QUARTERLY FINANCIAL REPORT Q1/09

JANUARY – MARCH

Very good salt result due to winter of above-average severity

Fertilizer demand down significantly year-on-year

At € 1,075.7 million, revenues down 11 % year-on-year

Operating earnings (EBIT I) reach € 174.0 million ((23) %)

Adjusted earnings per share at € 0.74 (Q1/08: € 0.99)

Acquisition of US salt producer Morton Salt

No change in outlook for financial year 2009

K+S

Experience growth.

Key Data Business Development

Key figures (IFRSs)

€ million	Q1/09	Q1/08	%
Revenues	1,075.7	1,213.0	(11.3)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	209.1	258.8	(19.2)
EBITDA margin in %	19.4	21.3	
Operating earnings (EBIT I)	174.0	226.3	(23.1)
Operating EBIT margin in %	16.2	18.7	
Earnings after hedging transactions and derivatives no longer in operation (EBIT II)	152.9	118.6	+ 28.9
Earnings before income taxes	144.5	116.3	+ 24.2
Earnings before income taxes, adjusted [1]	165.6	224.0	(26.1)
Group earnings	107.3	84.8	+ 26.5
Group earnings, adjusted [1]	122.5	162.6	(24.7)
Return on Capital Employed (LTM) in % [2]	55.5	19.3	
Gross cash flow	172.3	243.0	(29.1)
Net indebtedness as of 31 March [3]	535.6	997.6	(46.3)
Capital expenditure [4]	29.1	24.2	+ 20.2
Depreciation and amortisation [4]	35.1	32.5	+ 8.0
Working capital as of 31 March	1,070.5	737.6	+ 45.1
Earnings per share, adjusted (€) [1, 5]	0.74	0.99	(25.3)
Gross cash flow per share (€) [5]	1.05	1.47	(28.6)
Book value per share as of 31 March, adjusted (€) [1, 5]	11.31	6.03	+ 87.6
Total number of shares as of 31 March (million) [5]	165.00	165.00	–
Outstanding shares as of 31 March (million) [5, 6]	164.84	164.84	–
Average number of shares (million) [5, 7]	164.84	164.84	–
Employees as of 31 March (number) [8]	12,334	12,141	+ 1.6
Average number of employees [8]	12,351	12,133	+ 1.8
Personnel expenses	186.9	180.0	+ 3.8
Closing price (XETRA) as of 31 March (€) [5]	34.93	51.83	(32.6)
Market capitalisation as of 31 March (€ billion)	5.8	8.5	(32.6)
Enterprise value as of 31 March (€ billion)	6.3	9.5	(34.0)

[1] The adjusted figures only contain the result from hedging already realised during the current period. By contrast, changes in the market value of derivatives still outstanding are not taken into account. The effects on deferred and cash taxes are also eliminated; Q1/09 tax rate: 27.9 % (Q1/08: 27.7 %).
[2] Return on capital employed of the last twelve months as of 31 March.
[3] Including provisions for pensions and mining obligations.
[4] For or in connection with intangible assets as well as property, plant and equipment.
[5] Adjusted to share split in the ratio 1:4 (entry in Commercial Register: 24 June 2008; technical execution: 21 July 2008).
[6] Total number of shares less the own shares held by K+S on the reporting date.
[7] Total number of shares less the average number of own shares held by K+S over the period.
[8] Total workforce including temporary employees (without students and interns), measured on full-time equivalent basis (FTE).

Management Report

Macroeconomic Environment

The forecasts made about the macroeconomic environment in the Financial Report 2008 remain valid to a very great extent after considering the first three months: The downturn in the global economy continued unabated in the first quarter and now encompasses all regions. Weak growth in the industrialised countries could no longer be offset by the decelerated growth experienced by emerging market countries. Despite the vigorous efforts made by governments and central banks to stabilise and stimulate the economy, there are no indications of a turnaround for the time being.

The US currency increasingly rose against the euro and was quoted at 1.33 USD/EUR at the end of March (previous year: 1.58 USD/EUR). The price of crude oil remained on a low level over the course of the first quarter, with the price per barrel averaging US$ 46. Thus, the price of oil was down by one half on the same period last year.

Impact on K+S

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

- As a result of the financial crisis, the strong decline in cereal prices is leading to uncertainty in the agricultural sector about the future earnings situation. K+S responded to the reluctant volume of orders from the agricultural sector starting in the fourth quarter with cutbacks in output and short-time working. In the first half of 2009, this will provide the possibility to produce up to 2.0 million tonnes less of potash and magnesium products.
- Energy prices fell sharply at the end of last year. However, since changes are only reflected in our cost accounting with a delay of six to nine months due to existing delivery contracts, an easing of energy costs is not to be expected until the second half of 2009.
- At the end of 2007/beginning of 2008, we had reorganised our US dollar hedging system. Options have been used since then, hedging a worst-case scenario for 2009 of about 1.47 USD/EUR including costs. However, in the first quarter of 2009, we were able to participate in a dollar that was on the rise, with the result that, consequently, the average exchange rate, after premiums, for the Potash and Magnesium Products business segment was 1.41 USD/EUR (Q1/08: 1.48 USD/EUR).

Industry-specific Framework Conditions

Fertilizer Business Sector

As expected, the first quarter was characterised by very low demand for fertilizers on almost all markets: Although prices of agricultural products stabilised again, there was continued reluctance on the part of agriculture, against the background of a prolonged period of cold weather in the northern hemisphere too. In addition, there were sufficient stocks at the trade sector level and the financial crisis restricted room for manoeuvre with regard to financing for the entire distribution chain.

After fertilizer prices had risen significantly until the autumn, suppliers of nitrogen and phosphate responded to the slowdown in demand with price cuts in the light of falling acquisition costs and rising stocks. However, as a result of hoped-for further declines in prices, the hesitant reaction of the agricultural sector consequently then grew even stronger, so that the increase in demand aimed for with the price cuts did not materialise. On the international potash markets – as a result of potash output being reduced in the wake of slack demand – a price level of about US$ 750 cfr per tonne of granulated potassium is beginning to emerge. In Europe, the price per tonne of granulated potassium chloride has been about € 555 since the end of April.

Salt Business Sector

In the first quarter, both the Western European and the North American de-icing salt markets were characterised by continued winter weather that was above average in terms of severity and duration. In some countries, this even resulted in supply bottlenecks and let support to the price level. While, as expected, the effects of the financial crisis on the business with salts for chemical use made themselves felt for the first time in Europe, demand from the food grade salt and industrial salt segments was stable. Despite a negative economic environment, the South American salt for chemical use and industrial salt market displayed robustness.

Business Segments and Organisational Structure

The restructuring of the business with nitrogenous fertilizers at COMPO and fertiva planned for the middle of this year was prepared at the end of the year in the legal Group structure. Since 1 January 2009, COMPO and fertiva have also been grouped together in the reporting structure for the "Nitrogen Fertilizers business segment". Starting from 1 July, the nitrogenous fertilizers distributed by fertiva as well as the ENTEC® and the sulphur-containing NITROPHOSKA® products distributed by COMPO until now will then be marketed under the umbrella of "K+S Nitrogen". COMPO and its units in Germany and abroad will continue to market slow-release fertilizers, coated fertilizers, NPK specialities and nutrient salts in the professional segment as well as consumer products. Starting from the third quarter, there will only be shifts within product groups reported in the Nitrogen Fertilizers business segment. There were no other changes in the business segments nor in the organisational structure.

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.

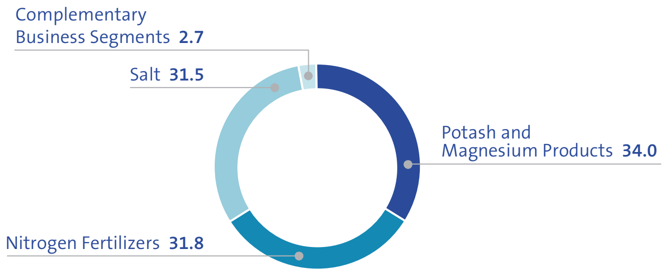
Revenues and Earnings Position

Variance analysis in %	Q1/09
Change in revenues	(11.3)
- volume	(30.7)
- structure	(23.0)
- prices	+ 37.8
- exchange rates	+ 4.6
- consolidation	–

First quarter revenues down about 11 % year on year

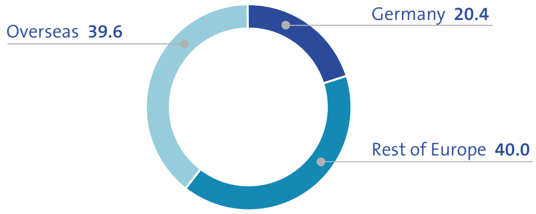
First quarter revenues were down € 137.3 million on the same period last year and totalled € 1,075.7 million. The volume and structure-related revenue decline could not be offset by positive price and currency effects. An almost doubling of Salt business segment revenues mitigated the considerable declines in revenues in the fertilizer business.

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



About 60 % of Group revenues were generated in Europe, with, at 34 %, the Potash and Magnesium Products business segment accounting for the largest share of revenues, followed by Nitrogen Fertilizers and Salt.

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



First quarter operating earnings declined by € 52.3 million to € 174.0 million

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

EBIT I for the first quarter of 2009 reached € 174.0 million after having been € 226.3 million in the same quarter last year. The increase by a factor of five in earnings in the Salt business segment could significantly compensate earnings decreases in the Potash and Magnesium Products as well as Nitrogen Fertilizers business segments.

Earnings after hedging transactions and derivatives no longer in operation (EBIT II)

EBIT II includes all earnings effects arising from hedging transactions, especially the market valuation, through profit or loss, of derivatives still outstanding. By contrast, EBIT I only includes the result from hedging actually realised during the current period.

Earnings after hedging transactions and derivatives no longer in operation (EBIT II) attained € 152.9 million compared with € 118.6 million a year ago, when such earnings were weighed down by the expiry at the beginning of last year of existing but no longer operational double-barrier options totalling € 107.7 million.

First quarter financial result at € (8.4) million

At € (8.4) million, the first quarter financial result was down significantly on that of the same period last year (Q1/08: € (2.3) million), which benefited from extraordinary income (€ 10.4 million) deriving from the disposal of financial investments. Under IFRSs, in addition to the interest expense for pension provisions (Q1/09: € (1.7) million), the financial result also includes the interest expense for other non-current provisions, essentially provisions for mining obligations (Q1/09: € (4.7) million); both are non-cash. 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 from hedging actually realised during the current period. By contrast, changes in the market value of derivatives still outstanding are not included in adjusted earnings before and after taxes. The effects on deferred and cash taxes are also eliminated.

Adjusted earnings before taxes for the first quarter reached € 165.6 million, which represents a decline of € 58.4 million or 26.1 % on the same period last year. Under IFRSs, deferred, i.e. non-cash, income taxes are reported. A tax expense of € 37.1 million was incurred in the first quarter, with deferred tax income totalling € 4.5 million (Q1/08 income tax expense: € 31.5 million, of which € 12.9 million was deferred).

In the first quarter, at € 122.5 million, adjusted Group earnings were almost 25 % down on the figure for the same period a year ago (Q1/08: € 162.6 million).

Adjusted earnings per share reach € 0.74 (Q1/08: € 0.99 per share)

Undiluted, adjusted earnings per share are computed by dividing adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of K+S at the present time, undiluted earnings per share correspond to diluted earnings per share. Neither abandoned business segments nor changes in accounting treatment had to be taken account of separately in the earnings per share.

For the quarter under review, adjusted earnings per share amounted to € 0.74 and were thus down € 0.25 on the figure for the same period last year (€ 0.99). The current figure is based on the same average number of shares outstanding as a year ago (164.84 million no-par value shares; Q1/08 adjusted to the share split in the ratio 1:4).

As at 31 March 2009, we held 160,068 own shares in connection with an employee share ownership programme. The total number of K+S shares outstanding at the end of March totalled 164.84 million no-par value shares.

Financial Position and Capital Expenditure

€ million	Q1/09	Q1/08
Gross cash flow	172.3	243.0
Cash flow from operating activities *	64.2	86.0
Cash flow for investing activities	(29.5)	(24.7)
Free cash flow bef. acquisitions/divestitures *	34.7	61.3
Cash flow for financing activities	(74.4)	(107.7)

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

Free cash flow before acquisitions/divestitures reached € 34.7 million for the first quarter

Gross cash flow for the first quarter reaches € 172.3 million and was thus down € 70.7 million on the figure for the same period last year (Q1/08: € 243.0 million). This was mainly attributable to weaker operating earnings (EBIT I) as well as higher income tax payments.

Adjusted cash flow from operating activities reached € 64.2 million and was thus down € 21.8 million on the same period last year (Q1/08: € 86.0 million). A moderate increase in working capital could not completely offset the lower gross cash flow.

Expenditure on investment activities in the first quarter totalled € 29.5 million and was thus somewhat above the level of a year ago (Q1/08: € 24.7 million).

Free cash flow before acquisitions/divestitures in the first quarter reached € 34.7 million compared with € 61.3 million a year ago. After taking into account cash flow for financing activities of € (74.4) million, which mainly comprises the repayment of financial liabilities in the amount of € 67.9 million, we reported net indebtedness, incl. provisions, totalling € 535.6 million as of 31 March 2009 (Q1/08: € 997.6 million).

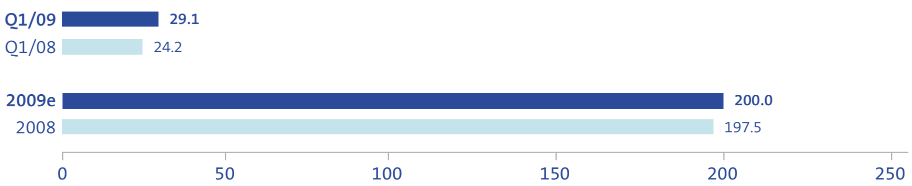
First quarter capital expenditure up on the level of a year ago

At € 29.1 million, the volume of capital expenditure in the first quarter was up € 4.9 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 mainly related to measures to expand capacity for industrial products at the Zielitz site as well as projects aimed at increasing the exploitation of raw materials, to optimise processes and to reduce solid and liquid production residues. Additionally, the changeover of the energy supply at the Wintershall site was continued. A further important project in the first quarter was comprehensive overhauling, which will extend useful life, of part of the fleet of ships belonging to the Empremar shipping company in the Salt business segment. Overall, about 65 % of the volume of capital expenditure in the first quarter was spent on investments related to replacement and ensuring production.

For 2009 overall, we continue to expect the volume of capital expenditure to amount to about € 200 million. In the Potash and Magnesium Products business segment, the focus will be on projects to increase the exploitation of raw materials, to optimise processes and reduce solid and liquid production residues; the significant projects in the first quarter will be continued over the course of the year. In addition, the Nitrogen Fertilizers business segment will see the completion of the construction of a third facility for coated fertilizers at the Krefeld site.

In 2009, just under two thirds of the total volume of capital expenditure will probably be accounted for by measures related to replacement and ensuring production; this should be entirely financed through the anticipated depreciation charges of about € 150 million.

Capital expenditure
(in € million)



Research and Development

€ million	2009e	2008
Research costs	22.3	18.1
Capitalized development investment	5.4	2.8
Employees as of 31 December (number)	69	65

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 first quarter totalled € 4.0 million and were thus on approximately the level of a year ago (Q1/08: € 4.3 million).

Both, expenditure on research as well as the number of persons employed in research, will continue to increase in 2009, as forecast in the Financial Report 2008. This increase can be attributed primarily to the great efforts to develop new potash production processes with fewer solid and liquid production residues. The findings obtained from this intensified research work form part of the basis for implementing the comprehensive package of water protection measures.

Employees

Slight increase in headcount

As at 31 March 2009, the K+S Group employed a total of 12,334 persons, which is up just under 2% on the same period last year. With regard to the personnel measures at esco and COMPO as described below, the number of Group employees at the end of the year should be down slightly on the level for 2008. As a result of a slight increase in the personnel of the Potash and Magnesium Products business segment, the average number of K+S Group employees over the course of the year should be about the same figure as in the same period last year. There were 516 trainees at the end of the first quarter – a further increase of 7 trainees in relation to the same period last year.

Personnel expenses up on the same period last year

First quarter personnel expenses amounted to € 186.9 million and were thus up just under 4% on the figure for the same period last year. The increase is attributable to pay settlements under collective bargaining agreements that came into effect in the Potash and Magnesium Products and Salt business segments at the beginning of the year and to the moderately higher number of employees. In addition, provisions were established in connection with the personnel measures announced in the Nitrogen Fertilizers business segment. As far as personnel expenses are concerned, we expect that the additional costs arising from the most recent collective agreement pay rise and a stable number of employees in terms of the average for the year as a whole will moderately exceed the savings resulting from short-time working.

Personnel measures announced at esco and COMPO

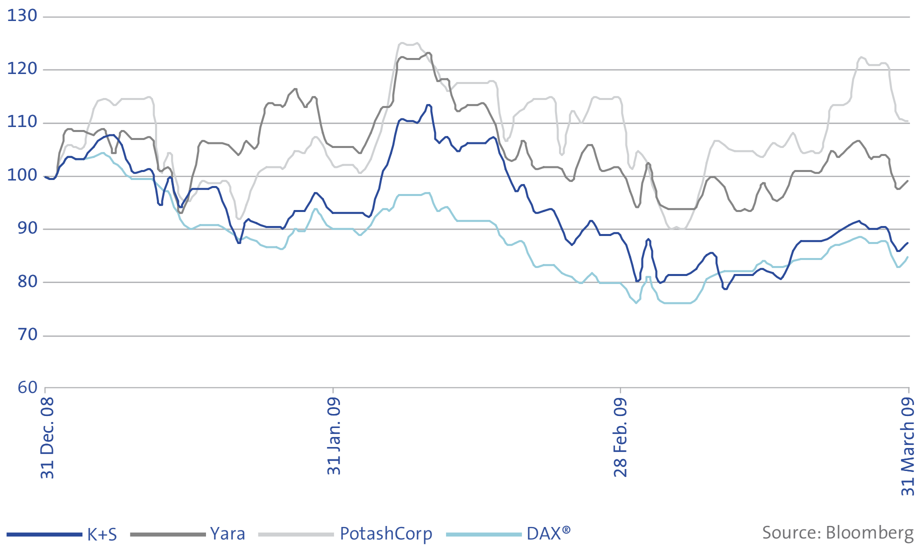
- In August 2008, esco concluded an agreement with the Works Councils and the IG BCE trade union as a securing of its German locations in the long term. Initially, a cost optimisation programme, as part of a best practice approach, will enhance the efficiency of esco's locations. In addition, from 1 November 2008, the weekly working hours under collective bargaining agreements were increased by an average of two hours per week. This will not involve direct wage-based compensation, but, however, the opportunity of additional profit participation. Altogether, about 110 jobs across Europe will be affected by these measures. At the same time, it is intended that operations-related redundancies should be prevented wherever possible, by providing further employment within the Group too.
- As part of the restructuring of the business with nitrogenous fertilizers, which was made known on 8 July 2008, a corresponding reorganisation of COMPO was also announced. The efficiency improvements aimed for with these restructuring measures will involve a loss of jobs. At German sites, about 80 jobs are affected. Of that number, ten employees will move to K+S Nitrogen and its nitrogenous fertilizer business. In addition, for the most part it proved possible to avoid operations-related redundancies, e.g. by providing further employment elsewhere within the Group. In the foreign companies of the COMPO Group too, there will be redundancies. The necessary measures are currently in the process of being implemented in Belgium and France.

The K+S Share

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

- Following a brief recovery at the beginning of the year, the price of the K+S share oscillated between € 35 and € 40 until the end of January. On 9 February, the share then reached its present high for the year of € 45.27.
- Subsequently, the price came under significant pressure once again in the wake of general market turbulence. In addition, the more cautious outlook published in connection with financial reporting had a negative impact on the price, with the result that the share price closed at a low of € 31.50 on 12 March 2009. From there, the share managed to recover somewhat and stood at € 34.93 on 31 March 2009.
- Thus, the K+S share was down 15 % on the end of 2008; the DAX® lost even more over the same period, declining by 18 %.
- In the most recent of the polls we conduct at regular intervals (6 May 2009), ten banks classified us as “buy/accumulate”, seven as “hold” and four as “sell/reduce”.

Performance of the K+S Share in relation to DAX® and peers in Q1/09
(indexed; Performance in %)



Source: Bloomberg

Shareholder structure

There were no significant changes to our shareholder structure in the first quarter. The Bank of N.T. Butterfield and Son Limited, Bermuda, continues to hold about 15 % of our shares through MCC Holding Limited and subsidiaries attributable. MCC manages the industrial shareholdings of Andrej Melnichenko on a fiduciary basis. BASF SE continues to hold about 10 % of our shares. In addition, The Bank of New York Mellon Corporation informed us that, through its subsidiary MBC Investments Corporation, on 9 February 2009, it had reached the 3 % reporting threshold and holds 3 % of the shares of K+S. Under the free float definition applied by Deutsche Börse AG, the free float amounts just under 75 %.

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.

On 2 April 2009, we signed the agreement on the acquisition of Morton International Inc. (Morton Salt) with Rohm and Haas, a wholly-owned subsidiary of The Dow Company. Morton Salt is one of the leading producers of consumer, industrial and de-icing salts in North America. The closing of the transaction, which has a value of US$ 1.675 billion, is expected to take place in the middle of 2009 and requires the approval of the responsible antitrust authorities. As a result of the acquisition of Morton Salt, K+S will become the leading salt producer in North America and worldwide.

The effects of the intended acquisition have hitherto not been taken into account in the forecast issued for the current financial year.

The financing, which is divided into three tranches, is fully underwritten, and the financing costs are expected to amount to about 5 % on the basis of current market conditions. During the course of the financing of the intended acquisition, K+S Aktiengesellschaft subjected itself to an external rating process and received the following classifications in the investment grade segment: Standard & Poor’s has rated K+S as “BBB+”, Moody’s has given a rating of “Baa2”. The two agencies both regard the outlook as “stable”.

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

Risk Report

For a comprehensive description of the risk and opportunity management system as well as possible risks, please see the relevant passages in our Financial Report 2008 on pages 105 et seqq. The statements about the risks described in the Financial Report essentially remain without change. The risks to which the K+S Group is exposed, both in isolation or in conjunction with other risks, are limited and do not, according to current estimates, jeopardise the continued existence of the Company.

Opportunity Report

For a comprehensive description of possible opportunities, please see the relevant passages in our Financial Report 2008. There is no offsetting of opportunities and risks as well as positive and negative changes in them.

Forecast Report

The effects of the intended acquisition of Morton Salt have hitherto not been taken into account in the forecast issued for the current financial year.

Future macroeconomic situation

With respect to the remaining course of 2009, we expect a further decline in the global economy, at least in the first half of 2009. A significant recovery in the second half of the year seems unlikely in the meantime. The core problem remains continued uncertainty on the financial markets, which has the effect of tangibly slowing down the flow of money among economic protagonists. Currently, global economic performance for 2009 is expected to decline by 1.3 %. In our Financial Report 2008, which was published in the middle of March, we still assumed growth of +0.1 %.

The hitherto effects on the course of business for the K+S Group as described on page 3 continue to apply under the macroeconomic conditions that have been forecast too. In addition, there will be a tendency for prosperity in emerging market countries to continue to increase despite weaker global economic growth. This should also continue to lead to higher nutritional demands on the part of the populations of such countries. Moreover, the growth in the world's population remains unchanged. As could already be observed during earlier crisis periods, demand for agricultural products should, to a large extent, develop independently of economic conditions.

Future industry situation

The industry-specific framework conditions in the Fertilizer Business Sector as described in the Financial Report 2008 continue to apply: Prices of agricultural products, which fell sharply from the middle of 2008 in the wake of the financial crisis, have stabilised again in the first quarter of 2009 on a level that meanwhile is markedly above the price levels for a good number of years, but still does not reflect fundamental conditions on agricultural markets. Against this background, we continue to expect the muted demand for fertilizers to have a clear impact on the volume sold by international fertilizer producers until the middle of the year. In the second quarter, however, the stocks of fertilizers still available in the trade sector should be reduced to such an extent that a normalisation of demand for fertilizers should be able to be assumed for the second half of the year.

On the international potash markets – as a result of potash output being reduced in the wake of slack demand – a price level of about US$ 750 cfr per tonne of granulated potassium is beginning to emerge. In Europe, the price per tonne of granulated potassium chloride has been about € 555 since the end of April. It is, however, necessary to consider that the economic viability of time-consuming and very expensive new projects (greenfield mine), which are essential to the growth in capacity of the potash sector needed in the future, are dependent on a reasonable price level for potash. Moreover, once the economic crisis has been overcome, there are indications that the growth in capacity in the potash industry in the medium term will at best only be able to keep up with the growth in demand, so that potash will remain in short supply also in the future.

If the prices of agricultural products continue to fail to reflect the fundamental situation on the agricultural markets, and farmers continue to respond to this by reducing the amount of land under cultivation and using less fertilizer, the already below-average global availability of cereals, corn and soy beans would decline even further. Possible meteorological phenomena, which are tending to occur more frequently, such as floods or droughts are not taken into account in this respect.

The future industry situation of the Salt business segment as described in the Financial Report 2008 continues to apply. In addition, the upcoming early purchase business should benefit from the severe 2008/2009 winter. In the fourth quarter too, the salt business will be influenced, to a significant degree, by winter weather conditions. In this respect, we are assuming that sales volumes will be on their past long-term average level in the case of both the European and North American markets.

Future earnings position

Following the estimates contained in the Forecast Report of the Financial Report 2008 and against the background of the price level for potash and magnesium products evident in the first quarter, we expect a tangibly higher average price level for 2009 as a whole compared with the previous year. However, we expect significantly lower sales volumes, which will approximately offset the aforementioned price effect. While the revenues of the Nitrogen Fertilizers business segment should be down significantly, mainly in view of substantial price decreases, we expect significantly higher revenues for the Salt business sector because of the good start for the de-icing salt business. Overall, revenues of the K+S Group in 2009 should be down markedly on the previous year. The revenue forecast assumes an average US dollar exchange rate for 2009 of about 1.30 USD/EUR (2008: 1.47 USD/EUR).

In 2009, the costs of the K+S Group should decrease only slightly in comparison to the previous year: As far as personnel expenses are concerned, we expect that the additional costs arising from the most recent collective agreement pay rise and a slight increase in the number of personnel will moderately exceed the savings resulting from short-time working. Energy costs should, by contrast, be on a lower level than a year ago as a result of price and volume factors. We also see an easing of material and freight costs while depreciation/amortisation charges should increase by a rate in the mid-single-digit percentage range.

For the financial year 2009, we are therefore forecasting significantly lower EBIT I operating earnings in comparison to the record results experienced last year. This is primarily due to the already described decreasing sales volume in the Potash and Magnesium Products business segment. Even a stronger US dollar exchange rate and higher earnings from salt against last year are not inclining us to change this forecast.

The adjusted Group earnings after taxes should be significantly lower in 2009 in line with the development of operating earnings.

Our outlook for 2009 is among other things based on the following premises:

- the normalisation once more of demand for potash fertilizers worldwide starting from the second half of 2009,
- an average de-icing salt business in the fourth quarter in Europe and North America,
- a US dollar exchange rate of about 1.30 USD/EUR in 2009,
- stable oil and gas prices,
- a lower financial result compared with the previous year, which benefitted from extraordinary effects,
- a domestic Group tax rate of 27.9% to be applied in accordance with IFRSs and an overall adjusted Group tax ratio derived from this of between 27% and 29% (2008: 27.4%).

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

Dividend payment for financial year 2008

As a result of the sharp increase in the adjusted earnings of the K+S Group in financial year 2008 and in line with our long-term dividend policy, the Board of Executive Directors and the Supervisory Board recommend to the Annual General Meeting the payment of a dividend of € 2.40 per share (previous year: € 0.50 per share). Assuming that on the day of the Annual General Meeting we hold no own shares, this will result in a total dividend payment of € 396.0 million; this is a dividend payout rate of a good 40%, which is within the payout corridor of 40% to 50% of the adjusted Group earnings of the K+S Group that we are seeking to sustainably achieve.

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 customarily high free cash flow, forms the basis for future dividend recommendations to be determined jointly with the Supervisory Board. The decrease in adjusted Group earnings after taxes expected for 2009 will have a corresponding impact on the future dividend payment.

Expected financing structure

With net indebtedness (including long-term provisions) of € 535.6 million and a level of indebtedness of 29.2 %, the K+S Group has a strong financial base as a result of generally high operating and free cash flows. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities. In view of the anticipated development of earnings and taking into account our intended acquisition of Morton Salt, our financial indebtedness this year will initially see a marked rise on the previous year. After the acquisition of Morton Salt too, we will, in all likelihood, report a comfortable equity ratio of about 40 % in 2009 and the level of indebtedness should be markedly below 100 %. We will thus continue to satisfy the requirements of the capital structure controlling requirements described on page 84 of the Financial Report 2008.

Expected development of liquidity

For the current year, we are anticipating a positive development of liquidity from our operating business; the projected development of earnings should also have an impact on the cash flow provided by operating activities. The latter should significantly exceed outlays connected with capital expenditure, so that we can expect to generate substantial free cash flow from our operating business in 2009.

In 2009, the intended acquisition of Morton Salt will impact on the liquidity situation. As the acquisition will be wholly financed using external funds, net indebtedness will rise significantly. However, this will not have any negative consequences for the liquidity situation of the K+S Group, i.e. the ability to finance the operating business.

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, 6 May 2009

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, actual events may deviate from those expected at the present time.

Business Segments of the K+S Group

Potash and Magnesium Products Business Segment

Variance analysis in %	Q1/09
Change in revenues	**(30.0)**
- volume	(58.8)
- structure	(54.9)
- prices	+ 78.9
- exchange rates	+ 4.8
- consolidation	–
Potassium chloride	(47.3)
Fertilizer specialities	(25.0)
Industrial products	+ 20.9

€ million	Q1/09	Q1/08	%
Revenues	366.0	522.5	(30.0)
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	117.1	190.3	(38.5)
Operating earnings (EBIT I)	97.0	170.9	(43.2)
Capital expenditure	21.0	13.4	+ 56.7
Employees as of 31 March (number)	7,805	7,645	+ 2.1

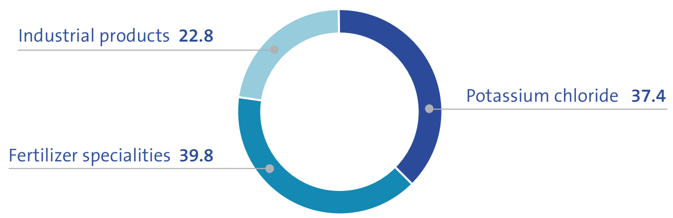
Market environment

As expected, the first quarter was characterised by very low demand for potash fertilizers on almost all markets. On the international potash markets – as a result of potash output being reduced in the wake of slack demand – a price level of about US$ 750 cfr per tonne of granulated potassium is beginning to emerge. In Europe, the price per tonne of granulated potassium chloride has been about € 555 since the end of April.

Revenues

In the first quarter, business segment revenues fell by 30 % or € 156.5 million to € 366.0 million. Decreases in sales volumes prompted by restrained purchasing as well as negative structural factors could only be partially offset by price and currency effects. In the case of potassium chloride, this resulted in a revenue decline of about 47 % to € 136.7 million and in the case of fertilizer specialities, to revenues down 25 % on the same period last year at € 145.6 million. An increase was only possible in the industrial products segment, where revenues rose by 21 % to € 83.7 million. In this case, price increases could more than offset the decline in sales volumes. First quarter sales volumes amounted to 0.90 million tonnes and were thus down about 57 % on the level of a year ago (Q1/08: 2.11 million tonnes).

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



Development of earnings

First quarter operating earnings reached € 97.0 million and were thus down € 73.9 million or 43 % on the level of a year ago. Lower revenues could only be partially offset by lower freight and material costs as well as a positive currency result.

Outlook

In 2009, revenues of the Potash and Magnesium Products business segment should be on about the same level as a year ago. Our forecast is based on a significant decline in sales volumes to just under 6 million tonnes (2008: 7.0 million tonnes) with a stronger US dollar exchange rate and markedly higher average prices compared with the previous year. This already takes account of the most recent price adjustments in Brazil, Southeast Asia and Europe. While the level of production costs in the previous year benefitted from increasing stocks in the fourth quarter, this effect will not be repeated to the same extent in 2009. In addition, a weaker foreign currency result should weigh on earnings, so that the operating earnings of the business segment can be expected to be tangibly lower against the record level for 2008.

Nitrogen Fertilizers Business Segment

Variance analysis in %	Q1/09
Change in revenues	**(30.0)**
- volume	(37.9)
- structure	(2.3)
- prices	+ 8.5
- exchange rates	+ 1.7
- consolidation	–

€ million	Q1/09	Q1/08	%
Revenues	342.1	488.4	(30.0)
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	10.9	45.4	(76.0)
Operating earnings (EBIT I)	8.1	42.6	(81.0)
Capital expenditure	1.1	1.4	(21.4)
Employees as of 31 March (number)	1,314	1,358	(3.2)

Consumer business	+ 4.5
Professional business	(36.9)
Complex fertilizers	(40.2)
Straight nitrogen fertilizers	(28.0)
Ammonium sulphate	(51.5)

The restructuring of the business with nitrogenous fertilizers at COMPO and fertiva planned for the middle of this year was prepared at the end of the year in the legal Group structure. Since 1 January 2009, COMPO and fertiva have also been grouped together in the reporting structure for the “Nitrogen Fertilizers business segment”. Starting from 1 July, the nitrogenous fertilizers distributed by fertiva as well as the ENTEC® and the sulphur-containing NITROPHOSKA® products distributed by COMPO until now will then be marketed under the umbrella of “K+S Nitrogen”. COMPO and its units in Germany and abroad will continue to market slow-release fertilizers, coated fertilizers, NPK specialities and nutrient salts in the professional segment as well as consumer products. Starting from the third quarter, there will only be shifts within product groups reported in the Nitrogen Fertilizers business segment.

Market environment

The first quarter, especially in Europe, was overall characterised by low demand for nitrogenous fertilizers. The trade sector still held sufficient stocks and the financial crisis restricted room for manoeuvre for financing for the entire distribution chain. In the COMPO consumer area, the change in the weather towards the end of the quarter prompted demand to pick up. In addition, the dropping out of a competitor enabled COMPO consumer products to become better placed in the retail sector.

Revenues

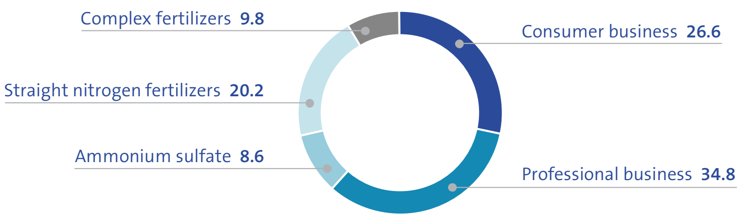
For the first three months, the Nitrogen Fertilizers business segment posted a mainly volume-related revenue decline of 30% to € 342.1 million.

Of this figure, € 131.9 million was accounted for by the fertiva business segment (Q1/08: € 212.5 million), which was still reported separately in the previous year. The decline in revenues for complex fertilizers (€ 33.5 million) and straight nitrogen fertilizers (€ 69.1 million) is attributable to negative volume effects; in the case of ammonium sulphate (€ 29.3 million), negative price effects had an additional impact. Sales volumes totalled 0.69 million tonnes and were thus down 35 % on the level of a year ago.

A further € 210.2 million was accounted for by the former COMPO business segment (Q1/08: € 275.9 million). In the consumer area, higher sales volumes and positive price effects caused revenues to rise by 4.5 % to € 91.1 million. Revenues for the professional business amounted to € 119.1 million, down 37 % on the previous year's figure. Positive price effects could not offset volume-related revenue decreases. Sales volumes of stabilised fertilizers, coated fertilizers, slow-release fertilizers and complex fertilizer specialities together with nutrient salts in the professional sector amounted to 0.18 million tonnes and were thus significantly below the level of the previous year (Q1/08: 0.39 million tonnes).

Revenues by Segment Jan. – March 2009

(in %)



Development of earnings

In the first quarter, the Nitrogen Fertilizers business segment generated operating earnings of € 8.1 million, which represents a decrease of 81 %. Despite the difficult market environment, the former fertiva business segment contributed € 7.1 million in the first quarter (+ 6 %). This is mainly attributable to an increase in own business, chiefly with Granammon® brand ammonium sulphate; these earnings contributions are not subject to the splitting between K+S and BASF. First quarter operating earnings of the COMPO business segment, hitherto reported separately too, amounted to € 1.0 million, down just under € 35 million on the result of a year ago; this is attributable to demand decreases in the professional business as well as to expenditure for restructuring measures connected with the reorganisation of the nitrogenous fertilizer business totalling about € 10 million.

Outlook

We expect the Nitrogen Fertilizers business segment to see a marked decline in revenues, attributable to both lower demand for nitrogenous fertilizers as well as a significantly lower price level. In addition, the consumer segment should be influenced by a lower level of the propensity to consume as a result of the financial and economic crisis.

Following the record result achieved last year, and in spite of considerably lower raw material costs that are to be anticipated during the course of the year, we expect operating earnings to be down significantly on the previous year.

Salt Business Segment

Variance analysis in %	Q1/09
Change in revenues	+ 98.6
- volume	+ 69.5
- structure	+ 13.1
- prices	+ 3.1
- exchange rates	+ 12.9
- consolidation	–

€ million	Q1/09	Q1/08	%
Revenues	338.3	170.3	+ 98.6
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	89.0	22.0	+ 304.5
Operating earnings (EBIT I)	80.2	14.7	+ 445.6
Capital expenditure	4.9	5.5	(10.9)
Employees as of 31 March (number)	2,348	2,331	+ 0.7

Food grade salt	(1.4)
Industrial salt	+ 4.2
Salt for chemical use	(4.7)
De-icing salt	+ 205.3
Other	+ 57.0

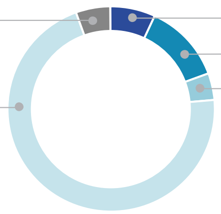
Market environment

Both the Western European and North American de-icing salt markets were characterised by continued winter weather that was above average in terms of its severity and duration in the first quarter. In some countries, this even resulted in supply bottlenecks and lent support to the price level. While in Europe the effects of the financial crisis on the business with salts for chemical use made themselves, as expected, felt for the first time, demand from the food grade salt and industrial salt segments was stable. Despite a negative economic environment, the South American market for salt for chemical use and industrial salt displayed robustness.

Revenues

Business segment revenues for the first quarter totalled € 338.3 million, almost double the figure for the same period last year mainly as a result of volume factors. In the case of de-icing salt, predominantly higher sales volumes in both overseas and Europe as well as positive price and currency effects caused revenues to rise by 205.3 % to € 239.1 million. In the food grade salt business, positive volume and currency effects could not fully offset negative price effects, with the result that revenues fell by 1.4 % to € 23.5 million. In the industrial salt segment, positive volume effects could more than make up for negative price effects; at € 43.7 million, revenues were up 4.2 % on the figure for the same period last year. While revenues generated by salt for chemical use totalled € 14.1 million and were down € 0.7 million on the level of a year ago as a result of volume and structural factors, revenues for the other segment rose by 57 % to € 17.8 million as a result of volume-related revenue increases for the logistics company Empremar and higher demand for other de-icing agents. Sales volumes of crystallised salt in the first quarter totalled 5.15 million tonnes and were thus up 72 % on the same period last year.

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



Development of earnings

At € 80.2 million, operating earnings saw a five-fold increase in relation to the preceding year, which was largely attributable to a higher contribution to earnings from the de-icing salt segment as a result of the very good winter business.

Outlook

The effects of the intended acquisition of Morton Salt have hitherto not been taken into account in the forecast issued for the current financial year.

As a result of the very good start to the year for de-icing salt in both Europe and North America, we expect the Salt business segment to see a marked rise in revenues in 2009. This forecast is based on average de-icing salt business in the fourth quarter as well as the stable development of revenues in food grade and industrial salt segments. By contrast, in the case of salt for chemical use, we expect significant decreases in sales volumes due to the marked economic downturn. On the costs side, this year, lower freights and energy prices will provide relief. Overall, operating earnings will be significantly above the level seen last year.

Complementary Business Segments

€ million	Q1/09	Q1/08	%
Revenues	29.1	31.7	(8.2)
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	3.6	8.5	(57.6)
Operating earnings (EBIT I)	2.0	7.1	(71.8)
Capital expenditure	1.1	3.8	(71.1)
Employees as of 31 March (number)	283	272	+ 4.0

Variance analysis in %	Q1/09
Change in revenues	**(8.2)**
- volume	(0.3)
- structure	(8.8)
- prices	+ 0.9
- exchange rates	–
- consolidation	–

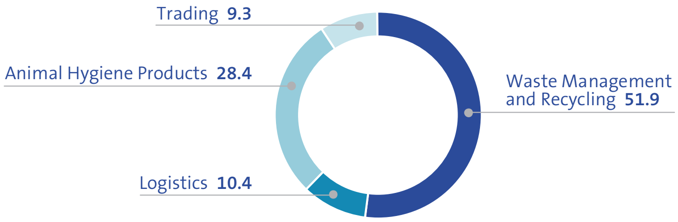
Waste Management and Recycling	(11.8)
Logistics	(30.8)
Animal Hygiene Products	+ 1.8
Trading	+ 31.5

Revenues

In the first quarter, the third-party revenues generated by the Complementary business segments amounted to € 29.1 million and were thus down 8.2 % on the figure for the same period last year. Including internal revenues, total revenues for the first quarter amounted to € 37.3 million (Q1/08: € 43.7 million). As a result of decreases in the reutilisation and recycling areas stemming from volume, structural and price factors, revenues for Waste Management and Recycling totalled € 15.1 million, down 11.8 % on the figure for the same period last year.

While logistics revenues (€ 3.0 million) were down because of volume factors, revenues for Animal Hygiene Products, at € 8.3 million, were up slightly on the same period last year and those generated by the trading business rose by 31.5 % to € 2.7 million as a result of higher sales volumes of de-icing agents.

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



Development of earnings

Business segment operating earnings for the first quarter reached € 2.0 million after € 7.1 million a year ago. This decrease is largely due to changed intra-group cost allocation methods at the start of the year as well as lower average prices for Waste Management and Recycling as well as volume decreases in logistics. In the Animal Hygiene Products area, higher personnel and energy cost caused earnings to decline, while in trading, the winter business made a positive contribution to earnings.

Outlook

We expect to see a moderate decrease in revenues for the "Complementary business segments" sector, primarily attributable to volume decreases in the third-party logistics business as well as lower revenues for Waste Management and Recycling. For operating earnings, however, we expect a significant decrease compared with the previous year, which will also result from lower contributions to earnings deriving from logistics and 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 26.

Statement of income for the period

€ million	Q1/09	Q1/08
Revenues	**1,075.7**	**1,213.0**
Cost of sales	663.5	711.5
Gross profit	**412.2**	**501.5**
Selling expenses	188.5	216.0
General and administrative expenses	27.1	23.1
Research and development costs	4.0	4.3
Other operating income	46.0	17.4
Other operating expenses	52.4	50.1
Income from investments, net	0.4	0.2
Earnings from hedging transactions and derivatives no longer in operation	(33.7)	(107.0)
Earnings after hedging transactions and derivatives no longer in operation (EBIT II) [1)]	**152.9**	**118.6**
Interest income	1.0	0.8
Interest expenses	(9.2)	(12.9)
Other financial result	(0.2)	9.8
Financial result	**(8.4)**	**(2.3)**
Earnings before income taxes	**144.5**	**116.3**
Taxes on income	37.1	31.5
- of which deferred taxes	(4.5)	12.9
Net income	**107.4**	**84.8**
Minority interests in earnings	0.1	–
Group earnings after taxes and minority interests	**107.3**	**84.8**
Earnings per share in € (undiluted ≙ diluted) [2)]	0.65	0.51
Operating earnings (EBIT I)	**174.0**	**226.3**
Earnings before income taxes, adjusted [3)]	**165.6**	**224.0**
Group earnings, adjusted [3)]	**122.5**	**162.6**
Earnings per share in €, adjusted [2), 3)]	**0.74**	**0.99**
Average number of shares (million) [2)]	164.84	164.84

Statement of comprehensive income for the period

€ million	Q1/09	Q1/08
Net income	**107.4**	**84.8**
Available-for-sale financial assets	–	(20.3)
Foreign currency translation	16.7	(27.0)
Earnings without recognition in profit or loss	**16.7**	**(47.3)**
Comprehensive income	**124.1**	**37.5**
Minority interests in comprehensive income	0.1	–
Group comprehensive earnings after taxes and minority interests	**124.0**	**37.5**

Operating earnings (EBIT I)

€ million	Q1/09	Q1/08
Earnings after hedging transactions and derivatives no longer in operation (EBIT II) [1)]	**152.9**	**118.6**
+/- Earnings from hedging transactions and derivatives no longer in operation	33.7	107.0
+/- Earnings from realised hedging transactions	(12.6)	0.7
Operating earnings (EBIT I)	**174.0**	**226.3**

1) 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 31.
2) Adjusted to the share split in the ratio 1:4 (technical execution: 21 July 2008).
3) The adjusted key figures only contain the result from hedging realised during the current period. By contrast, changes in the market value of derivatives still outstanding are not taken into account. The resulting effects on deferred and cash taxes are also eliminated. Q1/09 tax rate: 27.9 % (Q1/08: 27.7 %).

Statement of cash flows for the period

€ million	Q1/09	Q1/08
Earnings after hedging transactions and derivatives no longer in operation (EBIT II)	**152.9**	**118.6**
Income(-)/expenses(+) from market value changes of hedging transactions not yet due	25.3	(30.7)
Neutralizing previous market value changes of derecognized hedging transactions	(4.2)	(0.6)
Income(-)/ expenses(+) from double-knock-out options	–	139.0
Operating earnings (EBIT I)	**174.0**	**226.3**
Depreciation (+)/write-ups (-) on fixed assets*	35.1	32.5
Increase(+)/decrease(-) in non-current provisions (without interest rate effects)	6.8	0.7
Interest, dividends and similar income received	1.0	0.8
Realised gains(+)/losses(-) on the disposal of financial assets and securities	0.1	11.0
Interest paid	(2.9)	(7.8)
Income tax received(+)/paid(-)	(41.6)	(18.5)
Other non-cash expenses(+)/income(-)	(0.2)	(2.0)
Gross cash flow	**172.3**	**243.0**
Gain(-)/loss(+) on the disposal of fixed assets and securities	–	(10.9)
Increase(-)/decrease(+) in inventories	104.0	10.8
Increase(-)/decrease(+) in receivables and other assets from operating activities	(95.9)	(225.7)
- of which premium volume for derivatives	5.8	(2.3)
Payments from the exercise and sale of options	–	46.6
Increase(+)/decrease(-) in liabilities from operating activities	(163.1)	15.6
- of which premium volume for derivatives	5.1	–
Increase(+)/decrease(-) of current provisions	57.8	52.9
Out-financing of provisions	–	(2.0)
Cash flow from operating activities	**75.1**	**130.3**
Proceeds from disposals of fixed assets	0.5	0.6
Disbursements for intangible assets	(0.9)	(0.6)
Disbursements for property, plant and equipment	(28.2)	(23.6)
Disbursements for financial assets	(0.9)	(1.1)
Cash flow for investing activities	**(29.5)**	**(24.7)**
Free cash flow	**45.6**	**105.6**
Purchase of own shares	(6.5)	(6.1)
Increase (+)/decrease (-) in liabilities from finance lease	–	(0.1)
Taking out(+)/repayment (-) of loans	(67.9)	(101.5)
Cash flow for financing activities	**(74.4)**	**(107.7)**
Change in cash and cash equivalents affecting cash flow	**(28.8)**	**(2.1)**
Change in value of cash and cash equivalents	1.2	(2.1)
Consolidation-related changes	–	(2.4)
Change in cash and cash equivalents	**(27.6)**	**(6.6)**
Net cash and cash equivalents as of 1 January	**160.5**	**(151.4)**
Net cash and cash equivalents as of 31 March	**132.9**	**(158.0)**

* 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	31.03.2009	31.03.2008	31.12.2008
Intangible assets	181.2	163.0	177.2
- of which goodwill from acquisitions	109.0	94.0	104.8
Property, plant and equipment	1,256.6	1,099.4	1,246.4
Investment properties	7.8	7.9	7.8
Financial assets	23.0	19.5	22.3
Receivables and other assets	17.9	22.8	33.2
- of which derivative financial instruments	2.3	8.3	17.7
Deferred taxes	52.0	73.1	46.3
Recoverable income taxes	0.5	0.5	0.5
Non-current assets	**1,539.0**	**1,386.2**	**1,533.7**
Inventories	580.5	357.8	684.6
Accounts receivable – trade	995.3	995.4	901.5
Other receivables and assets	145.4	155.6	155.3
- of which derivative financial instruments	29.4	52.4	48.7
Recoverable income taxes	31.3	24.4	30.9
Cash on hand and balances with banks	140.2	54.6	167.8
Current assets	**1,892.7**	**1,587.8**	**1,940.1**
ASSETS	**3,431.7**	**2,974.0**	**3,473.8**

Statement of changes in equity for the period

in € million	Subscribed capital	Additional paid-in capital	Profit retained/ other reserves	Differences from foreign currency translation
Balance as of 1 January 2009	165.0	4.5	1,564.2	(16.7)
Comprehensive income	–	–	107.3	16.7
Other changes in equity	–	–	(5.6)	–
Balance as of 31 March 2009	**165.0**	**4.5**	**1,665.9**	**–**
Balance as of 1 January 2008	108.8	7.6	829.6	(35.4)
Comprehensive income	–	–	84.8	(27.0)
Other changes in equity	–	–	(6.6)	–
Balance as of 31 March 2008	**108.8**	**7.6**	**907.8**	**(62.4)**

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

€ million	31.03.2009	31.03.2008	31.12.2008
Subscribed capital	165.0	108.8	165.0
Additional paid-in capital	4.5	7.6	4.5
Other reserves and profit retained	1,665.9	845.4	1,547.5
Minority interests	1.4	0.9	1.3
Equity	**1,836.8**	**962.7**	**1,718.3**
Bank loans and overdrafts	103.7	267.2	107.1
Other liabilities	20.7	32.4	14.5
- of which derivative financial instruments	7.9	18.5	–
Provisions for pensions and similar obligations	92.9	97.3	93.1
Provisions for mining obligations	381.8	360.3	378.3
Other provisions	108.6	126.1	97.6
Deferred taxes	62.0	37.7	58.7
Non-current debt	**769.7**	**921.0**	**749.3**
Bank loans and overdrafts	97.4	327.4	159.3
Accounts payable – trade	284.7	429.8	465.4
Other liabilities	68.9	67.9	68.2
- of which derivative financial instruments	13.3	1.7	24.2
Income tax liabilities	29.0	13.4	25.8
Provisions	345.2	251.8	287.5
Current debt	**825.2**	**1,090.3**	**1,006.2**
EQUITY AND LIABILITIES	**3,431.7**	**2,974.0**	**3,473.8**

Available-for-sale financial assets	Total K+S AG shareholders' equity	Minority interests	Equity
–	1,717.0	1.3	1,718.3
–	124.0	0.1	124.1
–	(5.6)	–	(5.6)
–	**1,835.4**	**1.4**	**1,836.8**
20.3	930.9	0.9	931.8
(20.3)	37.5	–	37.5
–	(6.6)	–	(6.6)
–	**961.8**	**0.9**	**962.7**

Notes

Explanatory notes; changes in the legal Group and organisational structure

The interim report of 31 December 2008 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.

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 in the internal controlling variable EBIT I before the standard was amended.
- IAS 1 – Disclosure of derivatives: Revised IAS 1 requires the disclosure of derivatives as non-current or current financial instruments depending on their anticipated time of maturity. 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: Revised IAS 23 makes the previously optional capitalisation of borrowing costs obligatory. Consequently, borrowing costs that can be directly allocated to constructing or producing a so-called qualifying asset are capitalised. This new rule had no significant impact on the consolidated financial statements for the first quarter of 2009.

The legal Group and organisational structure presented in the Financial Report 2008 changed only slightly as of 31 March 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. at 27 February 2009 were transferred to Salina Diamante Branco Ltda. In addition, K+S Finance Belgium BVBA was included in the consolidated financial statements for the first time.

There were no significant changes to the composition and responsibilities of the Board of Executive Directors and Supervisory Board as described in the 2007 Financial Report.

€ million	LTM* 2009	2008
Revenues	4,657.1	4,794.4
EBIT I	1,290.4	1,342.7
Group earnings, adj.	939.2	979.3

* LTM = last twelve months (Q2/08 + Q3/08 + Q4/08 + Q1/09)

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	Q4/08	2008	Q1/09
Revenues*	€ million	**522.5**	**612.8**	**763.4**	**498.7**	**2,397.4**	**366.0**
- Europe	€ million	349.3	387.5	479.8	287.0	1,503.5	189.1
- Overseas	US$ million	259.2	351.0	429.9	295.2	1,335.4	229.9
Volumes	million tonnes	**2.11**	**2.02**	**1.70**	**1.16**	**6.99**	**0.90**
- Europe	million tonnes	1.43	1.33	1.05	0.64	4.45	0.45
- Overseas	million tonnes	0.68	0.69	0.64	0.53	2.54	0.45
Average prices	per tonne in €	**247.2**	**303.1**	**450.1**	**428.5**	**342.7**	**409.2**
- Europe	per tonne in €	244.4	291.4	455.2	450.9	337.9	425.0
- Overseas	per tonne in US$	379.6	507.4	669.6	560.0	524.9	511.6

* 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 concluded for most of these revenues (see below). The information on prices is to be understood solely as providing a rough indication.

Foreign currency hedging

At the end of 2007/beginning of 2008, we had reorganised our US dollar hedging system. Since then, options have been used, hedging a worst-case scenario for 2009 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$ 682 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 in the first quarter, so that the worst case for the year as a whole is currently 1.47 USD/EUR including costs (2008 average exchange rate: 1.46 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	1.47
Average USD/EUR spot rate	1.50	1.56	1.50	1.31	1.47	1.31	–	–	–	–

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

Other operating income/expenses

€ million	Q1/09	Q1/08
Gains/losses on foreign currency exchange rates	11.8	(17.6)
Change in provisions	(13.1)	(11.7)
Other	(5.1)	(3.4)
Other operating income/expenses	**(6.4)**	**(32.7)**

Financial result

€ million	Q1/09	Q1/08
Interest income	1.0	0.8
Interest expense	(9.2)	(12.9)
- of which interest expense for pension provisions	(1.7)	(1.0)
- of which interest expense for provisions for mining obligations	(4.7)	(4.0)
Interest income, net	**(8.2)**	**(12.1)**
Other financing income/costs	(0.3)	–
Income from the disposal of financial investments, net	0.1	11.0
Income from the measuring of financial investments, net	–	(1.2)
Other financial result	**(0.2)**	**9.8**
Financial result	**(8.4)**	**(2.3)**

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	Q1/09	Q1/08
Corporate income tax	17.6	3.9
Trade tax on income	13.9	1.6
Foreign income taxes	10.1	13.1
Deferred taxes	(4.5)	12.9
Taxes on income	**37.1**	**31.5**

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

The balance sheet total as at 31 March 2009 decreased by € 42.1 million in relation to the 2008 annual financial statements. On the asset side, non-current assets rose by € 5.3 million. Current assets declined by € 47.4 million. The increase in non-current assets is mainly attributable to the increase in property, plant and equipment, prompted by capital expenditure and currency-related factors; the decrease in current assets is primarily attributable to a reduction in inventories. On the liabilities side, equity increased by € 118.5 million; this is mainly due to the positive result for the first quarter of 2009. Debt declined by € 160.6 million; this is largely attributable to a reduction in trade payables as well as in financial liabilities.

Significant changes in equity

Equity is influenced by transactions that are recognised in profit or loss and those not recognised in profit or loss as well as by capital transactions involving shareholders. Compared with the 2008 annual financial statements, the profit retained and other revenue reserves increased by € 118.4 million. The increase is primarily due to the positive result for the first quarter of 2009 (after taxes and minority interests) of € 107.3 million. Changes in equity that are not recognised in profit or loss derive from, for example, translating the currency of subsidiaries into the functional currency (essentially US Dollar).

Differences resulting from foreign currency translation are recorded in a separate foreign currency translation reserve, which increased by € 16.7 million as at 31 March 2009 as a result of exchange rate fluctuations.

Net indebtedness

€ million	Q1/09	Q1/08
Net indebtedness as of 1 January	(570.0)	(1,085.1)
Cash on hand and balances with banks	140.2	54.6
Overdrafts towards financial institutions	(0.1)	(203.5)
Net cash and cash equivalents as of 31 March*	**140.1**	**(148.9)**
Liabilities towards financial institutions	(201.0)	(391.1)
Cash and cash equivalents as of 31 March*	**(60.9)**	**(540.0)**
Provisions for pensions and similar obligations	(92.9)	(97.3)
Provisions for mining obligations	(381.8)	(360.3)
Net indebtedness as of 31 March*	**(535.6)**	**(997.6)**

* Without cash invested with respectively received from affiliated companies.

Total Revenues

€ million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products	366.0	27.1	393.1
Nitrogen Fertilizers	342.1	1.9	344.0
Salt	338.3	1.1	339.4
Complementary Business Segments	29.1	8.2	37.3
Reconciliation	0.2	(38.3)	(38.1)
K+S Group Q1/09	1,075.7	–	1,075.7
Potash and Magnesium Products	522.5	22.5	545.0
Nitrogen Fertilizers	488.4	9.0	497.4
Salt	170.3	0.2	170.5
Complementary Business Segments	31.7	11.9	43.6
Reconciliation	0.1	(43.6)	(43.5)
K+S Group Q1/08	1,213.0	–	1,213.0

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	Q4/08	2008	Q1/09	%
Potash and Magnesium Products	522.5	612.8	763.4	498.7	2,397.4	366.0	(30.0)
Nitrogen Fertilizers	488.4	433.8	515.6	214.6	1,652.4	342.1	(30.0)
Salt	170.3	108.0	131.0	209.3	618.6	338.3	+ 98.6
Complementary Business Segments	31.7	29.6	31.2	32.8	125.3	29.1	(8.2)
Reconciliation	0.1	0.3	0.2	0.1	0.7	0.2	+ 100.0
K+S Group revenues	**1,213.0**	**1,184.5**	**1,441.4**	**955.5**	**4,794.4**	**1,075.7**	**(11.3)**
Potash and Magnesium Products	170.9	291.4	465.6	275.3	1,203.2	97.0	(43.2)
Nitrogen Fertilizers	42.6	44.0	40.0	(5.2)	121.4	8.1	(81.0)
Salt	14.7	(4.2)	8.5	26.2	45.2	80.2	+ 445.6
Complementary Business Segments	7.1	7.1	5.1	5.8	25.1	2.0	(71.8)
Reconciliation	(9.0)	(11.9)	(17.0)	(14.3)	(52.2)	(13.3)	(47.8)
K+S Group EBIT I	**226.3**	**326.4**	**502.2**	**287.8**	**1,342.7**	**174.0**	**(23.1)**

Income statements (IFRSs)

€ million	Q1/08	Q2/08	Q3/08	Q4/08	2008	Q1/09	%
Revenues	**1,213.0**	**1,184.5**	**1,441.4**	**955.5**	**4,794.4**	**1,075.7**	**(11.3)**
Cost of sales	711.5	635.4	737.3	468.7	2,552.9	663.5	(6.7)
Gross profit	501.5	549.1	704.1	486.8	2,241.5	412.2	(17.8)
Selling expenses	216.0	194.5	178.6	186.9	776.0	188.5	(12.7)
General and administrative expenses	23.1	28.0	25.8	27.4	104.3	27.1	+ 17.3
Research and development costs	4.3	4.3	4.6	4.9	18.1	4.0	(7.0)
Other operating income/expenses	(32.7)	(3.5)	4.8	23.9	(7.5)	(6.4)	(80.4)
Income from investments, net	0.2	0.4	0.9	1.0	2.5	0.4	+ 100.0
Result from hedging transactions and derivatives no longer in operation	(107.0)	0.4	(32.7)	(6.5)	(145.8)	(33.7)	(68.5)
Earnings after hedging transactions and derivatives no longer in operation (EBIT II)	118.6	319.6	468.1	286.0	1,192.3	152.9	+ 28.9
Financial result	(2.3)	(11.9)	(8.1)	29.1	6.8	(8.4)	> (100.0)
Earnings before income taxes	116.3	307.7	460.0	315.1	1,199.1	144.5	+ 24.2
Taxes on income	31.5	81.4	126.3	88.5	327.7	37.1	+ 17.8
- of which deferred taxes	12.9	27.2	5.9	15.4	61.4	(4.5)	–
Net income	84.8	226.3	333.7	226.6	871.4	107.4	+ 26.7
Minority interests in earnings	–	0.1	0.2	0.2	0.5	0.1	–
Group earnings after taxes and minority interests	84.8	226.2	333.5	226.4	870.9	107.3	+ 26.5
Operating earnings (EBIT I)	**226.3**	**326.4**	**502.2**	**287.8**	**1,342.7**	**174.0**	**(23.1)**
Earnings before income taxes, adjusted [1]	**224.0**	**314.5**	**494.1**	**316.9**	**1,349.5**	**165.6**	**(26.1)**
Group earnings, adjusted [1]	**162.6**	**231.1**	**358.1**	**227.5**	**979.3**	**122.5**	**(24.7)**

Other key data (IFRSs)

	Q1/08	Q2/08	Q3/08	Q4/08	2008	Q1/09	%
Capital expenditure (€ million) [2]	24.2	60.5	48.4	64.4	197.5	29.1	+ 20.2
Depreciation and amortisation (€ million) [2]	32.5	33.8	39.1	36.3	141.7	35.1	+ 8.0
Gross cash flow (€ million)	243.0	281.5	456.8	196.6	1,177.9	172.3	(29.1)
Net indebtedness (€ million)	997.6	904.4	633.6	–	570.0	535.6	(46.6)
Earnings per share, adjusted (€) [1, 3]	0.99	1.40	2.17	1.38	5.94	0.74	(25.3)
Gross cash flow per share (€) [3]	1.47	1.71	2.77	1.19	7.14	1.05	(28.6)
Book value per share, adjusted (€) [1, 3]	6.03	6.71	9.04	–	10.49	11.31	+ 87.6
Number of shares outstanding (million) [3, 4]	164.84	165.00	165.00	–	165.00	164.84	–
Average number of shares (million) [3, 5]	164.84	164.95	165.00	165.00	164.95	164.84	–
Closing price (XETRA, €) [3]	51.83	91.58	48.64	–	39.97	34.93	(32.6)
Employees as of the reporting date (number)	12,141	12,145	12,323	–	12,368	12,334	+ 1.6

[1] The adjusted key figures only contain the result from hedging realised during the current period. By contrast, changes in the market value of derivatives still outstanding are not taken into account. The effects on deferred and cash taxes are also eliminated; Q1/09 tax rate: 27.9% (Q1/08: 27.7%).

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

[3] Adjusted to share split in the ratio 1:4 (entry in the Commercial Register: 24 June 2008; technical execution: 21 July 2008).

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

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

Financial Calendar	2009/2010
Half-yearly Financial Report, 30 June 2009	13 August 2009
Quarterly Financial Report, 30 September 2009	12 November 2009
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

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