QUARTERLY FINANCIAL REPORT Q3/09

JULY – SEPTEMBER

Q3 fertilizer demand weak as expected

At € 698.1 million, Q3 revenues down 52 % year on year

At € 9.4 million, EBIT I down very significantly on record result for previous same period

Various extraordinary charges result in adjusted earnings per share of € (0.01)

Adjusted free cash flow before acquisition reaches € 52.6 million

Outlook for financial year 2009 unchanged

Experience growth.

KEY DATA BUSINESS DEVELOPMENT

Key figures (IFRSs)

€ million	Q3/09	Q3/08	%	9M/09	9M/08	%
Revenues	698.1	1,441.4	(51.6)	2,512.5	3,838.9	(34.6)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	45.3	541.3	(91.6)	307.5	1,160.3	(73.5)
EBITDA margin in %	6.5	37.6		12.2	30.2	
Operating earnings (EBIT I)	9.4	502.2	(98.1)	201.5	1,054.9	(80.9)
Operating EBIT margin in %	1.3	34.8		8.0	27.5	
Result after operating hedges (EBIT II)	17.4	468.1	(96.3)	208.0	906.3	(77.0)
Earnings before income taxes	5.7	460.0	(98.8)	111.3	884.0	(87.4)
Earnings before income taxes, adjusted [1]	(2.3)	494.1	–	104.8	1,032.6	(89.9)
Group earnings	3.7	333.5	(98.9)	80.8	644.5	(87.5)
Group earnings, adjusted [1]	(2.1)	358.1	–	76.1	751.8	(89.9)
Return on Capital Employed (LTM) in % [2]	–	–	–	21.9	50.9	(57.0)
Gross cash flow	19.0	456.8	(95.8)	232.7	981.3	(76.3)
Net indebtedness as of 30 Sept. [3]	–	–	–	833.1	630.9	+ 32.0
Capital expenditure [4]	43.5	48.4	(10.1)	114.1	133.1	(14.3)
Depreciation and amortisation [4]	35.9	39.1	(8.2)	106.0	105.4	+ 0.6
Working capital as of 30 Sept.	–	–	–	828.8	945.7	(12.4)
Earnings per share, adjusted (€) [1]	(0.01)	2.17	–	0.46	4.56	(89.9)
Gross cash flow per share (€)	0.11	2.77	(96.0)	1.41	5.95	(76.3)
Book value per share as of 30 Sept., adjusted (€) [1]	–	–	–	8.19	9.04	(9.4)
Total number of shares as of 30 Sept. (million)	–	–	–	165.00	165.00	–
Outstanding shares as of 30 Sept. (million) [5]	–	–	–	165.00	165.00	–
Average number of shares (million) [6]	165.00	165.00	–	164.91	164.93	–
Employees as of 30 Sept. (number) [7]	–	–	–	12,378	12,323	+ 0.4
Average number of employees [7]	12,303	12,238	+ 0.5	12,305	12,170	+ 1.1
Personnel expenses	165.5	179.4	(7.7)	549.8	546.9	+ 0.5
Closing price (XETRA) as of 30 Sept. (€)	–	–	–	37.29	48.64	(23.3)
Market capitalisation as of 30 Sept. (€ billion)	–	–	–	6.2	8.0	(23.3)
Enterprise value as of 30 Sept. (€ billion)	–	–	–	7.0	8.7	(19.5)

[1] The adjusted figures only contain the result from operating forecast hedges already realised during the current period. By contrast, changes in the market value of operating forecast hedges still outstanding are not taken into account. The effects on deferred and cash taxes are also eliminated; Q3/09 tax rate: 27.9 % (Q3/08: 27.8 %).
[2] Return on capital employed of the last twelve months as of 30 September.
[3] Including provisions for pensions and mining obligations.
[4] For or in connection with intangible assets as well as property, plant and equipment.
[5] Total number of shares less the own shares held by K+S on the reporting date.
[6] Total number of shares less the average number of own shares held by K+S over the period.
[7] Total workforce including temporary employees (without students and interns), measured on full-time equivalent basis (FTE).

MANAGEMENT REPORT

Business Environment

Macroeconomic Environment

As expected in the Financial Report 2008, the economy was able to recover again somewhat in the third quarter worldwide. The situation on global financial markets eased, sentiment indicators are pointing upwards again, order intake increased and output rose slightly. Thus, the first effects were felt of the stabilisation measures taken by central banks and governments. For 2009 as a whole, however, the global economy can still be expected to decline sharply.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT
(REAL IN %)

Year	Germany	EU-25/ EU-27	World
2009e	(4.6)	(4.0)	(1.3)
2008	+ 1.3	+ 1.0	+ 2.8
2007	+ 2.5	+ 3.1	+ 4.8
2006	+ 2.9	+ 3.3	+ 5.3
2005	+ 0.9	+ 1.7	+ 4.7

Source: Deka Bank

In the eurozone too, economic activity rose again, after the economic downturn appeared to bottom out in the second quarter; output and order intake stabilised. Low inflation as well as fiscal policy measures gave a boost to private consumption.

Economic data in the United States point to an end of the recession. Output has picked up since the summer months, and there are signs that investment activity increased again for the first time in the third quarter. The companies' expectations became more upbeat while the confidence felt by private households has also improved to some extent. Nevertheless, the labour market has yet to reflect this increase in economic activity.

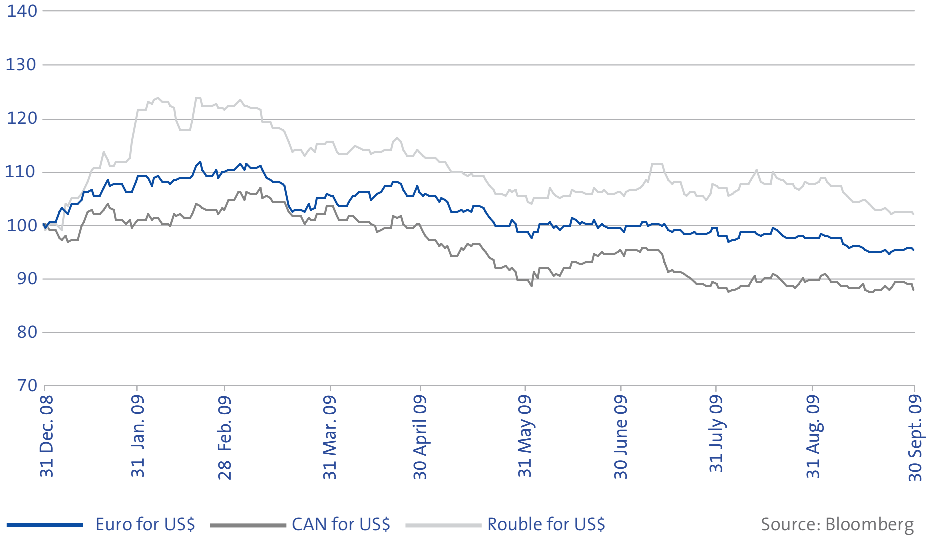
The emerging market countries have shown themselves to be truly robust, given that their macroeconomic fundamentals are generally healthy and the condition of their public finances is relatively sound. The third quarter also saw the strongest growth rates. Asia and Latin America already experienced a strong recovery in the second quarter, especially as the downturn there appeared to have already reached its lowest point at the beginning of the year and thus, earlier than in the industrialised countries. The economy in Latin America profited from the growth in demand for commodities over the course of the year. Brazil's economy already found itself on a growth course again since spring thanks to expansive monetary and fiscal policy measures.

Although many central banks have cut interest rates, to historically low levels in some cases, the ability of the financial sector to function remains limited, which continues to make it difficult for many companies to borrow, also hindering a stronger recovery in the third quarter.

The US dollar was weaker again in relation to the euro in the third quarter and, at the end of September, was quoted at 1.46 USD/EUR (30 June 2009: 1.40 USD/EUR; 30 September 2008: 1.41 USD/EUR). In addition to the absolute relationship between the exchange rates, also a relative comparison of the euro and the currencies of our competitors each in relation to the US dollar is of particular importance for us. A weak US dollar has a negative impact on most of the world's potash producers due to the fact that the bulk of worldwide potash output lies outside the US dollar zone while all sales, with the exception of the European market, are invoiced in US dollars. The following graph shows that North American, Russian and European producers were exposed to similar currency developments during the first nine months of 2009.

Development of EUR/USD vs. CAN/USD and RUB/USD

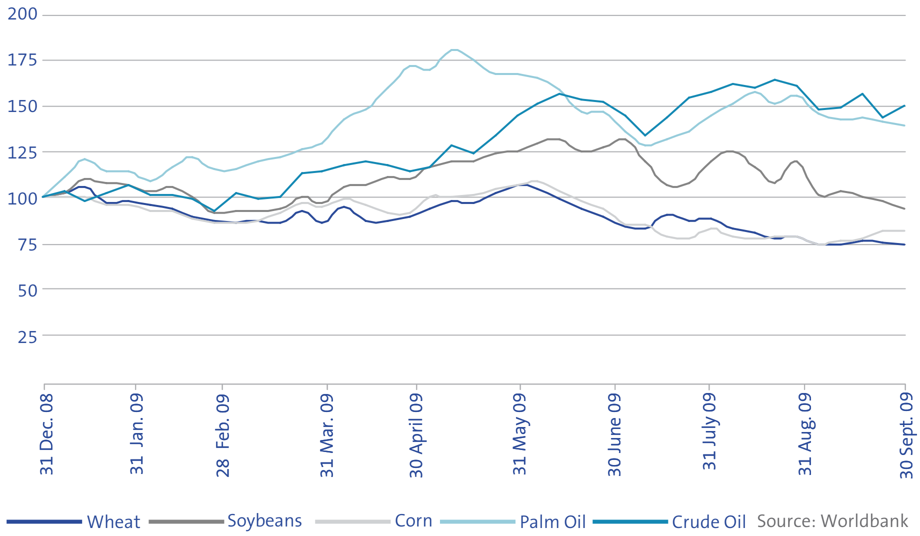
(Index: Year-end 2008; in %)



The picture on the commodity market was mixed: While crude oil was quoted at an average of just under US$ 70 per barrel or about 15 % above the average for the second quarter of 2009, prices for agricultural raw materials in the third quarter tended to move sideways or were slightly weaker. Thus, at the end of September 2009, crude oil as well as agricultural raw materials were quoted at levels which were down significantly year on year.

Development of Prices for Agricultural Products and Crude Oil

(Index: Year-end 2008; in %)



Impact on K+S

The changes in the macroeconomic environment during the third quarter impacted on the course of business of K+S as follows:

- The absence of a recovery in prices of agricultural products continued to give rise to tangible uncertainty in agriculture about the future earnings situation. During the first nine months of the year, K+S responded to continued weak demand by cutting back output and introducing short-time working as well as reducing output of potash and magnesium products by about 3 million tonnes. Given the continued absence of a significant pick-up in demand, capacity utilisation can be expected to be correspondingly low in the fourth quarter too. We continue to estimate that sales of potash and magnesium products for the year as a whole will amount to about 4 million tonnes of goods, which equals about 50% of our technically available capacity.
- Energy prices fell sharply at the end of last year. As, on the basis of existing supply agreements, changes are only reflected in our costs with a delay of six to nine months, we were able to profit from this development for the first time in the third quarter of 2009.
- At an average of 1.53 USD/EUR including hedging costs, the Potash and Magnesium Products business segment saw a somewhat less favourable exchange rate compared with the same quarter a year ago (Q3/08: 1.50 USD/EUR). Should the US dollar exchange rate weaken further over the course of the year, the options we use provide hedging for a worst case of about 1.48 USD/EUR including costs for the fourth quarter of 2009. In total, the worst case for 2009 as a whole is thus about 1.46 USD/EUR including costs.

Industry-specific Framework Conditions

Fertilizer Business Sector

Continued very low demand for fertilizers on almost all markets characterised the third quarter: Agriculture still saw restraint, with prices for agricultural products showing no recovery at least until the end of September. In the case of straight nitrogen fertilizers, however, demand, which picked up at the end of June, continued to grow. Demand for potash fertilizers nevertheless remained weak, especially on European and North American markets. While, in terms of prices, the agreement concluded with India in the middle of July setting a price of US$ 460 per tonne for standard potassium chloride provided an important orientation point for global markets, purchasing restraint on the part of customers could not, however, be dispelled everywhere because the conclusion of agreements with China was still outstanding. In addition, the trade sector has been seeking to keep inventories, which have now been largely depleted, as low as possible and to delay the early stocking up which is normally customary at this time. According to information that they themselves have provided, many producers have once again cut their output to prevent a further increase in their inventories.

Salt Business Sector

The Western European de-icing salt market was characterised by satisfactory early procurement business. In North America too, tenders, in terms of volume, were comparable with the very good same period a year ago. Prices, however, saw slight decreases, with last year's tenders having benefited from supply bottlenecks. Business in the food grade and industrial salt segments was stable to a great extent and thus was scarcely affected by the current economic crisis. The South American industrial salt market was even characterised by local supply bottlenecks. Demand for salt for chemical use remained weak because of the economic crisis.

Business Segments and Organisational Structure

On 2 April 2009, we signed an agreement on the acquisition of Morton International Inc. (Morton Salt) with Rohm and Haas, a subsidiary of The Dow Chemical Company. Morton Salt is one of the leading producers of consumer, industrial and de-icing salts in North America. The closing took place in New York on 1 October 2009. The company is valued at US$ 1.675 billion. Less the debt established at the present time and the usual adjustments, this resulted in a net cash payment of US$ 1.576 billion. As a result of the acquisition of Morton Salt, K+S will become the largest salt producer worldwide and will occupy a leading position in North America. The effects of the acquisition have been taken into account in the forecasts made for the current and the coming financial year. The salt business of K+S on the North American market has been strengthened considerably by the acquisition of Morton Salt. To create the organisational prerequisites for rapid and effective integration, the company K+S North America Salt Holdings, with its registered office in Chicago, was formed. The Salt business segment will be managed and further developed under its roof.

Since 1 January 2009, COMPO and fertiva have been grouped together in reporting as the "Nitrogen Fertilizers business segment". Since 1 July 2009, the nitrogenous fertilizers previously distributed by fertiva have been combined with the ENTEC® and the sulphate-containing NITROPHOSKA® products hitherto distributed by COMPO under the "K+S Nitrogen" umbrella. COMPO and its units in Germany and abroad continue to distribute consumer products as well as, in the expert area, slow-release fertilizers, coated fertilizers, NPK specialities and nutrient salts for sport and leisure facilities, golf, gardening and landscaping, nurseries and ornamental plants. Shifts arising from the reorganisation that came into force on 1 July 2009 only occurred within the Nitrogen Fertilizers business segment in the third quarter.

There were no other changes in the business segments nor in the organisational structure.

Corporate Strategy and Enterprise Management

For a comprehensive overview of our corporate strategy and management, please see the relevant passages on pages 57 et seqq. of the Financial Report 2008. The statements described in the Financial Report concerning Group strategy, the strategic orientation of the business sectors, the internal corporate control system, our financial and non-financial goals have not undergone any significant change in the reporting period, and there are currently no intentions to change them in the future.

Comparison of actual and projected course of business

The forecast for 2009 provided in the Financial Report 2008 on 25 February 2009 assumed a tangible decrease in revenues and a significant decline in earnings. This was based on a US dollar exchange rate of about 1.30 USD/EUR, while the actual spot rate for the first nine months averaged 1.37 USD/EUR. In this regard, the outlook assumed that demand for potash fertilizers would normalise again worldwide from the second half of 2009, which resulted in a sales estimate of just under 6 million tonnes for the Potash and Magnesium Products business segment for the year as a whole. Against the background of continued weak demand, this outlook was cut to 4 million tonnes in an ad hoc disclosure dated 17 June 2009 as well as in the Half-yearly Financial Report H1/09 published in the middle of August. Of this amount, 3.06 million tonnes were sold in the first nine months. Apart from the inclusion of Morton Salt from the fourth quarter, there have been no changes in relation to our forecast as set out in the Half-yearly Financial Report H1/09. Against this background, we still expect, since the middle of the year, a significant decrease in revenues as well as a sharp drop in earnings.

Products and Services

For a comprehensive overview of our products and services, please see the relevant sections of the Financial Report 2008 and the Corporate/Sustainability Report 2008. As the product segments gained as a result of the acquisition of Morton Salt to a large extent overlap with our existing Salt business sector product portfolio, we do not expect any significant changes in our product portfolio.

Major Markets and Competitive Positions

As of 30 September 2009, there were no significant changes in our key markets and competitive positions as described on page 52 of the Financial Report 2008. As a result of the acquisition of Morton Salt, K+S will become the largest salt producer worldwide and will occupy a leading position in North America. With the acquisition of Morton Salt, the regional portfolio of the K+S Group will also become more international.

Research and Development

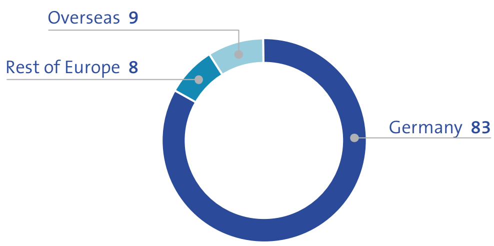
There has been no significant change in the goals and main focal points of our research and development as described in the Financial Report 2008. Research costs for the quarter under review totalled € 5.6 million and were thus up on the level of a year ago (Q3/08: € 4.6 million). The increase is attributable to enhanced activities connected with the implementation of the comprehensive package of water protection measures.

Employees

Headcount on about the same level as a year ago

On 30 September 2009, a total of 12,378 people were employed by the K+S Group, a figure which is on about the same level as a year ago (12,323). There were 648 trainees at the end of the third quarter – a significant increase of 32 trainees in relation to the same period last year.

Employees by region
(in %)



Personnel expenses

Third quarter personnel expenses amounted to € 165.5 million and were thus down about 8% on the figure for the same period last year. The savings resulting from short-time working could more than offset the additional costs resulting from the last collective agreement pay rise as well as higher provisions for semi-retirement. For the first nine months of the year, personnel expenses amounted to € 549.8 million and were thus on about the same level as a year ago.

K+S on the Capital Market

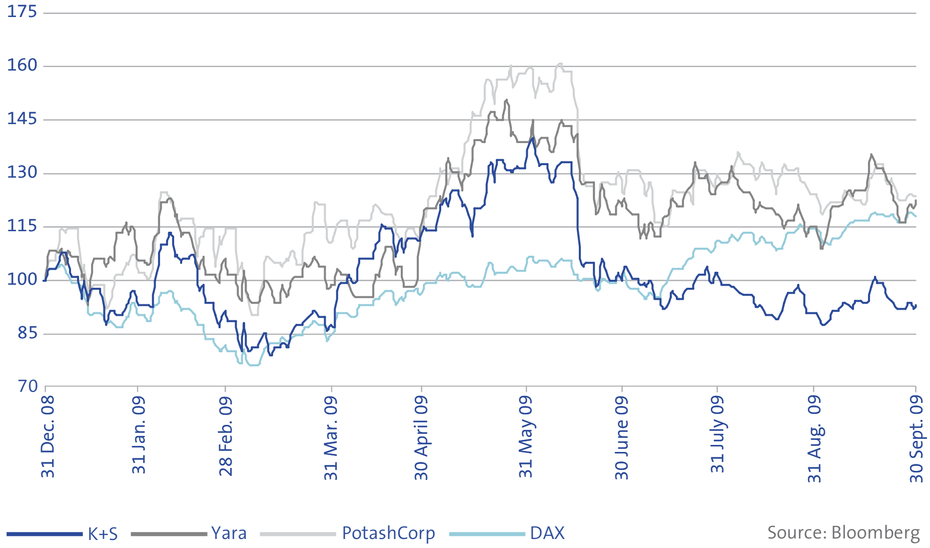
Course of the K+S share price in the third quarter

- At the beginning of the third quarter, the K+S share was quoted at € 41.42 and then fell significantly in the wake of a weak market environment and declining grain prices. On 10 July, the specialist press reported on the conclusion of an agreement between the Indian state import company IPL and IPC, the export company of Russian potash producer Silvinit, on the delivery of standard potassium chloride at a price of US$ 460 per tonne. As this price level was significantly below the price level agreed with India last year and prevailing on global markets until the beginning of July 2009, the report initially had a negative impact on share prices for potash producers, with the K+S share price falling to € 36.75 until 13 July.
- Subsequently, the focus of the capital market concentrated on the conclusion of the agreement with India which possibly once again could provide an important point of orientation for global fertilizer markets. Against this background, the share price – benefiting additionally from a stronger market environment – rose again to € 41.56 at the end of July.

- However, this recovery was not lasting, with the uncertainty in the run-up to the publication of K+S half-year figures causing the price to fall again, with the result that the K+S share price reached its low for the quarter at € 35.07. Since then, the share has recovered in line with the positive market environment and closed at € 37.29 on 30 September 2009. It was thus significantly below its closing price of € 48.65 a year ago. The DAX lost 2.7% over the same period.

In the last of the surveys that we carry out regularly (5 November 2009), 5 banks gave us a "buy/accumulate" recommendation, 8 a "hold" recommendation and 8 a "sell/reduce" recommendation. The average target price of these studies is just under € 39.

PERFORMANCE OF THE K+S SHARE IN RELATION TO DAX AND SELECTED PEERS IN THE FIRST NINE MONTHS OF 2009
(INDEXED; PERFORMANCE IN %)



Source: Bloomberg

Shareholder structure

On 5 August 2009, The Bank of New York Mellon Corporation informed us that it had fallen below the 3% threshold and held 2.9% of the shares of K+S through its subsidiary MBC Investments Corporation. No other changes in accordance with Section 21 of the German Securities Trading Act (WpHG) were reported to us in the third quarter. We thus know that Bank of N.T. Butterfield and Son Limited, Bermuda, continues to hold about 15% of our shares through MCC Holding Limited and subsidiaries attributable to the latter. MCC manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. BASF SE continues to hold about 10% of our shares. Under the free float definition applied by Deutsche Börse AG, the free float amounts to just under 75%.

The K+S Bond

On 17 September, K+S placed a bond, with a volume of € 750 million, for the first time. The bond has a maturity of five years. With a coupon of 5.0 % p.a. and an issue price of 99.598 %, the yield, at the time of issue, was 5.093 % p.a. Due to strong demand on the part of institutional investors, the bond has been oversubscribed several times. The proceeds from the bond issue were used to refinance part of the bank loans for the acquisition of North American salt producer Morton Salt and will also be used for general corporate purposes. Among other things, the placing of the bond will make it possible to create a balanced maturity structure for outstanding financing instruments.

Despite more positive economic data, the bond market has not assumed an end to the phase of historically low interest rates for the time being. Declining risk premiums for corporate bonds against such background contributed to the K+S bond being quoted at 102.832 % on 30 September 2009. The yield was thus 4.353 % at the end of the quarter.

Earnings, Financial and Asset Position

Trend in Orders

Most of the business of the K+S Group is not covered by longer-term agreements concerning fixed volumes and prices. The small percentage of orders in relation to revenues – for example, less than 10 % in the Potash and Magnesium Products business segment – is customary in the industry and characterised by long-term customer relationships as well as revolving framework agreements with non-binding 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.

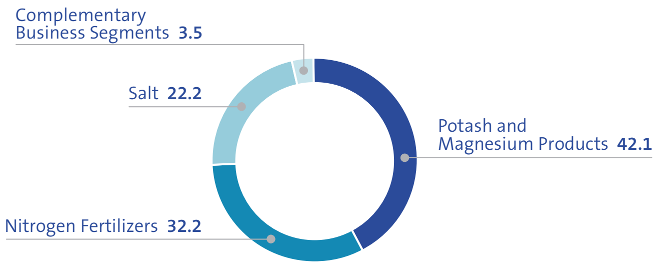
Revenues and Earnings Position

Variance analysis in %	Q3/09	9M/09
Change in revenues	**(51.6)**	**(34.6)**
- volume	(27.4)	(30.6)
- structure	+ 6.4	(4.8)
- prices	(31.8)	(1.8)
- exchange rates	+ 1.2	+ 2.6
- consolidation	–	–

Q3 revenues significantly down year on year mainly due to price and volume factors

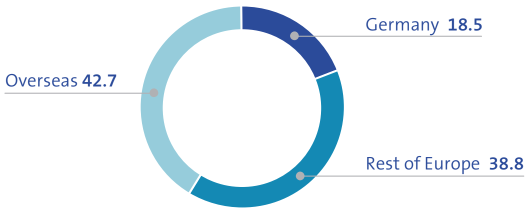
Q3 revenues were down by € 743.3 million on the same period last year and reached € 698.1 million. This is mainly due to significant revenue decreases in the Potash and Magnesium Products and Nitrogen Fertilizers business segments. The revenue declines attributable to price and volume factors could not be offset by positive structural effects. Revenues for the first nine months fell to € 2,512.5 million ((35) %) primarily as a result of volume factors.

Revenues by Business Segment Jan. – Sept. 2009
(in %)



A total of 57 % of Group revenues were generated in Europe, with, at 42 %, the Potash and Magnesium Products business segment accounting for the largest share of revenues, followed by Nitrogen Fertilizers as well as Salt.

Revenues by Region Jan. – Sept. 2009
(in %)



Development of selected cost items

Third quarter personnel expenses amounted to € 165.5 million and were thus down about 8 % on the figure for the same period last year. The savings produced by short-time working could more than offset the additional costs resulting from the last collective agreement pay rise as well as higher provisions for semi-retirement. Energy costs fell significantly as a result of both volume and price factors, and there was also a significant easing with regard to cost of materials and freight costs as a result of price and volume factors. By contrast, depreciation/amortisation charges rose by 8 % to € 35.9 million in the third quarter. However, as a result of the customarily high fixed cost component in the mining industry and as a result of the fact that short-time working does not reduce personnel expenses in full, the total decline in costs fell significantly behind the decrease in revenues described above.

Q3 operating earnings fell sharply to € 9.4 million

EBIT I for the third quarter of 2009 amounted to € 9.4 million, compared with the record quarter result of € 502.2 million a year ago. Earnings fell sharply in the Potash and Magnesium Products and Nitrogen Fertilizers business segments above all, with, in particular, higher raw material costs for the production of complex fertilizers as well as inventory write-downs for complex fertilizers of about € 17 million weighing on earnings in the

Nitrogen business segment. Thus, K+S Group EBIT I for the first nine months reached € 201.5 million, compared with € 1,054.9 million for the same period last year ((81) %).

EBIT I includes the result realised for the current period from the hedging of future payment positions (essentially USD revenues) by means of operating derivatives. The result realised from hedging corresponds to the exercise value of the derivative at the time of maturity (difference between the spot rate and the hedging rate) and, in the case of option transactions, less premiums paid. By contrast, changes in the market value of the operating derivatives still outstanding are taken into account separately in EBIT II.

Result after operating hedges (EBIT II)

At € 17.4 million for the third quarter and at € 208.0 million for the first nine months, the result after operating hedges (EBIT II) was down significantly year on year (Q3/08: € 468.1 million; 9M/08: € 906.3 million) and thus followed the development of EBIT I.

EBIT II includes all earnings effects arising from operating hedging transactions, especially the market valuation through profit or loss of operating derivatives still outstanding.

Q3 financial result down slightly year on year

At € (11.7) million, the third quarter financial result was down slightly year on year (Q3/08: € (8.1) million) as a result of higher interest expenses (including one-off expenses connected with the financing of the acquisition of Morton Salt). In addition to the interest expense for pension provisions (Q3/09: € (1.6) million), under IFRSs, the financial result also includes the interest expense for other non-current provisions, essentially provisions for mining obligations (Q3/09: € (4.6) million); both are non-cash too. Compared with the same period last year, the financial result for the first nine months fell by € 74.4 million to € (96.7) million. This was mainly due to the negative extraordinary effects arising in the second quarter from the hedging transactions used to hedge the purchase price of Morton Salt. Further information about the financial result can be found in the Notes.

Adjusted earnings before and after taxes

Given the limited economic meaningfulness of unadjusted earnings before and after taxes, we additionally report adjusted earnings before and after taxes. They only include the result realised on operating forecast hedges during the current period. By contrast, changes in the market value of operating forecast derivatives still outstanding are not included in adjusted earnings before and after taxes. The effects on deferred and cash taxes are also eliminated.

Adjusted Group earnings before taxes for the third quarter amounted to € (2.3) million (Q3/08: € 494.1 million). For the first nine months, adjusted earnings before taxes fell to € 104.8 million compared with € 1,032.6 million. Under IFRSs, deferred, i.e. non-cash income taxes are reported. The tax expense for the third quarter amounted to € 1.9 million, of which € 13.0 million was deferred (Q3/08 income tax expense: € 126.3 million, of which € 5.9 million was deferred).

The tax expense for the first nine months amounted to € 30.2 million, of which € 6.2 million was deferred (9M/08 income tax expense: € 239.2 million, of which € 46.0 million was deferred).

Adjusted Group earnings after taxes for the third quarter amounted to € (2.1) million (Q3/08: € 358.1 million). For the first nine months, adjusted Group earnings after taxes totalled € 76.1 million and were down 90 % on the corresponding figure for the same period last year.

Q3 adjusted earnings per share at € (0.01) (Q3/08: € 2.17 per share)

As a result of the extraordinary effects described above, adjusted earnings per share for the quarter under review were € (0.01), compared with € 2.17 a year ago. The current figure is based on an average 165.00 million shares outstanding (Q3/08: 165.00 million no-par value shares). Adjusted earnings per share for the first nine months amounted to € 0.46 and were thus down € 4.10 on the same period last year.

As of 30 September 2009, we did not hold any of our own shares. Thus, the total number of K+S Group shares outstanding at the end of September totalled 165.00 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 discontinued activities nor changes in accounting treatment needed to be taken into account separately in earnings per share.

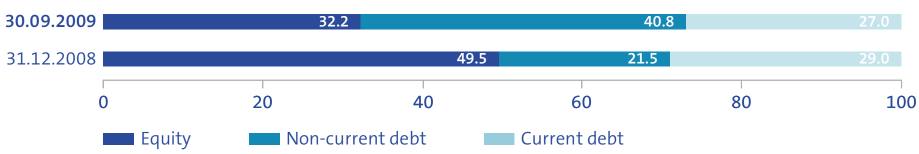
Financial Position and Capital Expenditure

Financing structure

Further information about the K+S Bond can be found on page 10 as well as on www.k-plus-s.com

After taking into account the net income or loss for the period and the dividend payment, equity fell significantly in relation to the end of 2008. This and the stretching of the balance sheet as a result of the bond issue and the borrowing to finance Morton Salt caused the equity ratio to decline from 49.5 % to 32.2 %. Following the corporate bond issue, the proportion of non-current debt, including non-current provisions, increased to 40.8 % in September (31 December 2008: 21.5 % of the balance sheet total). Current debt fell from 29.0 % to 27.0 % as a result of lower accounts payable trade.

EQUITY AND LIABILITIES
(IN %)



About 55 % of the K+S Group's debt consists of financial liabilities, approximately 30 % of provisions, and 9 % of accounts payable trade. As of 30 September 2009, the main provisions of the K+S Group were provisions for mining obligations (€ 388.7 million) as well as for pensions and similar obligations (€ 92.6 million). An overview of the respective discount factors can be found on page 36 of the Notes. Financial liabilities amounted to € 1,551.6 million, of which € 501.7 million can be classified as current.

€ million	9M/09	9M/08
Gross cash flow	232.7	981.3
Cash flow from operating activities *	294.5	749.5
Cash flow for investing activities	(200.7)	(133.6)
Free cash flow before acquisitions/divestitures *	181.7	615.9
Cash flow for financing activities	783.6	(375.5)

* Adjusted for the change in the tie-up of funds for hedging transactions.

Free cash flow before acquisitions amounts to € 181.7 million for the first nine months

Gross cash flow for the first nine months amounted to € 232.7 million and was thus down € 748.6 million on the figure for the same period last year (9M/08: € 981.3 million); significantly lower income tax payments could only diminish the sharp decrease in operating earnings (EBIT I) to a limited extent.

Adjusted cash flow from operating activities amounted to € 294.5 million for the first nine months and was thus down € 455.0 million on the same period last year (9M/08: € 749.5 million). Lower working capital tie-up had a positive impact in this regard.

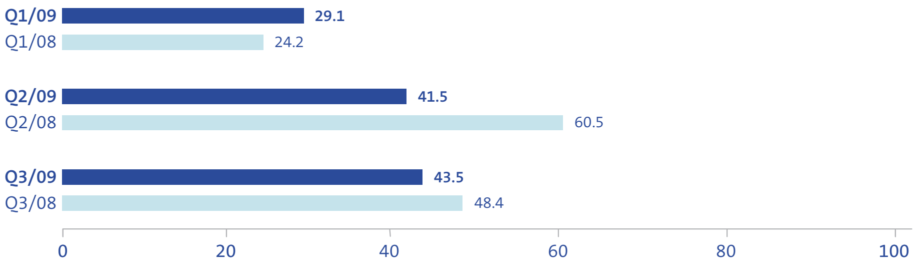
Expenditure on investment activities in the first nine months of the year totalled € 200.7 million and was thus up significantly on the level of a year ago (9M/08: € 133.6 million). The increase is solely attributable to the one-off payments in connection with the acquisition of Morton Salt (€ 87.9 million effects of purchase price hedging, one-off payments in connection with borrowing).

Adjusted free cash flow before acquisitions/divestitures in the first nine months of the year amounted to € 181.7 million, compared with € 615.9 million a year ago. After taking into account cash flow from financing activities of € 783.6 million, which mainly comprises the proceeds of the September bond issue as well as borrowing, we reported net indebtedness, including provisions, totalling € 833.1 million as of 30 September 2009 (previous year: € 630.9 million). You can find further information about net indebtedness on page 37 of the Notes.

Third quarter capital expenditure down on the level of a year ago

At € 43.5 million, the volume of capital expenditure in the third quarter was down € 5.0 million on the same period last year. The bulk of the capital expenditure was accounted for by the Potash and Magnesium Products business segment and still related to projects aimed at increasing the exploitation of raw materials, optimising processes and reducing solid and liquid production residues as well as energy projects at the Wintershall and Zielitz sites. The measures to expand capacity for industrial products at the Zielitz site were completed in the quarter under review. In the Salt business segment, the basic overhauling of some of the ships belonging to the Empremar shipping company to extend their useful lives was also completed in the third quarter. Capital expenditure for the first nine months totalled € 114.1 million and was thus down € 19.0 million on the same period last year, with investments related to replacement and ensuring production accounting for 70 % in the first nine months.

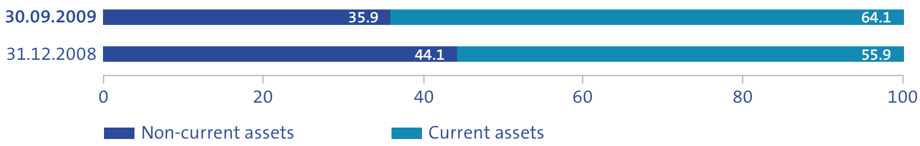
CAPITAL EXPENDITURE
(IN € MILLION)



Asset Position

Following the issue of the corporate bond as well as borrowing to finance the purchase price for Morton Salt, which fell due on 1 October 2009, the balance sheet total of the K+S Group increased by 20.3 % to € 4,180.3 million as of 30 September 2009. Thus, at the end of September, high liquidity caused the structure of assets to shift temporarily towards current assets, so that the ratio of non-current to current assets was about 1:2. As of 30 September 2009, liquid assets amounted to € 1,199.8 million (31 December 2008: € 167.8 million).

ASSETS
(IN %)



Subsequent Events

No material changes have occurred in the economic environment or in the position of our industry since the close of the quarter under review.

Closing of Morton Salt acquisition

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 transfer of the shares as well as the payment of the purchase price (closing) took place on 1 October 2009. The company is valued at US$ 1.675 billion. Less the debt established at the present time and the usual adjustments, this resulted in a net cash payment of US$ 1.576 billion. The effects of the acquisition have been taken into account in the forecasts made for the current and the coming financial year. The resulting changes in the asset position (balance sheet structure) will be commented on in detail in the Financial Report 2009 once a final closing and opening balance sheet is presented.

Changes in the Supervisory Board

Dr. Uwe-Ernst Bufe resigned from the Supervisory Board of K+S Aktiengesellschaft. Dr. Bufe's decision was caused by the wish to hold a seat on the Supervisory Board of K+S Aktiengesellschaft expressed by MCC/EuroChem. Following intensive debate in the relevant bodies, Dr. Bufe said he was ready to tender his resignation to enable MCC/EuroChem to be represented on the Supervisory Board. The Supervisory Board is extremely grateful to Dr. Bufe for having taken this step. The responsible court of registration has appointed George Spyridon Cardona, who is also a member of the Board of Directors of OJSC EuroChem Mineral and Chemical Co., Moscow, as his successor until the next Annual General Meeting. This Annual General Meeting will then decide about the further appointment of Mr. Cardona.

No other events of material importance for the K+S Group requiring disclosure have occurred.

Risk Report

For a comprehensive overview of our risk and opportunity management system, please see the relevant passages on pages 105 et seqq. of the Financial Report 2008. Essentially, there has been no change in the statements concerning the risks described in the Financial Report. The risks for the K+S Group, both individual risks and those occurring in conjunction with other risks, are limited and, from the perspective of the present, do not jeopardise the continued existence of the Company. With the acquisition of the salt activities of Morton International Inc. (Morton Salt) by K+S on 1 October 2009, the following risks have gained in importance within the K+S Group:

- A sales risk for the Salt business segment resulting, in particular, from demand for de-icing salt being strongly dependent on weather conditions. A mild winter in the main sales regions for de-icing salt could thus cause sales to decline considerably. The volume of de-icing salt business has increased with the acquisition of Morton Salt.
- Foreign currency risks have only occurred to a limited extent in the Salt business segment thus far and mainly in the form of translation risks connected with the results of the Chilean subsidiary SPL. With the acquisition of Morton Salt, translation risks will have a greater influence, as the earnings of Morton Salt will have to be converted from US dollars to euros too. In addition, currency effects arising from the necessary conversion of assets carried on the balance sheet from US dollars to euros could result in fluctuations in equity on the reporting date.
- The expectations regarding the acquisition as well as the integration of Morton Salt with the K+S Group might not be fulfilled, despite the opportunity and risk analysis conducted in connection with the acquisition 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.

Opportunity Report

For a comprehensive overview of possible opportunities, please see the relevant sections of our Financial Report 2008. Opportunities and risks as well as their positive and negative changes are not netted. With Morton Salt, the susceptibility of the de-icing salt business to fluctuations will decline, as the regional portfolio will, in the future, include more stable de-icing salt regions in North America. At the group level too, the acquisition of Morton Salt should result in more balanced weather-related fluctuations in the future. While, for example, the fertilizer business sector profits from mild weather conditions in the spring and thus, from an early start to the season, the Salt business segment benefits from prolonged winter weather conditions. In addition, the expansion of the salt business, which is less dependent on economic conditions, will make the K+S Group more resistant to temporary economic crises in the future.

Forecast Report

The effects of the acquisition of Morton Salt (closing: 1 October 2009) have been taken into account in the forecasts made for the current and the coming financial year.

Future Business Environment

Future macroeconomic situation

The following comments on the future macroeconomic situation are mainly based on the estimates of the Institut für Weltwirtschaft Kiel (Kieler Diskussionsbeiträge: Weltkonjunktur und deutsche Konjunktur im Herbst 2009) as well as of Deka Bank (Makro Research, Volkswirtschaft Prognosen, 8 October 2009).

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT
(REAL IN %)

Year	Germany	EU-25/ EU-27	World
2010e	**+ 1.2**	**+ 0.9**	**+ 3.2**
2009e	**(4.6)**	**(4.0)**	**(1.3)**
2008	+ 1.3	+ 1.0	+ 2.8
2007	+ 2.5	+ 3.1	+ 4.8
2006	+ 2.9	+ 3.3	+ 5.3

Source: Deka Bank

Although the economic recovery has varied in its scale worldwide, it is unlikely that there will be a more significant upturn during the rest of 2009; 2010 should also be characterised by no more than a modest economic momentum. While the uncertainty on the financial markets has diminished, it will, nevertheless, take some time before confidence in the financial system is restored. The global economy is therefore expected to shrink by 1.3% in 2009. In our Half-yearly Financial Report published in the middle of August, we still expected a decrease of 1.7%. Growth of 3.2% is expected again in 2010.

In the eurozone, industrial output and orders point to economic expansion once again. Indicators of consumer and business confidence suggest that economic recovery can be expected in the current year as well as in 2010.

In the case of the United States, it is expected that the effect of the economic programme will develop fully in the course of the winter months. Indicators suggest that the correction in the residential property construction sector has largely ended. However, it is estimated that private consumption will be much weaker over the longer term than in the years preceding the financial crisis.

For the emerging market countries, we assume that the recovery will be comparatively strong. Although demand from the industrialised countries will not reach the level of the years before the financial crisis, the inherent dynamics of the emerging market countries should result in a significant economic recovery.

Despite the positive economic signals over the coming months, the pressure on prices will be relatively modest, so that the central banks will keep their key interest rates on a low level well into 2010. We forecast the exchange rate for the US dollar against the euro to be about 1.45 USD/EUR in 2010 while the oil price is expected to stay on a level of about US$ 70 per barrel.

The hitherto effects on the course of business for the K+S Group as described on page 5 continue to apply also given the macroeconomic conditions that have been forecast. In addition, there will be a tendency for prosperity in emerging market countries to continue to increase despite weaker global economic growth, albeit at a slower rate. This should result in their populations having greater expectations of their diet. Moreover, the growth in the world's population remains unchanged. As could already be observed during earlier crises, demand for agricultural products should, to a large extent, develop independently of economic conditions.

Future industry situation

Fertilizer Business Sector: As stated in previous publications, we do not expect demand for potash fertilizers to normalise in the fourth quarter of 2009 too and have lowered our estimate of the global volume of potash sales for 2009 as a whole to about 30 million tonnes (previously: 40 million tonnes; 2008: 54.8 million tonnes). With this decrease in demand, potash producers will, as has been known hitherto, cut back output by just under 19 million tonnes in total; further cutbacks are to be expected in the light of continued weak demand this year.

In 2010, demand should increase again significantly, as a result of lower trade sector inventories of straight fertilizers in the meantime, lower soil potash content following two very good harvests and the lower application of fertilizers since autumn 2008 as well as the assumption that an agreement will be concluded with China. That is why we assume that global potash sales will amount to about 45 million tonnes for 2010 as a whole.

With regard to prices, the agreements concluded with India in the middle of July and setting a price of US$ 460 per tonne for standard potassium chloride provide an important point of orientation for global markets. A level of US$ 510 per tonne of standard potassium chloride and US$ 525 per tonne of granulated potassium chloride has emerged on other overseas markets. However, agreements with China, which are of relevance for the global market price level, have yet to be concluded.

It was and still is, against this background too, scarcely possible to forecast the medium-term potash price level; on the supply side, however, a further reduction in the potash price would very probably result in the postponement or suspension of much new potash capacity that has only been planned thus far. This is because the economic viability of time-consuming and very capital intensive new projects (greenfield mines) depends on a reasonable potash price level: New capacity cannot be realised at the low price level that still applied three to four years ago. By contrast, on the demand side, significantly lower potash prices would mean that in addition to a rapid normalisation, a backlog in demand could be expected, which would place the supply side – as already occurred in 2007/2008 – before enormous production challenges. The consequence would be renewed erratic price swings, which would not serve the goal of sustainable and balanced relationship between supply and demand.

With the potash price remaining almost constant for decades until 2004 and the resulting capital expenditure backlog lasting decades, these facts need to be taken into account in a globalised world with its higher nutritional requirements. Because those trends positively affecting the demand for fertilizers such as the continued growth in the world population as well as changed eating habits will continue without interruption over the medium and long term despite the economic crisis. Thus, the US Department of Agriculture expects worldwide demand for grain to be at the highest level ever in the current agricultural year. Fortunately, this demand has coincided with the greatest amount of land under cultivation and the second highest yields per hectare in the past ten years, the latter being linked to very favourable weather conditions in the northern hemisphere above all. This has caused grain prices to fall appreciably in the first nine months as a result of the exceptionally high level of supply. Thus, the simple continuation of these very high yields per hectare and the historically relatively high amount of land under cultivation, could rapidly prove to be too optimistic: If one assumes for example for the coming year, an amount of land under cultivation that corresponds to the average for the past five years, a yield per hectare that is also in line with the average for the same period, and a rate of growth in demand in keeping with the long-term mean, this would result in the largest production shortfall registered in the past 30 years and thus, to a corresponding sharp fall in grain stocks. Parallels with the frequently cited “food crisis” of 2008 would be the logical consequence. This is perhaps the background against which prices for agricultural products, which fell steeply since the middle of 2008 in the wake of the financial crisis, have been developing positively again over the past few weeks.

Salt Business Sector: The future industry situation of the Salt business segment as described in the Financial Report 2008 continues to apply. In the fourth quarter too, the salt business should be influenced, to a significant degree, by winter weather conditions. In this respect, we are assuming that sales will be on their multi-year average level in the case of both the European and North American markets.

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.

€ million	2009e	2008
Research costs	19.0	18.1
Capital expenditure in development	3.0	2.8
Employees as of 31 December (number)	85	65

For 2009 as a whole, we expect, including Morton Salt, research costs of about € 19 million. Compared with the Half-yearly Financial Report, we have reduced the forecast for our capital expenditure in development from € 5.4 million to € 3 million. This is attributable to the shifting into 2010 of development projects in those plants that have been affected by short-time working. The number of employees engaged in research should increase in relation to the previous year as a result of consolidation factors. This increase is also attributable to enhanced activity in the field of environmental protection.

As a result of the first-time inclusion of Morton Salt for the entire year, research expenditure in the coming year should amount to somewhat above € 20 million and thus exceed the expenditure in 2009. The number of employees working in research for the K+S Group in the coming year should remain on the same level. In this regard, the focus will once more be on new efforts to develop new and optimise existing production processes for minimising solid and liquid production residues in potash production as well as on a research cooperation concerning the impact of optimal fertilisation on the water utilisation efficiency of the soil/plant system. Further focal points will be the development of plant protection products in the COMPO consumer segment in cooperation with the company Syngenta, new developments in the field of stabilised fertilizers and partly coated fertilizers for green area application as well as energy optimisation at saline plants. At Morton Salt, research will focus on new exploratory drilling procedures as well as on water removal and drying processes for evaporated salt products.

Future employees, future personnel expenses

In view of the acquisition of Morton Salt, the number of Group employees at the end of the year should amount to about 15,300 and thus be above the level for 2008. As for the end of 2010, we expect the number of employees to remain about the same. As a result of the inclusion of the Morton Salt employees in the fourth quarter of 2009, the average number of employees should amount to just under 13,100. With the inclusion of Morton Salt for the entire year, the average number of employees in the coming year should, however, increase significantly to just under 15,300.

Despite the economic crisis, K+S continues to regard vocational training as an important investment in the future and will not fundamentally change its training policy for this reason.

Without the inclusion of Morton Salt, an appreciable decrease in personnel expenses would have been expected for 2009 as a whole, as the savings resulting from short-time working as well as lower provisions for success-related compensation would have more than offset the additional cost from the last collective agreement pay rise. Including Morton Salt, personnel expenses in 2009 should now be on about the level of last year and rise significantly in 2010 as a result of consolidation factors.

Future Earnings Position

As already stated in the Half-yearly Financial Report H1/09, the revenues of the K+S Group in financial year 2009 should decline significantly compared with the previous year (2008: € 4.8 billion): In the Fertilizers business sector, we expect significantly lower volumes as well as tangibly lower average prices. By contrast, the Salt business sector should report a significantly higher level of revenues as a result of the above-average de-icing salt business in the first quarter as well as the first-time inclusion of Morton Salt from 1 October 2009. However, the increase will not be able to make up for the negative development of revenues in the fertilizer area.

In line with our estimate as already published in the Half-yearly Financial Report H1/09, the K+S Group's operating expenses should decline appreciably in 2009 compared with the previous year: We expect that the savings resulting from short-time working will more than make up for the additional costs arising from the last collective agreement pay increase; personnel expenses should fall appreciably against this background. Energy costs should also be lower than a year ago because of price and volume factors. In the case of material and freight costs, we see some significant easing while depreciation/amortisation charges should increase moderately. However, as a result of the customarily high fixed cost component in the mining industry, the total decline in costs will be significantly below the decrease in revenues described above.

We continue to assume that EBIT I for financial year 2009 will fall sharply compared with the record result achieved in the previous year (2008: € 1.3 billion). This is primarily linked to the declining level of earnings in the Potash and Magnesium Products as well as in the Nitrogen Fertilizers business segment. Even a somewhat stronger average US dollar exchange rate and higher earnings from salt compared with last year can only check this development to a limited degree.

The financial result will be significantly weaker compared with the previous year as a result of higher net indebtedness and the negative extraordinary effects arising from the hedging transactions used to hedge the Morton Salt purchase price.

Thus, assuming a Group rate of taxation that will remain largely unchanged on the previous year (2008: 27.4%), adjusted Group earnings after taxes for 2009 as a whole should fall sharply (2008: € 1.0 billion).

Our outlook for 2009 is essentially based on the following assumptions:

- an average US dollar exchange rate in the fourth quarter of 1.46 USD/EUR,
- a fertilizer sales volume of about 4 million tonnes in 2009 as well as
- an average de-icing salt business in the fourth quarter in Europe and North America.

Revenues in 2010 will be positively influenced to a significant degree by the first-time inclusion of Morton Salt for the whole year. In the Fertilizer business sector, we expect significantly higher sales volumes, especially for potash fertilizers. However, it is very difficult to forecast future potash prices at the present time. If the price level currently attainable on world markets is to continue, we could, in the coming year, expect a significant rise in revenues in the Fertilizers business sector and thus for the Group too. Such a scenario would also result in an increase in operating earnings. A decline in the global market price for potash fertilizers would, however, have a considerable negative impact on the revenues and profitability of the K+S Group.

Future dividend policy

We pursue a dividend policy that is in principal earnings-based. A dividend payout rate of between 40% and 50%, taking into account the free cash flow, forms the basis for future dividend recommendations to be determined jointly with the Supervisory Board. The sharp decrease in adjusted Group earnings after taxes expected for 2009 will have a corresponding impact on the future dividend payment.

Expected Financial Postion

Expected financing structure

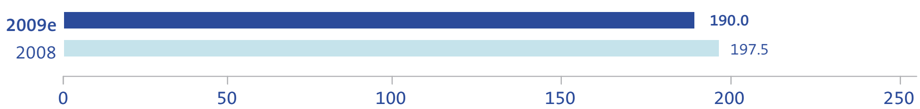
As of 30 September 2009, the K+S Group posted an equity ratio of 32% and an indebtedness level (= net indebtedness/equity) of 62%. On the basis of the EBITDA achieved for the past twelve months, the net indebtedness/EBITDA ratio would be 1.3. Thus, these ratios, with the exception of the equity ratio (target range ≥ 35%), were within the target ranges for the capital structure defined by us on page 84 of the Financial Report 2008. Taking into account the acquisition of Morton Salt on 1 October 2009, our net indebtedness and, in view of the expected development of earnings, the ratio net indebtedness/EBITDA as well will increase significantly. We will thus probably not meet our target levels temporarily. As we want to preserve our financial flexibility for further growth in the future as well as retain our investment grade rating, efforts will be undertaken to achieve these target levels again as quickly as possible.

Planned capital expenditure

In the Financial Report 2008, we expected the level of capital expenditure for 2009 to reach € 200 million. Currently, we expect that capital expenditure for this year – as already announced in the Half-yearly Financial Report H1/2009 – will amount to about € 170 million plus about € 20 million in capital expenditure for Morton Salt. The reduction (without Morton Salt) takes account of the estimated course of business of the Fertilizers business sector in the second half of the year and will primarily be attained by postponing projects. Thus, we expect the volume of capital expenditure for the fourth quarter to amount to about € 75 million; the focus will remain on projects to increase the exploitation of raw materials, to optimise processes and reduce solid and liquid production residues in the Potash and Magnesium Products business segment. As in the first nine months, 70% of the total volume of capital expenditure is expected to be accounted for by measures related to replacement and ensuring production.

In October 2008, K+S has announced a comprehensive package of water protection measures for the Hesse and Thuringia potash district. The related capital expenditure connected with improving water quality will amount to up to € 360 million in total by 2015. Of that figure, € 60 million are expected to be invested in 2010. Against this background, we forecast in the Financial Report 2008 that the volume of capital expenditure for 2010 would amount to about € 250 million. In connection with the reduction in the volume of capital expenditure that has been decided for 2009, the capital expenditure plans for 2010 were also adjusted: Thus, capital expenditure in 2010, despite the first-time inclusion of Morton Salt for the whole year, should be on about the level originally announced. In the coming year, the focus will be on infrastructure measures to open the mining fields at the Zielitz site more quickly as well as measures to further conserve energy and minimise solid and liquid production residues in the Potash and Magnesium Products business segment. About 80% of the total volume of capital expenditure is to be accounted for by measures related to replacement and ensuring production.

Capital Expenditure
(in € million)



Expected development of liquidity

Despite the anticipated sharp decrease in earnings, we expect an markedly positive cash flow from operating activities this year. It should exceed the outlays connected with capital expenditure, so that we should generate positive free cash flow from our operating business in 2009. However, the funds borrowed to finance the acquisition of Morton Salt will result in a significant rise in net indebtedness temporarily.

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

Assurance from the legal representatives of K+S Aktiengesellschaft

To the best of our knowledge and in accordance with the applicable accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group 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 for the remaining months of the financial year.

The Board of Executive Directors, 5 November 2009

Business Segments of the K+S Group

Potash and Magnesium Products Business Segment

Variance analysis in %	Q3/09	9M/09
Change in revenues	**(55.4)**	**(44.1)**
- volume	(34.1)	(48.1)
- structure	+ 11.0	(8.6)
- prices	(33.6)	+ 9.2
- exchange rates	+ 1.3	+ 3.4
- consolidation	–	–
Potassium chloride	(52.0)	(48.1)
Fertilizer specialities	(69.1)	(51.7)
Industrial products	(32.6)	(6.6)

€ million	Q3/09	Q3/08	%	9M/09	9M/08	%
Revenues	340.8	763.4	(55.4)	1,061.1	1,898.7	(44.1)
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	73.7	485.3	(84.8)	265.0	986.8	(73.1)
Operating earnings (EBIT I)	54.0	465.6	(88.4)	204.8	927.9	(77.9)
Capital expenditure	30.1	31.0	(2.9)	79.9	66.9	+ 19.4
Employees as of 30 September (number)	–	–	–	7,873	7,778	+ 1.2

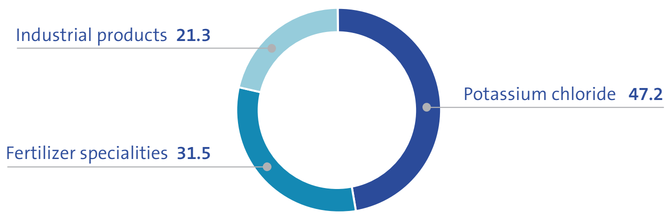
Market environment

Demand for potash fertilizers remained weak in the third quarter, especially on European and North American markets, also against a background which saw no recovery in the prices of agricultural products until at least the end of September. While, in terms of prices, the agreement concluded with India in the middle of July setting a price of US$ 460 per tonne for standard potassium chloride provided an important orientation point for global markets, purchasing restraint on the part of customers could not, however, be dispelled everywhere because the conclusion of agreements with China was still outstanding. In addition, the trade sector has been seeking to keep inventories, which have now been largely depleted, as low as possible and to delay the stocking up which is normally customary at this time. According to their own statements, many producers have once again cut their output to prevent a further increase in inventories.

Revenues

In the third quarter, business segment revenues fell by 55% or € 422.6 million to € 340.8 million. Positive structural and currency effects could offset negative price effects as well as volume declines only to a limited extent. In the case of potassium chloride, this resulted in a revenue decline of about 52% to € 191.9 million and in the case of fertilizer specialities to revenues that were down 69% on the same period last year at € 81.7 million. With € 67.2 million, third quarter revenues for industrial products also were about 33% below last year's figure, mainly as a result of volume factors. The third quarter sales volume amounted to 1.11 million tonnes (Q3/08: 1.70 million tonnes). Revenues for the first nine months fell by a total of 44% to € 1,061.1 million, primarily as a result of volume factors. The volume of potash and magnesium products sold amounted to 3.06 million tonnes for the first nine months, compared with 5.83 million tonnes in the same period last year.

REVENUES BY PRODUCT GROUP JAN. – SEPT. 2009
(IN %)



Development of earnings

Third quarter operating earnings reached € 54.0 million and were thus down € 411.6 million or 88% on the record level of a year ago. Lower costs for materials, energy, freight and personnel could only somewhat cushion the effects of the sharp fall in revenues attributable to volume and price factors and of the negative currency result. Despite a dramatic drop in the volume of sales in historical terms, an operating earnings contribution of € 204.8 million was attained for the first nine months (9M/08: € 927.9 million).

Outlook

In 2009, we continue to expect the volume of sales to decline sharply to about 4 million tonnes of goods (2008: 7.0 million tonnes) as well as declining average prices compared with the previous year. Consequently, the revenues for the Potash and Magnesium Products business segment should be down by about one half of the very good figure for last year. Having made greater use of the employment situation at the plants in the first half of the year for measures to ensure future production, we expect comparatively greater decrease in operating expenses in the second half of the year. By contrast, however, a weaker currency result should have a negative impact. While, from the perspective of the year as a whole, business segment total costs should fall appreciably in relation to the previous year, there will still be a sharp decline in operating earnings.

Nitrogen Fertilizer Business Segment

€ million	Q3/09	Q3/08	%	9M/09	9M/08	%
Revenues	204.5	515.6	(60.3)	804.0	1,437.8	(44.1)
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	(43.8)	47.7	–	(56.6)	139.9	–
Operating earnings (EBIT I)	(47.3)	40.0	–	(65.8)	126.6	–
Capital expenditure	3.7	3.5	+ 5.7	6.0	7.1	(15.5)
Employees as of 30 September (number)	–	–	–	1,265	1,318	(4.0)

Variance analysis in %	Q3/09	9M/09
Change in revenues	(60.3)	(44.1)
- volume	(23.8)	(26.3)
- structure	+ 3.7	(0.4)
- prices	(40.8)	(19.0)
- exchange rates	+ 0.6	+ 1.6
- consolidation	–	–
Consumer	(9.2)	+ 1.8
Expert	(79.7)	(49.7)
Complex fertilizers	(48.5)	(52.4)
Straight nitrogen fertilizers	(58.7)	(50.5)
Ammonium sulphate	(62.2)	(52.0)

Since 1 January 2009, COMPO and fertiva have been grouped together in reporting as the “Nitrogen Fertilizers business segment”. Since 1 July 2009, the nitrogenous fertilizers previously distributed by fertiva have been combined under the “K+S Nitrogen” umbrella with the ENTEC® and the sulphate-containing NITROPHOSKA® products hitherto distributed by COMPO. COMPO and its units in Germany and abroad continue to distribute consumer products as well as, in the expert area, slow-release fertilizers, coated fertilizers, NPK specialities and nutrient salts for sport and leisure facilities, golf, gardening and landscaping, nurseries and ornamental plants. Shifts arising from the reorganisation that came into force on 1 July 2009 only occurred within the Nitrogen Fertilizers business segment in the third quarter.

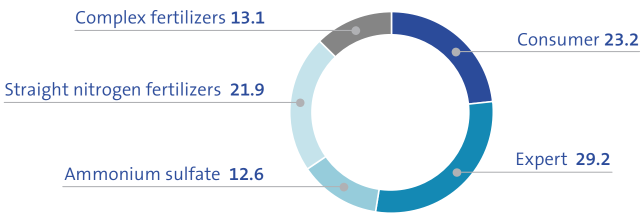
Market environment

Despite further significant price reductions, there was no significant increase in demand for complex fertilizers and ammonium sulphate in the third quarter, especially in Europe; only straight nitrogen fertilizers saw a continuation of the pickup in demand that started at the end of June. In the COMPO consumer area, the economic crisis resulted in purchasing restraint on the part of customers.

Revenues

Third quarter revenues in the Nitrogen Fertilizers business segment declined by 60% to € 204.5 million. Revenues reached € 51.7 million for complex fertilizers, € 69.3 million for straight nitrogen fertilizers and € 29.6 million for ammonium sulphate. Negative price and volume effects could not be offset by the revenue growth arising from the transfer of the ENTEC® and sulphate-containing NITROPHOSKA® products hitherto distributed by COMPO. Sales volumes of complex fertilizers, straight nitrogen fertilizers and ammonium sulphate reached 1.02 million tonnes in the third quarter; the sales volume for the first nine months amounted to 2.51 million tonnes. The consumer area managed to perform relatively well in the third quarter; revenues declined by 9% to € 25.1 million and, for the first nine months, were on the level for the same period last year. In the expert area, revenues were down 80% on the figure for the same period last year to € 28.8 million, mainly because of internal restructuring. In the third quarter, the expert sales volume amounted to 0.44 million tonnes; the sales volume for the first nine months amounted to 4.35 million tonnes. Business segment revenues for the first nine months fell by 44% to € 804.0 million as a result of volume and price factors.

REVENUES BY SEGMENT JAN. – SEPT. 2009
(IN %)



Development of earnings

The third quarter operating earnings of the Nitrogen Fertilizers business segment amounted to € (47.3) million, compared with € 39.9 million for the same quarter last year. In addition to the decline in revenues, this decrease is particularly due to high raw material costs for the production of complex fertilizers as well as lower inventory valuations for complex fertilizers of about € 17 million. For the first nine months of 2009, the earnings of the Nitrogen Fertilizers business segment amounted to € (65.8) million, compared with € 126.6 million for the same period last year.

Outlook

We expect the Nitrogen Fertilizers business segment to see a significant decline in revenues for 2009, attributable to both lower demand for nitrogenous fertilizers as well as to a marked tendency for the price level to fall. In addition, the consumer business should be influenced by a lower level of the propensity to consume as a result of the financial and economic crisis. The expected significant decrease in revenues, high material costs for the production of complex fertilizers that will still have an impact in the fourth quarter 2009, non-periodic subsequent charges in the second quarter (Q2/09: about € 19 million) made to our major European suppliers in respect of 2008 acquisition costs, lower inventory valuations (9M/09: about € 18 million) as well as outlays on restructuring measures connected with the reorganisation of the nitrogenous fertilizer business (Q1/09: about € 10 million) will result in a significant operating loss for 2009.

Salt Business Segment

Variance analysis in %	Q3/09	9M/09
Change in revenues	**(7.1)**	**+ 36.6**
- volume	(9.5)	+ 28.8
- structure	(5.6)	(1.8)
- prices	+ 5.3	+ 6.7
- exchange rates	+ 2.7	+ 2.9
- consolidation	–	–

Food grade salt	(6.6)	(5.2)
Industrial salt	+ 0.5	(0.7)
Salt for chemical use	(12.7)	(11.0)
De-icing salt	(15.7)	+ 141.8
Other	(6.8)	+ 0.3

€ million	Q3/09	Q3/08	%	9M/09	9M/08	%
Revenues	121.7	131.0	(7.1)	559.3	409.3	+ 36.6
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	22.0	16.2	+ 35.8	118.9	41.7	+ 185.1
Operating earnings (EBIT I)	13.5	8.5	+ 58.8	93.1	19.0	+ 390.0
Capital expenditure	6.6	9.6	(31.3)	21.0	44.9	(53.2)
Employees as of 30 September (number)	–	–	–	2,342	2,390	(2.0)

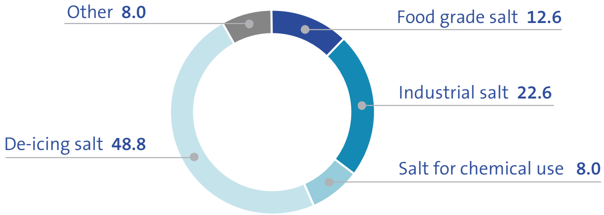
Market environment

The Western European de-icing salt market was characterised by satisfactory early procurement business. In North America too, tenders, in terms of volume, were comparable with the very good same period a year ago. Prices, however, saw slight decreases, with last year's tenders having benefited from supply bottlenecks. Business in the food grade and industrial salt segments was stable to a great extent and thus was scarcely affected by the current economic crisis. The South American industrial salt market was even characterized by local supply bottlenecks. Demand for salt for chemical use remained weak because of the economic crisis.

Revenues

The third quarter revenues of the business segment fell by 7 % to € 121.7 million as a result of volume and structural factors. In the case of de-icing salt, the revenues did not reach the previous year's level and fell by 16 % to € 22.6 million; this is mainly attributable to lower early procurement sales in the United States. In the case of food grade salt, positive price effects on overseas markets could not fully make up for negative volume and currency effects, with the result that revenues declined by 7 % to € 24.4 million. At € 42.9 million, revenues for industrial salts were on about the same level as a year ago. While at € 17.0 million, the revenues generated by salts for chemical use were down 13 % on the figure for the same period last year as a result of price and volume factors, in the "Other" sector, lower revenues for the logistics company Empremar caused revenues to decline by 7 % to € 14.9 million. Sales of crystallised salt in the third quarter totalled 1.87 million tonnes and were thus down 8% on the same period last year. Total business segment revenues for the first nine months of the year amounted to € 559.3 million and were thus significantly above the level of a year ago because of the strong first quarter; the crystallised salt sales volume for the first nine months also increased, by 31% to 8.44 million tonnes.

Revenues by Product Group Jan. – Sept. 2009
(in %)



Development of earnings

At € 13.5 million, third quarter operating earnings were up € 5.0 million on the level of a year ago. In addition to satisfactory early procurement of de-icing salt in Europe, reductions in energy and freight costs contributed to this earnings increase above all. Compared with the same period last year, EBIT I for the first nine months more than quadrupled to € 93.1 million; this was mainly due to the high contribution to earnings made by de-icing salt as a result of the very good winter business in the first quarter.

Outlook

Because of a very good start for de-icing salt attributable to weather conditions as well as the first-time inclusion of Morton Salt in the fourth quarter, we expect a strong rise in revenues for the Salt business segment in 2009. This forecast takes account of an average de-icing salt business in the fourth quarter. In the case of salts for chemical use, we expect a significant sales volume decrease in view of the severe economic downturn. On the costs side, lower freight costs and energy prices can be expected to provide relief this year. Overall, operating earnings will be significantly above the level seen last year.

Variance analysis in %	Q3/09	9M/09
Change in revenues	**(1.0)**	**(5.3)**
- volume	+ 4.3	+ 0.8
- structure	(7.6)	(7.9)
- prices	+ 2.3	+ 1.8
- exchange rates	–	–
- consolidation	–	–
Waste Management and Recycling	(1.4)	(6.9)
Logistics	(12.0)	(22.8)
Granulation	+ 5.2	+ 2.0
Trading	(4.2)	+ 17.0

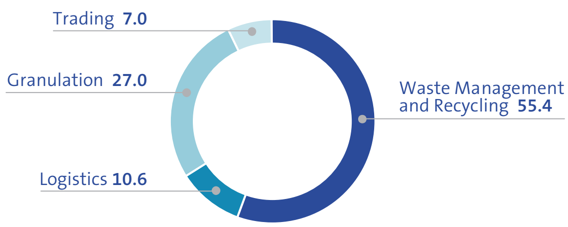
Complementary Business Segments

€ million	Q3/09	Q3/08	%	9M/09	9M/08	%
Revenues	30.9	31.2	(1.0)	87.6	92.5	(5.3)
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	5.4	6.7	(19.4)	13.7	23.7	(42.2)
Operating earnings (EBIT I)	4.3	5.1	(15.7)	9.5	19.3	(50.8)
Capital expenditure	2.6	2.6	–	3.9	8.6	(54.7)
Employees as of 30 September (number)	–	–	–	281	285	(1.5)

Revenues

In the third quarter, third-party revenues generated by the Complementary Business segments amounted to € 30.9 million and were thus on about the same level as a year ago. Including internal revenues, total revenues for the third quarter amounted to € 39.3 million (Q3/08: € 43.3 million). At € 17.4 million, revenues for Waste Management and Recycling were on about the same level as a year ago. While Logistics revenues (€ 3.4 million) were down because of volume factors, animal hygiene products, at € 8.5 million, were up slightly on the level of a year ago and those generated by the trading business rose by 4% to € 1.6 million as a result of price factors. For the first nine months of 2009, revenues of the Complementary Business segments amounted to € 87.6 million, compared with € 92.5 million for the same period last year.

Revenues by Segment Jan. – Sept. 2009
(in %)



Development of earnings

Third quarter operating earnings reached € 4.3 million, compared with € 5.1 million a year ago. This decrease is largely due to changes in internal Group netting procedures at the beginning of the year as well as volume decreases in Logistics. At € 9.5 million, a significantly lower contribution to earnings was generated in the first nine months of 2009 compared with the same period last year.

Outlook

For 2009, we expect to see an appreciable decrease in revenues for the Complementary Business segments, primarily attributable to volume decreases in the third-party logistics business as well as lower revenues for Waste Management and Recycling. Operating earnings should be about half of what they were a year ago, which is also due to the lower earnings contributions of Logistics as well as Waste Management and Recycling.

FINANCIAL SECTION

For an explanation of the amendments to accounting standards that have been applied for the first time since the beginning of financial year 2009, please see page 34.

Statement of income for the period

€ million	Q3/09	Q3/08	9M/09	9M/08
Revenues	**698.1**	**1,441.4**	**2,512.5**	**3,838.9**
Cost of sales	474.3	737.3	1,611.3	2,084.2
Gross profit	**223.8**	**704.1**	**901.2**	**1,754.7**
Selling expenses	155.7	178.6	504.5	589.1
General and administrative expenses	23.6	25.8	83.2	76.9
Research and development costs	5.6	4.6	14.1	13.2
Other operating income	31.6	48.2	101.9	78.1
Other operating expenses	51.6	43.4	167.6	109.5
Income from investments, net	2.0	0.9	2.8	1.5
Result from operating forecast hedges [1]	(3.5)	(32.7)	(28.5)	(139.3)
Result after operating hedges (EBIT II) [2]	**17.4**	**468.1**	**208.0**	**906.3**
Interest income	0.7	0.6	2.8	2.4
Interest expenses	(24.5)	(9.2)	(42.1)	(36.7)
Other financial result	12.1	0.5	(57.4)	12.0
Financial result	**(11.7)**	**(8.1)**	**(96.7)**	**(22.3)**
Earnings before income taxes	**5.7**	**460.0**	**111.3**	**884.0**
Taxes on income	1.9	126.3	30.2	239.2
- of which deferred taxes	13.0	5.9	6.2	46.0
Net income	**3.8**	**333.7**	**81.1**	**644.8**
Minority interests in earnings	0.1	0.2	0.3	0.3
Group earnings after taxes and minority interests	**3.7**	**333.5**	**80.8**	**644.5**
Earnings per share in € (undiluted ≙ diluted)	0.02	2.02	0.49	3.91
Operating earnings (EBIT I)	**9.4**	**502.2**	**201.5**	**1,054.9**
Earnings before income taxes, adjusted [3]	**(2.3)**	**494.1**	**104.8**	**1,032.6**
Group earnings, adjusted [3]	**(2.1)**	**358.1**	**76.1**	**751.8**
Earnings per share in €, adjusted [3]	**(0.01)**	**2.17**	**0.46**	**4.56**
Average number of shares (million)	165.00	165.00	164.91	164.93

Statement of comprehensive income for the period

€ million	Q3/09	Q3/08	9M/09	9M/08
Net income	**3.8**	**333.7**	**81.1**	**644.8**
Available-for-sale financial assets	–	(0.1)	–	(20.3)
Foreign currency translation	(18.7)	36.6	(25.6)	10.8
Cashflow hedge	(28.8)	–	(28.8)	–
Earnings without recognition in profit or loss	**(47.5)**	**36.5**	**(54.4)**	**(9.5)**
Comprehensive income	**(43.7)**	**370.2**	**26.7**	**635.3**
Minority interests in comprehensive income	0.1	0.2	0.3	0.3
Group comprehensive earnings after taxes and minority interests	**(43.8)**	**370.0**	**26.4**	**635.0**

Operating earnings (EBIT I)

€ million	Q3/09	Q3/08	9M/09	9M/08
Result after operating hedges (EBIT II) [2]	**17.4**	**468.1**	**208.0**	**906.3**
+/- Result from operating forecast hedges [1]	3.5	32.7	28.5	139.3
+/- Realized earnings from operating forecast hedges	(11.5)	1.4	(35.0)	9.3
Operating earnings (EBIT I)	**9.4**	**502.2**	**201.5**	**1,054.9**

[1] Last year includes earnings from derivatives that are no longer in operation.

[2] The K+S Group is managed on the basis of operating earnings (EBIT I). EBIT II is reconciled to operating earnings (EBIT I) below the income statement. The allocation of EBIT I to the individual business segments can be found in the summary by quarter on page 39.

[3] The adjusted figures only contain the result from operative forecast hedges already realised during the current period. By contrast, changes in the market value of operative forecast hedges still outstanding are not taken into account. The effects on deferred and cash taxes are also eliminated; Q3/09 tax rate: 27.9 % (Q3/08: 27.8 %).

Statement of cash flows for the period

€ million	Q3/09	Q3/08	9M/09	9M/08
Result after operating hedges (EBIT II)	**17.4**	**468.1**	**208.0**	**906.3**
Income(-)/expenses(+) from market value changes of hedging transactions not yet due	(5.7)	35.7	10.8	13.3
Neutralising previous market value changes of derecognised hedging transactions	(2.3)	(0.3)	(17.3)	(1.4)
Income(-)/ expenses(+) from double-knock-out options	–	(1.3)	–	136.7
Operating earnings (EBIT I)	**9.4**	**502.2**	**201.5**	**1,054.9**
Depreciation (+)/write-ups (-) on fixed assets*	35.9	39.1	106.0	105.4
Increase(+)/decrease(-) in non-current provisions (without interest rate effects)	0.9	35.3	(8.3)	21.6
Interest, dividends and similar income received	0.6	0.7	2.7	2.5
Realised gains(+)/losses(-) on the disposal of financial assets and securities	0.5	0.2	0.8	11.5
Interest paid	(39.1)	(4.8)	(44.1)	(22.9)
Remaining financial costs (-)/financing income (+)	–	(0.5)	–	(0.5)
Income tax paid(-)/received(+)	11.1	(120.4)	(24.0)	(193.2)
Other non-cash expenses(+)/income(-)	(0.3)	5.0	(1.9)	2.0
Gross cash flow	**19.0**	**456.8**	**232.7**	**981.3**
Gain(-)/loss(+) on the disposal of fixed assets and securities	(0.1)	0.1	–	(10.5)
Increase(-)/decrease(+) in inventories	25.0	(130.0)	144.0	(185.9)
Increase(-)/decrease(+) in receivables and other assets from operating activities	106.6	(148.7)	162.5	(380.8)
- of which premium volume for derivatives	17.7	(8.3)	34.3	(24.1)
Payments from the exercise and sale of options	–	(17.9)	–	37.6
Increase(+)/decrease(-) in liabilities from operating activities	6.5	170.3	(200.3)	225.6
- of which premium volume for derivatives	(8.7)	0.8	(4.4)	0.8
Increase(+)/decrease(-) of current provisions	(52.4)	27.7	(12.4)	64.8
Out-financing of provisions	(0.4)	(2.9)	(2.1)	(5.9)
Cash flow from operating activities	**104.2**	**355.4**	**324.4**	**726.2**
Proceeds from disposals of fixed assets	1.1	0.6	2.4	1.9
Disbursements for intangible assets	(0.6)	(1.4)	(2.0)	(3.8)
Disbursements for property, plant and equipment	(42.9)	(47.0)	(112.1)	(129.3)
Disbursements for financial assets	(0.1)	(0.3)	(1.1)	(2.4)
Payments from exchange rate hedging of acquisitions	(87.9)	–	(87.9)	–
Cash flow for investing activities	**(130.4)**	**(48.1)**	**(200.7)**	**(133.6)**
Free cash flow	**(26.2)**	**307.3**	**123.7**	**592.6**
Dividends paid	–	–	(396.0)	(82.5)
Payments from allocations to equity	–	–	7.9	3.2
Purchase of own shares	–	–	(13.9)	(6.1)
Sale of own shares	–	–	–	0.7
Increase (+)/decrease (-) in liabilities from finance lease	–	–	(0.1)	(0.1)
Taking out(+)/repayment (-) of loans	376.8	1.1	438.7	(290.7)
Incoming payments (+)/repayments (-) from the issuing of bonds	747.0	–	747.0	–
Cash flow from/for financing activities	**1,123.8**	**1.1**	**783.6**	**(375.5)**
Change in cash and cash equivalents affecting cash flow	**1,097.6**	**308.4**	**907.3**	**217.1**
Change in value of cash and cash equivalents	(5.1)	3.9	(5.0)	(0.7)
Consolidation-related changes	–	–	0.9	(2.4)
Change in cash and cash equivalents	**1,092.5**	**312.3**	**903.2**	**214.0**
Net cash and cash equivalents as of 1 January	**–**	**–**	**160.6**	**(151.4)**
Net cash and cash equivalents as of 30 September	**–**	**–**	**1,063.8**	**62.6**

* On intangible assets as well as on property, plant and equipment (including equity interests).

Statement of financial position as at the end of the period - assets

€ million	30.09.2009	30.09.2008	31.12.2008
Intangible assets	166.3	168.4	177.2
- of which goodwill from acquisitions	100.4	102.4	104.8
Property, plant and equipment	1,242.3	1,167.4	1,246.4
Investment properties	8.3	7.8	7.8
Financial assets	22.2	20.3	22.3
Receivables and other assets	15.0	19.0	33.2
- of which derivative financial instruments	1.1	6.0	17.7
Deferred taxes	45.5	33.8	46.3
Recoverable income taxes	0.5	0.5	0.5
Non-current assets	**1,500.1**	**1,417.2**	**1,533.7**
Inventories	540.6	555.9	684.6
Accounts receivable – trade	700.4	1,139.3	901.5
Other receivables and assets	173.6	136.5	155.3
- of which derivative financial instruments	28.9	26.2	48.7
Recoverable income taxes	65.8	10.7	30.9
Cash and bank balances	1,199.8	70.4	167.8
Current assets	**2,680.2**	**1,912.8**	**1,940.1**
ASSETS	**4,180.3**	**3,330.0**	**3,473.8**

Statement of changes in equity for the period

€ million	Subscribed capital	Additional paid-in capital	Accumulated profit/ other reserves	Differences from foreign currency translation
Balance as of 1 January 2009	165.0	4.5	1,564.2	(16.7)
Comprehensive income	–	–	80.8	(25.6)
Dividend for the previous year	–	–	(396.0)	–
Issuance of shares to employees	–	(3.2)	–	–
Other changes in equity	–	–	(0.5)	–
Balance as of 30 September 2009	**165.0**	**1.3**	**1,248.5**	**(42.3)**
Balance as of 1 January 2008	108.8	7.6	829.7	(35.4)
Comprehensive income	–	–	644.5	10.8
Capital increase out of retained earnings	56.2	–	(56.2)	–
Dividend for the previous year	–	–	(82.5)	–
Issuance of shares to employees	–	(4.2)	–	–
Consolidation-related effects	–	–	0.6	–
Other changes in equity	–	–	(1.6)	–
Balance as of 30 September 2008	**165.0**	**3.4**	**1,334.5**	**(24.6)**

Statement of financial position as at the end of the period - equity and liabilities

€ million	30.09.2009	30.09.2008	31.12.2008
Subscribed capital	165.0	165.0	165.0
Additional paid-in capital	1.3	3.4	4.5
Other reserves and accumulated profit	1,177.4	1,309.9	1,547.5
Minority interests	1.6	1.1	1.3
Equity	**1,345.3**	**1,479.4**	**1,718.3**
Bank loans and overdrafts	1,049.9	102.0	107.1
Other liabilities	17.8	17.6	14.5
- of which derivative financial instruments	5.8	4.6	7.0
Provisions for pensions and similar obligations	92.6	93.7	93.1
Provisions for mining obligations	388.7	399.3	378.3
Other provisions	96.7	116.9	97.6
Deferred taxes	62.2	31.6	58.7
Non-current debt	**1,707.9**	**761.1**	**749.3**
Bank loans and overdrafts	501.7	106.2	159.3
Accounts payable – trade	258.0	590.5	465.4
Other liabilities	59.3	55.6	68.2
- of which derivative financial instruments	2.9	4.4	24.2
Income tax liabilities	28.7	71.9	25.8
Provisions	279.4	265.3	287.5
Current debt	**1,127.1**	**1,089.5**	**1,006.2**
EQUITY AND LIABILITIES	**4,180.3**	**3,330.0**	**3,473.8**

Reserve cashflow hedge	Available-for-sale financial assets	Total K+S AG shareholders' equity	Minority interests	Equity
–	–	1,717.0	1.3	1,718.3
(28.8)	–	26.4	0.3	26.7
–	–	(396.0)	–	(396.0)
–	–	(3.2)	–	(3.2)
–	–	(0.5)	–	(0.5)
(28.8)	**–**	**1,343.7**	**1.6**	**1,345.3**
–	20.3	931.0	0.8	931.8
–	(20.3)	635.0	0.3	635.3
–	–	–	–	–
–	–	(82.5)	–	(82.5)
–	–	(4.2)	–	(4.2)
–	–	0.6	–	0.6
–	–	(1.6)	–	(1.6)
–	**–**	**1,478.3**	**1.1**	**1,479.4**

NOTES

Explanatory notes; changes in the legal Group and organisational structure

The interim report of 30 September 2009 is prepared in accordance with the International Financial Reporting Standards (IFRSs) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), insofar as those have been recognised by the European Union. The report is prepared as abridged financial statements with selected explanatory notes as stipulated by IAS 34. With the exception of adjustments made as a result of changes to accounting standards, the accounting and valuation principles used for this interim report correspond to those used for the consolidated financial statements as of 31 December 2008.

In financial year 2009, the following amendments to accounting standards were applied for the first time:

- IFRS 8 – Operating Segments: Revised IFRS 8 requires the presentation of the segments corresponding to the internal financial reporting structure. The new rule has not resulted in any significant change in the presentation of the segments, as segment earnings were already disclosed for the internal controlling metric EBIT I before the standard was amended.
- IAS 1 – Disclosure of derivatives: Amended IAS 1 requires the disclosure of derivatives as non-current or current financial instruments depending on their anticipated time of settlement. Thus, the balance sheet disclosure of derivatives in the current period has changed; the previous year's figures have been adjusted accordingly.
- IAS 1 – Statement of Comprehensive Income: In addition to the actual income statement, amended IAS 1 requires reconciliation to comprehensive income. As well as net income per the income statement, comprehensive income includes income and expenses that are not recognised in profit or loss. In the statement of changes in equity, comprehensive income is only stated as a total.
- IAS 23 – Capitalisation of borrowing costs: Amended IAS 23 makes the previous option of capitalising of borrowing costs a requirement. Consequently, borrowing costs that can be directly allocated to constructing or producing a so-called qualifying asset have to be capitalised. This new rule had no significant impact on the consolidated financial statements for the first nine month of 2009.

The legal Group and organisational structure presented in the Financial Report 2008 changed slightly as of 30 September 2009: As a result 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. on 27 February 2009. In addition, K+S Finance Belgium BVBA was included in the consolidated financial statements for the first time. In preparation for the acquisition of Morton Salt, the following companies were included in the scope of consolidation in the third quarter: Montana USParent Inc., K+S Montana Holding LLC, K+S North America Salt Holdings LLC, and K+S MergerCo Inc.

The following changes in the composition and responsibilities of the Board of Executive Directors and the Supervisory Board as described in the Financial Report 2008 occurred: The term of office of Norbert Steiner as chairman of the Board of Executive Directors, which expires on 11 May 2010, was extended by five years at the Supervisory Board meeting held on 12 May 2009. Moreover, the Supervisory Board appointed Jan Peter Nonnenkamp as a new member of the Board of Executive Directors of K+S Aktiengesellschaft. Since 1 June 2009, he has taken over responsibility for financial matters, which was previously held in personal union by the chairman of the Board of Executive Directors. Furthermore, he will be responsible for the tax, audit, insurance and procurement departments. There have been no other noteworthy changes.

€ million	LTM* 2009	2008
Revenues	3,468.0	4,794.4
EBITDA	631.6	1,484.4
EBIT I	489.3	1,342.7
Group earnings, adjusted	303.6	979.3

* LTM = last twelve months (Q4/08 + 9M/09)

Seasonal factors

There are seasonal differences over the course of the year that affect sales of fertilizers and salt products. In the case of fertilizers, we generally attain our highest sales in the first half of the year because of the use of fertilizers in Europe during the spring. This effect can either be enhanced or diminished by overseas sales. Sales of salt products – especially of de-icing salt – largely depend on winter weather conditions during the first and fourth quarters. In the aggregate, both these effects mean that revenues and earnings are generally greatest during the first half of the year.

Development of revenues, volumes and average prices by region

Potash and Magnesium Products Business Segment

Region	Unit	Q1/08	Q2/08	Q3/08	9M/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	9M/09
Revenues*	€ million	**522.5**	**612.8**	**763.4**	**1,898.7**	**498.7**	**2,397.4**	**366.0**	**354.3**	**340.8**	**1,061.1**
- Europe	€ million	349.3	387.5	479.8	1,216.6	286.9	1,503.5	189.1	134.3	141.7	465.1
- Overseas	US$ million	259.2	351.0	429.9	1,040.1	295.3	1,335.4	229.9	301.6	287.1	818.6
Volumes	million tonnes	**2.11**	**2.02**	**1.70**	**5.83**	**1.16**	**6.99**	**0.90**	**1.05**	**1.11**	**3.06**
- Europe	million tonnes	1.43	1.33	1.05	3.81	0.64	4.45	0.45	0.37	0.46	1.28
- Overseas	million tonnes	0.68	0.69	0.64	2.02	0.53	2.54	0.45	0.68	0.65	1.78
Average prices	per tonne in €	**247.2**	**303.1**	**450.1**	**325.6**	**428.5**	**342.7**	**409.2**	**337.4**	**305.4**	**346.7**
- Europe	per tonne in €	244.4	291.4	455.2	319.0	450.9	337.9	425.0	362.1	304.8	363.1
- Overseas	per tonne in US$	379.6	507.4	669.6	515.7	560.0	524.9	511.6	444.0	441.1	460.0

* Revenues include prices both inclusive and exclusive of freight cost and are based on the respective USD/EUR spot exchange rates in the case of overseas revenues. Hedging transactions have been entered into for most of these revenues (see below). The information on prices is presented solely as providing a rough indication.

Foreign currency hedging

For the year 2009, options have been used, hedging a worst-case scenario of about 1.51 USD/EUR including costs for a volume of US$ 1,320 million. Against the background of weak demand, this volume has been reduced to US$ 632 million through the sale of options. The negative consequences for the average exchange rate resulting from this reduction in volume could be more than offset by participating in an appreciating US dollar, so that the worst case for the year as a whole is currently 1.46 USD/EUR including costs (2008 average exchange rate: 1.46 USD/EUR). For 2010, a major part of the anticipated transaction volume has already been hedged for a worst-case scenario of 1.51 USD/EUR.

Average exchange rates per quarter for the Potash and Magnesium Products business segment are as follows:

Potash and Magnesium Products Business Segment

	Q1/08	Q2/08	Q3/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	Q4/09*	2009
USD/EUR exchange rate after premiums	1.48	1.50	1.50	1.38	1.46	1.41	1.43	1.53	1.48	1.46
Average USD/EUR spot rate	1.50	1.56	1.50	1.31	1.47	1.31	1.36	1.43	–	–

* The exchange rate stated for the coming quarter represents the worst case. A stronger US dollar would result in the exchange rate actually achieved being more attractive than that given here.

Other operating income/expenses

€ million	Q3/09	Q3/08	9M/09	9M/08
Gains/losses on foreign currency exchange rates	(14.6)	26.4	(16.9)	7.5
Change in provisions	6.0	(5.6)	12.2	(11.7)
Other	(11.4)	(16.1)	(61.0)	(27.3)
Other operating income/expenses	**(20.0)**	**4.8**	**(65.7)**	**(31.4)**

Financial result

€ million	Q3/09	Q3/08	9M/09	9M/08
Interest income	0.7	0.6	2.8	2.4
Interest expenses	(24.5)	(9.2)	(42.1)	(36.7)
- of which interest expenses for pension provisions	(1.6)	(0.4)	(5.0)	(1.8)
- of which interest expenses for provisions for mining obligations	(4.6)	(4.0)	(13.9)	(12.0)
Interest income, net	**(23.8)**	**(8.6)**	**(39.3)**	**(34.3)**
Other financial expenses	–	(0.5)	–	(0.5)
Income from the realisation of financial assets/liabilities	(61.2)	0.2	(60.9)	11.5
Income from the valuation of financial assets/liabilities	73.3	0.8	3.5	1.0
Other financial result	**12.1**	**0.5**	**(57.4)**	**12.0**
Financial result	**(11.7)**	**(8.1)**	**(96.7)**	**(22.3)**

The actuarial valuation of pension provisions is performed using the projected unit credit method in accordance with IAS 19. The following parameters were applied in computing pension provisions:

- Trend in salary increases: 1.8 %
- Trend in pension increases: 1.8 %
- Discount factor: 5.3 %

The following parameters were taken into account in computing a large portion of the provisions for mining obligations:

- Trend in price increases: 1.5 %
- Discount factor: 5.6 %

Taxes on income

€ million	Q3/09	Q3/08	9M/09	9M/08
Corporate income tax	(2.2)	60.3	10.1	100.2
Trade tax on income	(9.4)	58.7	3.7	77.4
Foreign income taxes	0.5	1.4	10.2	15.6
Deferred taxes	13.0	5.9	6.2	46.0
Taxes on income	**1.9**	**126.3**	**30.2**	**239.2**

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

Significant changes in individual balance sheet items

Compared with the annual financial statements for 2008, the balance sheet total as of 30 September 2009 rose by € 706.5 million. On the assets side, while non-current assets only declined slightly, current assets rose by € 740.1 million. The increase in current assets is mainly attributable to borrowing in connection with the acquisition of Morton Salt, which was closed on 1 October 2009, and consequently, declines in accounts receivable trade and inventories were significantly more than offset. On the equity and liabilities side, equity declined by € 373.0 million; this is mainly due to the dividend payment of € 396.0 million made in May 2009. Financial debt rose by € 1,079.5 million, largely as a result of the raising of new financial liabilities for the acquisition of Morton Salt.

Significant changes in equity

Equity is influenced by transactions and events whether or not recognised in profit or loss as well as by capital transactions involving shareholders. Compared with the annual financial statements for 2008, accumulated profit and other reserves decreased by € 370.1 million. This decline is mainly attributable to the dividend payment of € 396.0 million made in May 2009, which overcompensated for the positive result for the 9M period (after taxes and minority interests) in the amount of € 80.8 million. Furthermore, changes in equity not recognised in profit or loss, e.g. from the currency translation of subsidiaries in a functional foreign currency, had to be taken into consideration. Differences arising from foreign currency translation are recorded in a separate foreign currency translation reserve; this decreased by € 25.6 million as of 30 September 2009 as a result of exchange rate fluctuations. In addition, the hedging of the Morton Salt purchase price against fluctuations in the US dollar resulted in a negative cash flow hedge reserve of € 28.8 million.

Net indebtedness

€ million	9M/09	9M/08
Net indebtedness as of 1 January	(570.0)	(1,085.1)
Cash and bank balances	1,199.8	70.4
Overdrafts towards financial institutions	(130.0)	(0.7)
Net cash and cash equivalents as of 30 September*	**1,069.8**	**69.7**
Liabilities towards financial institutions	(1,421.6)	(207.6)
Cash and cash equivalents as of 30 September*	**(351.8)**	**(137.9)**
Provisions for pensions and similar obligations	(92.6)	(93.7)
Provisions for mining obligations	(388.7)	(399.3)
Net indebtedness as of 30 September*	**(833.1)**	**(630.9)**

* Without cash invested with respectively received from affiliated companies.

Total Revenues

€ million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products	340.8	16.9	357.7
Nitrogen Fertilizers	204.5	(5.7)	198.8
Salt	121.7	0.5	122.2
Complementary Business Segments	30.9	8.4	39.3
Reconciliation	0.2	(20.1)	(19.9)
K+S Group Q3/09	698.1	–	698.1
Potash and Magnesium Products	763.4	26.7	790.1
Nitrogen Fertilizers	515.6	(7.5)	508.1
Salt	131.0	1.4	132.4
Complementary Business Segments	31.2	12.1	43.3
Reconciliation	0.2	(32.7)	(32.5)
K+S Group Q3/08	1,441.4	–	1,441.4

Total Revenues

€ million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products	1,061.1	60.3	1,121.4
Nitrogen Fertilizers	804.0	2.3	806.3
Salt	559.3	3.2	562.5
Complementary Business Segments	87.6	26.0	113.6
Reconciliation	0.5	(91.8)	(91.3)
K+S Group 9M/09	**2,512.5**	**–**	**2,512.5**
Potash and Magnesium Products	1,898.7	72.5	1,971.2
Nitrogen Fertilizers	1,437.8	4.9	1,442.7
Salt	409.3	3.5	412.8
Complementary Business Segments	92.5	35.1	127.6
Reconciliation	0.6	(116.0)	(115.4)
K+S Group 9M/08	**3,838.9**	**–**	**3,838.9**

Information concerning material events since the end of the interim reporting period

You will find such information on page 15 et seq. of our Subsequent Events section.

Contingent liabilities

There have been no significant changes in contingent liabilities in comparison with the annual financial statements 2008 and they can be classified as immaterial overall.

Related parties

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

Auditor's review

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

Summary by Quarter

Revenues & operating earnings (IFRSs)

€ million	Q1/08	Q2/08	Q3/08	9M/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	9M/09
Potash and Magnesium Products	522.5	612.8	763.4	1,898.7	498.7	2,397.4	366.0	354.3	340.8	1,061.1
Nitrogen Fertilizers	488.4	433.8	515.6	1,437.8	214.6	1,652.4	342.1	257.4	204.5	804.0
Salt	170.3	108.0	131.0	409.3	209.3	618.6	338.3	99.3	121.7	559.3
Complementary Business Segments	31.7	29.6	31.2	92.5	32.8	125.3	29.1	27.6	30.9	87.6
Reconciliation	0.1	0.3	0.2	0.6	0.1	0.7	0.2	0.1	0.2	0.5
K+S Group revenues	**1,213.0**	**1,184.5**	**1,441.4**	**3,838.9**	**955.5**	**4,794.4**	**1,075.7**	**738.7**	**698.1**	**2,512.5**
Potash and Magnesium Products	170.9	291.4	465.6	927.9	275.3	1,203.2	97.0	53.8	54.0	204.8
Nitrogen Fertilizers	42.6	44.0	40.0	126.6	(5.2)	121.4	8.1	(26.6)	(47.3)	(65.8)
Salt	14.7	(4.2)	8.5	19.0	26.2	45.2	80.2	(0.6)	13.5	93.1
Complementary Business Segments	7.1	7.1	5.1	19.3	5.8	25.1	2.0	3.2	4.3	9.5
Reconciliation	(9.0)	(11.9)	(17.0)	(37.9)	(14.3)	(52.2)	(13.3)	(11.7)	(15.1)	(40.1)
K+S Group EBIT I	**226.3**	**326.4**	**502.2**	**1,054.9**	**287.8**	**1,342.7**	**174.0**	**18.1**	**9.4**	**201.5**

Income statement (IFRSs)

€ million	Q1/08	Q2/08	Q3/08	9M/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	9M/09
Revenues	**1,213.0**	**1,184.5**	**1,441.4**	**3,838.9**	**955.5**	**4,794.4**	**1,075.7**	**738.7**	**698.1**	**2,512.5**
Cost of sales	711.5	635.4	737.3	2,084.2	468.7	2,552.9	663.5	473.5	474.3	1,611.3
Gross profit	501.5	549.1	704.1	1,754.7	486.8	2,241.5	412.2	265.2	223.8	901.2
Selling expenses	216.0	194.5	178.6	589.1	186.9	776.0	188.5	160.3	155.7	504.5
General and administrative expenses	23.1	28.0	25.8	76.9	27.4	104.3	27.1	32.5	23.6	83.2
Research and development costs	4.3	4.3	4.6	13.2	4.9	18.1	4.0	4.5	5.6	14.1
Other operating income/expenses	(32.7)	(3.5)	4.8	(31.4)	23.9	(7.5)	(6.4)	(39.3)	(20.0)	(65.7)
Income from investments, net	0.2	0.4	0.9	1.5	1.0	2.5	0.4	0.4	2.0	2.8
Result from operating forecast hedges	(107.0)	0.4	(32.7)	(139.3)	(6.5)	(145.8)	(33.7)	8.7	(3.5)	(28.5)
Result after operating hedges (EBIT II)	118.6	319.6	468.1	906.3	286.0	1,192.3	152.9	37.7	17.4	208.0
Financial result	(2.3)	(11.9)	(8.1)	(22.3)	29.1	6.8	(8.4)	(76.6)	(11.7)	(96.7)
Earnings before income taxes	116.3	307.7	460.0	884.0	315.1	1,199.1	144.5	(38.9)	5.7	111.3
Taxes on income	31.5	81.4	126.3	239.2	88.5	327.7	37.1	(8.8)	1.9	30.2
- of which deferred taxes	12.9	27.2	5.9	46.0	15.4	61.4	(4.5)	(2.3)	13.0	6.2
Net income/loss	84.8	226.3	333.7	644.8	226.6	871.4	107.4	(30.1)	3.8	81.1
Minority interests in earnings	–	0.1	0.2	0.3	0.2	0.5	0.1	0.1	0.1	0.3
Group earnings after taxes and minority interests	84.8	226.2	333.5	644.5	226.4	870.9	107.3	(30.2)	3.7	80.8
Operating earnings (EBIT I)	**226.3**	**326.4**	**502.2**	**1,054.9**	**287.8**	**1,342.7**	**174.0**	**18.1**	**9.4**	**201.5**
Earnings before income taxes, adjusted [1]	**224.0**	**314.5**	**494.1**	**1,032.6**	**316.9**	**1,349.5**	**165.6**	**(58.5)**	**(2.3)**	**104.8**
Group earnings, adjusted [1]	**162.6**	**231.1**	**358.1**	**751.8**	**227.5**	**979.3**	**122.5**	**(44.3)**	**(2.1)**	**76.1**

Other key data (IFRSs)

	Q1/08	Q2/08	Q3/08	9M/08	Q4/08	2008	Q1/09	Q2/09	Q3/09	9M/09
Capital expenditure (€ million) [2]	24.2	60.5	48.4	133.1	64.4	197.5	29.1	41.5	43.5	114.1
Depreciation and amortisation (€ million) [2]	32.5	33.8	39.1	105.4	36.3	141.7	35.1	35.0	35.9	106.0
Gross cash flow (€ million)	243.0	281.5	456.8	981.3	196.6	1,177.9	172.3	41.4	19.0	232.7
Working Capital (€ million)	737.6	795.6	–	945.7	–	962.3	1,064.1	907.3	–	828.8
Net indebtedness (€ million)	997.6	902.3	–	630.9	–	570.0	535.6	827.6	–	833.1
Earnings per share, adjusted (€) [1]	0.99	1.40	2.17	4.56	1.38	5.94	0.74	(0.27)	(0.01)	0.46
Gross cash flow per share (€)	1.47	1.71	2.77	5.95	1.19	7.14	1.05	0.25	0.11	1.41
Book value per share, adjusted (€) [1]	6.03	6.71	–	9.04	–	10.49	11.31	8.50	–	8.19
Number of shares outstanding (million) [3]	164.84	165.00	–	165.00	–	165.00	164.84	165.00	–	165.00
Average number of shares (million) [4]	164.84	164.95	165.00	164.93	165.00	164.95	164.84	164.90	165.00	164.91
Closing price (XETRA, €)	51.83	91.58	–	48.64	–	39.97	34.93	40.03	–	37.29
Employees as of the reporting date (number)	12,141	12,145	–	12,323	–	12,368	12,334	12,233	–	12,378

[1] The adjusted figures only contain the result from operative forecast hedges already realised during the current period. By contrast, changes in the market value of operative forecast hedges still outstanding are not taken into account. The effects on deferred and cash taxes are also eliminated; Q3/09 tax rate: 27.9 % (Q3/08: 27.8 %).

[2] For or in connection with intangible assets as well as property, plant and equipment.

[3] Total number of shares less the own shares held by K+S on the reporting date.

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

Financial calendar	2010
Report on business 2009	11 March 2010
Press and analyst conference, Frankfurt am Main	11 March 2010
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

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