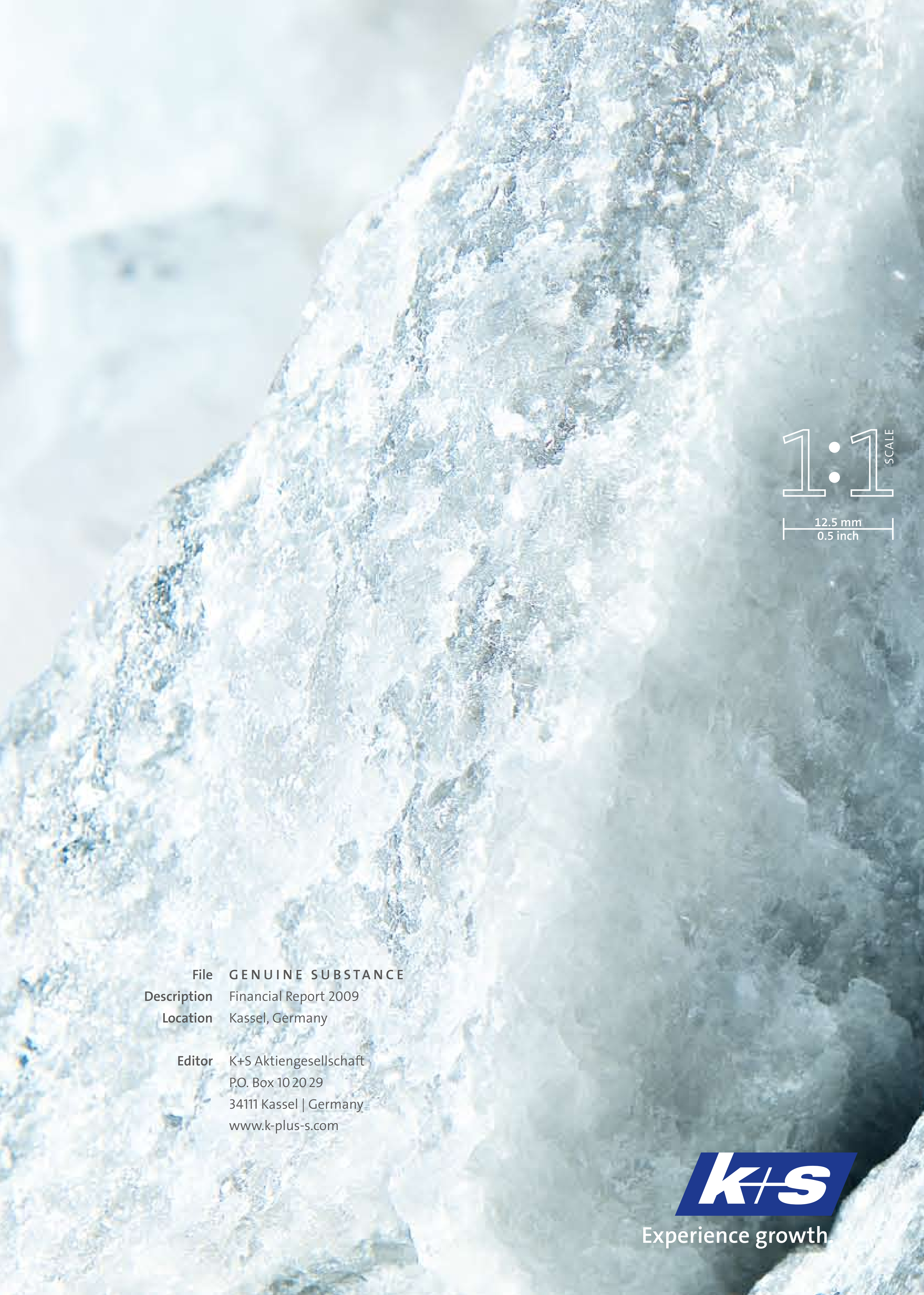
FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
Produktgruppe aus vorbildlich bewirtschafteten Wäldern und anderen kontrollierten Herkünften
Cert no. IC-COC-100039
www.fsc.org
©1996 Forest Stewardship Council

The FSC Logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council.

INDEX

FINANCIAL CALENDAR

Dates	2010/2011
Annual General Meeting, Kassel	11 May 2010
Quarterly Financial Report, 31 March 2010	11 May 2010
Dividend payment	12 May 2010
Half-yearly Financial Report, 30 June 2010	12 August 2010
Quarterly Financial Report, 30 September 2010	11 November 2010
Report on business in 2010	10 March 2011
Press and analyst conference, Frankfurt am Main	10 March 2011



File GENUINE SUBSTANCE
Description Financial Report 2009
Location Kassel, Germany

Editor K+S Aktiengesellschaft
P.O. Box 10 20 29
34111 Kassel | Germany
www.k-plus-s.com

K+S
Experience growth