FINANCIAL REPORT 2008

DEEP-ROOTED STRENGTH

K+S

Experience growth.

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TEN-YEAR SUMMARY K+S GROUP

		2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues, Earnings, Cash Flow		IFRSs	IFRSs	IFRSs	IFRSs	IFRSs	HGB	HGB	HGB	HGB	HGB
Revenues	€ million	**4,794.4**	3,344.1	2,957.7	2,815.7	2,538.6	2,287.8	2,258.5	2,179.4	2,087.9	1,191.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	**1,484.4**	413.9	401.1	383.1	289.5	223.7	240.1	248.4	252.2	206.2
Operating earnings (EBIT I/EBIT)	€ million	**1,342.7**	285.7	278.0	250.9	162.9	115.7	132.8	120.6	126.8	88.5
Earnings after market value changes and derivatives no longer in operation (EBIT II)	€ million	**1,192.3**	- 106.9	361.6	271.7	136.5	–	–	–	–	–
Earnings before taxes	€ million	**1,199.1**	- 142.6	341.5	259.6	123.4	111.6	113.9	121.1	130.4	95.9
Earnings before taxes, adjusted [1]	€ million	**1,349.5**	250.0	257.9	238.8	149.9	–	–	–	–	–
Group earnings [2]	€ million	**870.9**	- 93.3	228.9	174.4	86.8	101.3	103.8	118.3	119.8	98.5
Group earnings, adjusted [1, 2]	€ million	**979.3**	175.3	176.2	161.3	103.5	–	–	–	–	–
Gross cash flow	€ million	**1,177.9**	372.1	342.7	341.5	274.1	209.1	216.9	224.6	241.4	228.3
Capital expenditure [3]	€ million	**197.5**	171.6	130.5	107.1	131.9	126.6	129.0	157.9	141.7	106.1
Depreciation [3]	€ million	**141.7**	128.2	123.1	132.2	126.6	108.0	107.3	127.8	125.4	120.4
Working capital	€ million	**962.3**	570.6	603.1	456.4	333.1	250.9	300.5	262.1	257.6	218.5
Balance Sheet											
Equity [1, 4]	€ million	**1,730.2**	1,123.6	1,060.5	931.4	882.2	584.9	558.8	516.8	530.9	536.1
Property, plant and eqipment and intangible assets	€ million	**1,423.6**	1,297.3	1,271.6	874.1	883.3	659.8	598.6	592.4	557.6	509.0
Net indebtedness	€ million	**570.0**	1,085.1	718.3	321.4	340.5	220.5	262.7	180.7	115.0	223.0
Balance sheet total	€ million	**3,473.8**	2,964.8	2,830.9	2,259.1	2,147.7	1,754.5	1,666.7	1,601.0	1,580.1	1,337.5
Employees											
Employees as of 31 Dec. [5]	number of	**12,368**	12,033	11,873	11,012	10,988	10,554	10,536	10,178	9,645	9,586
- of which trainees	number of	**615**	614	620	591	591	550	542	533	479	473
Average number of employees [5]	number of	**12,214**	11,959	11,392	11,017	11,068	10,541	10,439	10,278	9,925	8,710
Personnel expenses [6]	€ million	**738.5**	687.3	663.5	671.1	613.3	562.7	531.2	522.6	488.1	410.4
Ratios											
Earnings per share, adjusted [1, 2, 7]	€	**5.94**	1.06	1.07	0.95	0.61	0.61	0.61	0.68	0.68	0.51
Dividend per share [7, 8]	€	**2.40**	0.50	0.50	0.45	0.33	0.25	0.25	0.25	0.21	0.14
Dividend yield [7, 8]	%	**6.0**	1.2	2.4	3.5	3.3	4.6	5.8	4.6	4.8	4.1
EBITDA margin	%	**31.0**	12.4	13.6	13.6	11.4	9.8	10.6	11.4	12.1	17.33
EBIT margin	%	**28.0**	8.5	9.4	8.9	6.4	5.1	5.9	5.5	6.1	7.4
Return on revenues [1, 2]	%	**20.4**	5.2	6.0	5.7	4.1	2.8	4.6	5.4	5.7	8.3
Return on capital employed (ROCE)	%	**64.0**	15.5	17.4	19.5	14.2	12.7	14.7	14.1	15.7	12.7
Return on total investment	%	**44.9**	11.0	12.3	12.7	9.1	7.2	7.7	8.5	9.0	8.0
Return on equity after taxes [2]	%	**68.6**	16.1	17.7	17.8	12.1	17.3	18.6	22.9	22.6	18.4
Book value per share [7]	€	**10.49**	6.81	6.43	5.65	5.19	3.44	3.11	2.87	2.95	2.68
Gross cash flow per share [7]	€	**7.14**	2.25	2.08	2.02	1.61	1.25	1.27	1.30	1.37	1.19
The Share											
Closing price as of 31 Dec. [7]	XETRA, €	**39.97**	40.69	20.55	12.76	9.78	5.44	4.33	5.48	4.50	3.51
Market capitalisation	€ billion	**6.6**	6.7	3.4	2.1	1.7	0.9	0.8	1.0	0.8	0.7
Enterprise value as of 31 Dec.	€ billion	**7.2**	7.8	4.1	2.4	2.0	0.9	0.8	1.0	0.7	0.9
Total number of shares as of 31 Dec. [7]	million	**165.00**	165.00	165.00	170.00	170.00	170.00	180.00	180.00	180.00	200.00
Outstanding shares as of 31 Dec. [7, 9]	million	**165.00**	165.00	165.00	165.00	170.00	170.00	166.08	173.20	171.20	181.20
Average number of shares [7, 10]	million	**164.95**	164.94	164.96	169.24	170.00	167.08	171.28	173.60	176.40	192.80

1) From 2004 onwards, adjusted for the effects of market value changes from hedging transaction as well as derivatives that are no longer in operation; in the case of adjusted Group earnings and adjusted earnings per share, the resulting tax effects were also eliminated.

2) In 2006: excluding non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.

3) For or in connection with intangible assets as well as property, plant and equipment.

4) Up to the end of 2003 incl. 50% special reserves and balance from capital consolidation.

5) Workforce including temporary employees (without students and interns) measured on full-time equivalent basis.

6) Personnel expenses also include ependitures connected with partial retirement and early retirement.

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

8) The figure for 2008 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.

9) Total number of shares less the own shares held by K+S on the reporting date.

10) Total number of shares less the average number of the own shares held by K+S.

BUSINESS SEGMENTS AT A GLANCE

Potash and Magnesium Products		2008	2007	2006	2005	2004
Revenues	€ million	**2,397.4**	1,408.0	1,238.9	1,197.2	1,031.2
EBIT I	€ million	**1,203.2**	177.9	158.6	151.8	71.2
Capital expenditure	€ million	**111.1**	79.7	83.8	70.9	81.6
Employees	number	**7,800**	7,626	7,550	7,490	7,472

Potash and magnesium crude salts are extracted at six mines. We use them to produce a large number of fertilizers; in addition, we process our raw materials into products for technical, industrial and pharmaceutical applications.

COMPO		2008	2007	2006	2005	2004
Revenues	€ million	**750.9**	617.4	552.4	541.7	525.1
EBIT I	€ million	**79.0**	32.0	29.2	25.0	23.9
Capital expenditure	€ million	**10.4**	12.6	11.4	12.3	14.7
Employees	number	**1,245**	1,252	1,260	1,292	1,309

In the consumer area, COMPO carries a premium assortment of potting soils, plant care products, garden fertilizers and plant protection products. In the professional area, we offer complex fertilizers for special crops, horticulture, sports fields and public green areas.

fertiva		2008	2007	2006	2005	2004
Revenues	€ million	**901.5**	648.0	556.2	568.3	513.8
EBIT I	€ million	**42.4**	25.3	16.7	14.8	10.1
Capital expenditure	€ million	**0.3**	4.2	0.7	0.3	1.0
Employees	number	**73**	59	61	58	57

fertiva distributes the K+S Group's nitrogenous agricultural fertilizers. We market agricultural fertilizers that are produced exclusively for us by BASF and also trade in goods purchased from other leading European manufacturers.

Salt		2008	2007	2006	2005	2004
Revenues	€ million	**618.6**	545.1	485.8	398.0	357.8
EBIT I	€ million	**45.2**	47.8	67.6	62.7	56.7
Capital expenditure	€ million	**58.6**	47.9	21.2	12.4	25.0
Employees	number	**2,394**	2,294	2,194	1,385	1,370

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

Complementary Business Segments		2008	2007	2006	2005	2004
Revenues	€ million	**125.3**	125.1	123.9	110.1	110.0
EBIT I	€ million	**25.1**	37.7	37.1	25.9	28.1
Capital expenditure	€ million	**10.0**	17.2	7.7	5.2	2.2
Employees	number	**285**	273	306	294	277

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

K+S is one of the world's leading suppliers of speciality and standard fertilizers, plant care as well as salt products. With our products and brands, we offer our customers a range of needs-based goods and services which provides growth opportunities in virtually every sphere of daily life. In doing so, we assume active responsibility for the sustained growth of our world. Our more than 12,000 employees display their commitment towards this goal day in day out by applying their knowledge and experience. K+S – experience growth.

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CORE THOUGHTS

We have been mining crude salts for over 100 years. Using them, we produce up to eight million tonnes of fertilizers containing potash and magnesium and industrial products as well as up to five million tonnes of salt products in Germany alone every year. Our enormous deposits arose over the course of millions of years from primeval seas. With vigour and technological know-how, we tap into the wealth of the earth both below and above ground to make it of use to people.

Dear Shareholders,

The year 2008 was a good one for K+S – it was even by far the best year in the over 100-year history of the K+S Group! In the foreword to last year's Financial Report 2007, we already indicated our confidence: At that point in time we already believed in our ability to double our operating earnings for the financial year 2008. Today, we can even present far better figures:

- Group revenues rose by 43 % in comparison to the previous year,
- Operating earnings increased almost fivefold, by a factor of 4.7,
- Earnings per share reached € 5.94 (previous year: € 1.06/share),
- and the equity ratio of the K+S Group was almost 50 % at the end of the year.

The figures speak for themselves! And they also confirm to us that the K+S Group is in the right position to exploit important global megatrends, namely a growing world population, the rising consumption of meat in the emerging market countries associated with an increase in the demand for feed, as well as growing demand for biofuels.

To put it differently: Also and precisely in times of financial and economic crises, this is a far more stable starting point for sustainable success than those of many other sectors. And I assure you that the superlative performance of 2008 will not make us overconfident, that it will also not tempt us to lose our sense of proportion, and that it will not cloud our perception of what is really important: Namely, the responsibility to see the K+S Group grow in a cautious and controlled fashion, and in doing so, to be aware at all times that growth is not an end in itself, but that it must also be accompanied by the creation of values.

Norbert Steiner
Chairman of the Board
of Executive Directors

At the same time, we want to carefully maintain the balance between economic, ecological and social factors at all times. Mutual dependencies between K+S, the environment and stakeholders have to be respected, but it is also necessary to take decisive steps to prevent any imbalance which threatens to destroy the equilibrium of this relationship.

Why am I devoting so much space to this topic in my foreword? Because I am proud of the fact that, for our shareholders and for our employees, during the past year we, all of us together, have established a concept for environmental and water protection for our potash production in Hesse and Thuringia – after all, over half our total capacity – that is sustainable in the long term.

However, strong demands have come from all sides and very strong pressure was applied to us that we should reduce the volume of our liquid production residue. It would be too simple to dismiss this with obstinate extreme positions. No, it was clear to us that we could not just continue on the same path, and we are also aware of the fact that we will have to continue to deal with this issue in the future. In the years to come, K+S will therefore be taking a proactive approach by introducing a comprehensive package of measures and thus making investments worth up to € 360 million, to ensure, for example, that by 2015 the volume of saline water from our production in the Hesse-Thuringia potash district will be reduced by one half.

By means of a public-law agreement concluded with the federal states of Hesse and Thuringia, we have ensured that reconciliation of interests we are seeking will enjoy political support over the next 30 years. I would like, also on behalf of my colleagues on the Board of Executive Directors, to express my thanks to all participants for having found this solution of reason.

To turn to our business operations now: What were the reasons for the outstanding increase in earnings during the past year? A decisive factor in this success was, above all, the strong demand for potash fertilizers which, especially during the first nine months, international potash producers were evidently only able to meet as the result of very great efforts reaching the limits of their technical capacities.

The nitrogen fertilizer markets also developed splendidly during the first three quarters. The small supply and demand ratio for fertilizers, but also the considerable increase in agricultural prices that could be observed worldwide until the middle of the year, have made it possible for us to raise the prices of fertilizers substantially.

Last year's salt business, by contrast, was mediocre, since the good, but rather shorter winter at the end of the year was not enough to quite make up for reduced sales of de-icing salt as a consequence of the absence of the winter on both sides of the Atlantic at the beginning of the year.

The first signs of the financial and economic crisis already had an adverse effect on the fourth quarter of 2008. The situation in which there had until then been an uncommonly high availability of cheap money was transformed overnight into a financial crisis, which resulted in a very serious loss of confidence in the international banking system. This “slamming on the brakes” in the economy also resulted in a real collapse of agricultural prices, which had risen sharply for the agricultural sector as a consequence of global shortfalls, nor did the resultant high level of uncertainty not pass our customers by. We have responded to the sharp decline in demand with the most obvious measure, namely a corresponding curtailment of production. In this way, we are attempting at the same time to secure the price level attained which, only after overcoming the high excess capacity of the 1990s, has risen to the level necessary to ensure the time-consuming and very expensive expansion of global potash capacities indispensable for the future.

What are the challenges that we will therefore have to face from now on, and how do we want to manage to continue to achieve profitable growth in the future? First, the start to 2009 which we can discern thus far is marked by significantly lower sales figures in the fertilizer segment. The price level for potash fertilizers and the good start to the de-icing salt business will, unfortunately, not be enough to compensate for this. Nevertheless, the indicators for healthy and profitable growth for the K+S Group remain favourable: This is because the megatrends described above will prompt demand for large parts of our product range to increase further.

In the international salt business too, the global population trend described above and the resultant changes in lifestyle should have a positive impact. And the fact that de-icing salt will continue to be needed to ensure road safety has again been demonstrated during the past few months on both sides of the Atlantic.

All in all, for our business performance in 2009, we are, from the current perspective, expecting a decline in the very high revenues and earnings figures of the previous year, but are confident that these circumstances will, perhaps, have already even improved in the second half of the year. One thing is definitely certain: In financial terms, K+S is optimally positioned in view of its very low indebtedness.

The global economic turmoil has also been correspondingly reflected on the stock exchange: Following enormous fluctuations, at year-end our share price closed at € 39.97, i.e. 2 % and thus only slightly down on the previous year. In the light of the record high of € 95.90 achieved during the course of the year, a bitter setback, but in comparison to the DAX® and to our competitors a very good performance!

We would again like you to participate, our shareholders, in the very positive course of business in accordance with the dividend policy that we have pursued for a long time. The Board of Executive Directors and the Supervisory Board will propose to the Annual General Meeting that a dividend of € 2.40 per share be paid for the past financial year. This is, in line with the growth in earnings achieved last year, an almost fivefold increase compared to the previous dividend payment and an expression not only of our financial solidity, but also of our medium- and long-term confidence.

This confidence is also particularly based on the employees of our K+S Group, whom I would like to thank cordially on behalf of my colleagues on the Board of Executive Directors for their tireless commitment, strength of purpose and the high degree of flexibility that has been demonstrated once again.

I would like to thank you, dear shareholders, customers and partners of the K+S Group, for your trust, support and the open dialogue of the past financial year. We want to continue to shape the future, especially in times of crisis, and impress you with our performance.

Norbert Steiner
Chairman of the Board of Executive Directors

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BELOW SEA LEVEL
CRUDE SALT BUNKER HATTORF, WERRA SITE

NORBERT STEINER (54)
Chairman of the Board of Executive Directors, Lawyer

- Finance and Accounting
- Corporate Development and Controlling
- Legal Affairs, Insurance, Compliance
- Taxes
- Audit
- Investor Relations
- Communications
- Salt Business Segment

GERD GRIMMIG (55)
Engineering Graduate

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

DR. THOMAS NÖCKER (50)
Personnel Director, Lawyer

- Personnel
- IT-Services
- Purchasing, Materials Management and Warehousing
- Property Management
- Knowledge Management
- Logistics (KTG)
- Trading Business (CFK)

JOACHIM FELKER (56)
Industrial Business Manager

- Potash and Magnesium Products Business Segment
- COMPO Business Segment
- fertiva Business Segment


WORK
TEAM

Dear Shareholders,

In 2008 too, the Supervisory Board diligently performed the duties imposed on it by law and by the Articles of Association, and – in light of the numerous different changes in the environment of the K+S Group – dealt in a number of meetings with the economic and financial development of the Company, as well as with its strategic direction. During the previous year, the K+S Group consistently pursued its successful course. Against the backdrop of global shortfalls, exceptionally large price increases, primarily for potash fertilizers, resulted in the highest ever net income for the K+S Group. The capital market has also rewarded this: Since September 2008, the K+S share has been quoted on the DAX® – a consequence of the many years of continuous "K+S performance".

In the meantime, the financial and economic crisis has also reached the agricultural markets and their associated industries and service providers. There can be no doubt that we are facing major challenges, and therefore we have also examined intensively the effects and different scenarios of the crisis, as well as the measures intended by the Board of Executive Directors. In view of the current financial crisis, the extremely solid financial footing is proving to be a particular strength of the K+S Group.

We have advised the Board of Executive Directors on an ongoing basis on the management of the Company and monitored the latter's executive management. We were constantly involved in all decisions of fundamental importance. The Board of Executive Directors informed us at regular intervals in a timely and comprehensive manner about the course of business, the earnings and financial position, and the planning and further development of the Company. Opportunity and risk management was repeatedly examined.

Dr. Ralf Bethke
Chairman of the Supervisory Board

We also dealt in depth with external growth possibilities, currency hedging, saline water disposal and the restructuring of the nitrogen fertilizers business in the K+S Group. Deviations from the planned course of business of the individual business segments were explained in detail by the Board of Executive Directors, and options presented.

The Supervisory Board regularly received written reports from the Board of Executive Directors for the preparation of meetings. Between meetings, the chairman of the Supervisory Board also maintained close contact with the Board of Executive Directors and discussed important events and upcoming decisions with it.

Supervisory Board meetings

The Supervisory Board met eight times in the financial year 2008; in 2009 it has so far met three times.

At an extraordinary meeting held on 12 February 2008, the Board of Executive Directors informed the Supervisory Board about exploratory talks with Linea/MCC. Moreover, we discussed the effects of the currency hedging for the years 2008 to 2010.

At the meeting held on 12 March 2008, we approved the annual financial statements for 2007 on the recommendation of the audit committee and also after reviewing them ourselves. The agenda and the resolutions proposed for the Annual General Meeting of 2008 were approved. The business position and the outlook for the current year were discussed in depth. Furthermore, the Supervisory Board dealt intensively with the problem of saline water disposal.

On 18 April 2008, within the framework of an extraordinary Supervisory Board meeting, projects were on the agenda that would be appropriate for expanding the future raw material base of the Company.

On 14 May 2008, the Board of Executive Directors informed us about earnings and developments in the first quarter; the price-related strong earnings growth of the fertilizer business as well as the low sales of de-icing salt in Europe, as the result of weather conditions, were the focus. Moreover, we again examined in detail the concepts for a changed form of saline water disposal on the Werra. In order to ensure the longest possible injection and discharge permits, the proposal of the Board of Executive Directors to develop and implement a comprehensive package of measures in this regard was supported.

At the end of the Annual General Meeting following this meeting on 14 May 2008, the term of office of all members of the Supervisory Board ended, except for the mandate of Dr. Ralf Bethke.

Following the Annual General Meeting, the constituent meeting of the new Supervisory Board was held. After the elections of the chairman and his deputy, the elections of the mediation committee, personnel committee, audit committee and the nomination committee were held (see Composition of the Supervisory Board; an overview of the composition of the individual committees can be found on the K+S website).

Gerhard R. Wolf, who headed the Supervisory Board for 19 years, was appointed Honorary Chairman in acknowledgement of his extraordinary achievements and his extraordinary personal commitment to further developing the K+S Group.

In the meeting of 28 August 2008, we extensively analysed the business position of the first six months of the year as well as the outlook for 2008 as a whole. The focus was particularly on the announced medium- to long-term capacity changes in the international potash industry. The higher energy and freight costs of the salt sector as the result of price factors was also an important topic. The cost-cutting programmes of the salt activities launched in Europe and Chile were discussed in detail. Options regarding saline water disposal were discussed with regard to the public law agreement being sought. Unanimity was reached that, for a further reduction in saline water, considerable investment will have to be made and high operating costs will have to be incurred. In addition to an overview of the actual state of individual projects for external growth, the Board of Executive Directors outlined the planned restructuring of the nitrogenous fertilizer business.

At an extraordinary meeting held on 10 November 2008, the Supervisory Board was again informed about the status of various projects. Moreover, the extensive package of measures for water protection and the securing of the Hesse and Thuringia potash district as a business location, proposed by the Board of Executive Directors, was taken note of and approved by the Supervisory Board.

At the last meeting of the year held on 19 November 2008, the agenda included the current business position, the budget for 2009 and the medium-term outlook together with the investment and financing framework for the following years. The plans were carefully examined with regard to compliance with the strategic objectives. Furthermore, the Supervisory Board was informed by the Board of Executive Directors about the status of the restructuring of the nitrogen fertilizer business; the Supervisory Board took note with approval of the measures, which have also received the support of the works councils. Following this, the Supervisory Board dealt with the subject of redrafting of rules concerning Supervisory Board remuneration as of 2009. The changes proposed involve an increase of the fixed remuneration and particularly a capping of the variable remuneration element, which is orientated towards ambitious but reasonable capital returns.

The previous rules would have exceeded the framework of a reasonable level of remuneration to a considerable extent, since they had been developed in the past against the backdrop of significantly lower earnings figures. The Board of Executive Directors and the Supervisory Board will submit a corresponding proposed resolution to the coming ordinary Annual General Meeting. Furthermore, the chairman of the Supervisory Board discussed the proposal of the personnel committee to design a new structure for the remuneration of the Board of Executive Directors starting from 2009, which is based on similar cornerstones as those which are to apply to the remuneration of the Supervisory Board. The Supervisory Board gave its unreserved consent to this proposal. In addition, in anticipation of the proposed new Supervisory Board remuneration, all members of the Supervisory Board decided individually that already for the financial year 2008 they would forego that part of their remuneration exceeding the amount which would have resulted from the application of the proposed new rules. Gerhard R. Wolf, Karl-Heinz Georgi and Dr. Helmut Zentgraf, who ceased to be members of the Supervisory Board last year did so too.

The members of the Board of Executive Directors also renounced a part of their variable remuneration for 2008 and agreed that the new rules on remuneration should be included in their current contracts. I would expressly like to thank all those concerned for their responsible approach, which takes particular account of the corporate culture of the K+S Group. More detailed information about the new rules can be found in the remuneration report on pages 38 et seqq.

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

At the Supervisory Board meeting held on 11 March 2009, the annual financial statements and the consolidated financial statements were examined in detail (see Annual Financial Statements and Consolidated Financial Statements).

In 2008, the Supervisory Board members took part in all meetings of the Supervisory Board with only a few exceptions.

Committee meetings

You can find an overview of our committees and their composition on the website of K+S Aktiengesellschaft under “Corporate Governance”. We have set up four committees: the audit committee, the personnel committee, the nomination committee and the mediation committee.

The audit committee met four times during the period under review. On 29 February 2008, the committee examined the 2007 annual financial statements of K+S AG, the 2007 consolidated financial statements, the respective management reports as well as the proposal of the Board of Executive Directors for the appropiation of earnings. Particular attention was paid to the currency hedging measures undertaken.

The audit committee looked in depth at the internal control and risk management system and was informed in detail, by the Board of Executive Directors too, about the methods for determining risk probabilities. On 28 August 2008, the committee discussed the compliance system of the K+S Group; the chairman of the Board of Executive Directors provided information about the current system as well as further planned measures. The committee noted the information with approval and decided that, in future, it would examine the handling and further development of the system on a regular basis at its August meeting. Moreover, it discussed the determination of certain key issues for the 2008 audit and discussed the remuneration of the auditor. On 19 November 2008, the audit committee acquainted itself with the risk management and the special factors that must urgently be taken into consideration in times of a financial crisis. At the meeting of 3 March 2009 and in the presence of the auditor, the committee examined the 2008 annual financial statements, the 2008 consolidated financial statements, the respective management reports and the proposal of the Board of Executive Directors for the appropriation of profits. The audit reports and important issues regarding accounting policies were discussed with the auditor. The committee, after thoroughly examining and discussing the documents, recommended that the Supervisory Board should approve the financial statements prepared and agree with the proposal of the Board of Executive Directors concerning the appropriation of the retained profit. Shortcomings regarding accounting, internal control relating to the accounting system and matters concerning the audit of the financial statements were not reported to the audit committee.

The personnel committee met five times since 1 January 2008. At its meetings, in addition to amendments to contracts, it especially discussed the level of remuneration of the members of the Board of Executive Directors for 2007 and 2008 as well as the new remuneration structure to be applied starting from 2009, for the development of which external expertise was also brought in. More detailed information about this can be found in the remuneration report on pages 38 et seqq.

The nomination committee met once during the period under review on 12 February 2008 and looked at the elaboration of a recommendation to the Supervisory Board plenum for a resolution proposed to the 2008 Annual General Meeting regarding the re-election of shareholder representatives.

For the mediation committee, formed in accordance with the German Co-Determination Act (Mitbestimmungsgesetz), no meeting was called in the past financial year.

The chairmen of the committees regularly reported to the Supervisory Board on their work.

Corporate governance

At regular intervals, the Supervisory Board considers the application and further development of the provisions contained in the German Corporate Governance Code within the Company. Detailed information concerning the Supervisory Board can be found in the Corporate Governance section of this financial report. During the past year, the Supervisory Board and the Board of Executive Directors analysed the German Corporate Governance Code in the version of 6 June 2008 and at the meeting held on 19 November 2008, approved the joint declaration on conformity 2008/2009, which can be found on the website of K+S Aktiengesellschaft under "Corporate Governance" and on page 32 of the financial report.

Conflicts of interest within the meaning of Section 17 of the by-laws of the Supervisory Board and Item 5.5.2 of the German Corporate Governance Code did not arise.

Annual and consolidated financial statements

Deloitte & Touche GmbH, Hanover, audited the annual financial statements and the management report of K+S Aktiengesellschaft as well as the consolidated financial statements and the Group management report for 2008 and issued unqualified audit certificates. The consolidated financial statements for 2008 were prepared in accordance with the internationally recognised accounting principles (IFRSs). The Supervisory Board received the aforementioned documents and the Board of Executive Directors' recommendation concerning the appropriation of the retained profit on time. The audit reports prepared by Deloitte & Touche GmbH were also made available to all the members of the Supervisory Board and were considered in-depth at the Supervisory Board meeting held on 11 March 2009 to which auditor Deloitte & Touche GmbH were invited. All questions asked at the meeting were answered exhaustively by the Board of Executive Directors and the auditor. In addition to the unqualified audit opinions, Deloitte & Touche also confirmed that the risk early detection system corresponds to the legal requirements and is suitable for the specific requirements of the K+S Group. The Supervisory Board subjected the annual financial statements, the consolidated financial statements, the management report and the Group management report to an independent review, and raised no objections. In its assessment of the situation of K+S Aktiengesellschaft and the Group, the Supervisory Board is in agreement with the Board of Executive Directors. The Supervisory Board furthermore follows the recommendation of the audit committee insofar as it approves the financial statements for financial year 2008. The annual financial statements of K+S Aktiengesellschaft were thus ratified. The proposed resolution on the appropriation of profits was also examined with regard to the present and future expected financial situation of the K+S Group and found to be balanced. The Supervisory Board therefore endorses the proposal of the Board of Executive Directors in recommending a dividend of € 2.40 per share for the financial year 2008 at the Annual General Meeting to be held on 13 May 2009 (previous year: € 0.50; retroactively adjusted to the share split in the ratio 1:4 executed in July 2008).

Composition of the Supervisory Board

At the Constituent Meeting of the Supervisory Board held on 14 May 2008, Dr. Ralf Bethke was elected as the new chairman of the Supervisory Board; Michael Vassiliadis was confirmed in his position as deputy chairman.

Beforehand, with the exception of Dr. Ralf Bethke, whose mandate runs until the Annual General Meeting of 2012, the members representing the shareholders on the Supervisory Board were newly elected at the Annual General Meeting. With Jella S. Benner-Heinacher as well as Rainer Grohe, Dr. Karl Heidenreich, Dr. Bernd Malmström, Dr. Rudolf Müller and Dr. Eckart Sünner, previous representatives of the shareholders were confirmed in their position. Dr. Uwe-Ernst Bufe, former Chairman of the Board of Executive Directors of Degussa/Hüls AG, was elected as a new member of the Supervisory Board of K+S Aktiengesellschaft.

The employee representatives were already elected on 2 April 2008 in accordance with the rules of the German Co-Determination Act. Rüdiger Kienitz, Klaus Krüger, Dieter Kuhn, Heinz-Gerd Kunaschewski, Renato de Salvo and Michael Vassiliadis were confirmed in their positions. The new Supervisory Board members are Dr. Rainer Gerling, Manager of the Werra plant of K+S KALI GmbH, and Friedrich Nothhelfer, district manager of IG BCE.

All of these mandates are valid until the end of the Annual General Meeting of 2013.

Sincere thanks are expressed to the departing members Gerhard R. Wolf, Karl-Heinz Georgi and Dr. Helmut Zentgraf for their many years of active involvement in this body.

The Supervisory Board expresses its thanks to the Board of Executive Directors, the executive managements of associated companies, all employees and employee representatives for their continued excellent work and high level of commitment in the past year.

Kassel, 11 March 2009
On behalf of the Supervisory Board

Dr. Ralf Bethke
Chairman

Supervisory Board

Dr. Ralf Bethke
Chairman
Former chairman of the Board of Executive Directors of K+S Aktiengesellschaft

Gerhard R. Wolf (until 14 May 2008)
Honorary chairman of the Supervisory Board of K+S Aktiengesellschaft
Former member of the Board of Executive Directors of BASF SE

Michael Vassiliadis
Vice Chairman
Member of the Managing Board of the Mining, Chemicals and Energy Trade Union

Jella S. Benner-Heinacher
Federal Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

Dr. Uwe-Ernst Bufe (since 14 May 2008)
Former chairman of the Board of Executive Directors of Degussa/Hüls AG

Karl-Heinz Georgi (until 14 May 2008)
Principal of the Haltern am See Education Centre of the Mining, Chemicals and Energy Trade Union

Dr. Rainer Gerling (since 14 May 2008)
Manager of the Werra Plant of K+S KALI GmbH

Rainer Grohe
Instructor at the Bundeswehr University, Munich

Dr. Karl Heidenreich
Former member of the Board of Executive Directors of Landesbank Baden-Württemberg

Rüdiger Kienitz
Member of the Works Council of the Werra Plant of K+S KALI GmbH

Klaus Krüger
Chairman of the Group Works Council of the K+S Group

Dieter Kuhn
Vice Chairman of the Group Works Council of the K+S Group

Heinz-Gerd Kunaschewski
Chairman of the Works Council of K+S KALI GmbH's Werra Plant

Dr. Bernd Malmström
Lawyer

Dr. Rudolf Müller
Former member of the Board of Executive Directors of Südzucker AG

Friedrich Nothhelfer (since 14 May 2008)
District manager of the Mining, Chemicals and Energy Trade Union

Renato De Salvo
Vice Chairman of the Works Council of the Sigmundshall Plant of K+S KALI GmbH

Dr. Eckart Sünner
Chief Compliance Officer of BASF SE

Dr. Helmut Zentgraf (until 14 May 2008)
Former manager of the Werra Plant of K+S KALI GmbH

As of 31 December 2008

7 m
ABOVE SEA LEVEL
KTG PRODUCT WAREHOUSE, HAMBURG

RAW MATERIAL STOCKS

Strong demand for raw materials and mineral fertilizers has paid off for our Company over the past years. Since September 2008, K+S is one of the few German raw material producers to be represented in the most important German stock index. The promotion to the DAX® is an affirmation of our corporate policy, which is oriented towards long-term and responsible thinking and operational action. We will be consistent in our continued pursuit of this strategy and in doing so, create a solid base for future performance on the capital market.

520 m BELOW SEA LEVEL
LARGE HOLE CRAWLER DRILL, WERRA SITE

THE K+S SHARE

- K+S share price closes at approaching the same level as a year ago (1.8)%
- Included in the DAX® on 22 September 2008
- Second-best performance of all DAX® stocks
- € 5,000 invested in K+S shares becomes € 41,450 in five years: +52.7% p.a.
- Share split in the ratio 1:4 implemented on 21 July 2008
- Analyst coverage greatly expanded
- At € 2.40, proposed dividend almost five times greater than last year

ISIN: DE0007162000
WKN: 716200
Bloomberg: SDF
Reuters: SDFG

K+S Share Key Indicators

		2008	2007	2006	2005	2004
Earnings per share, adjusted [1), 2), 3)]	€/share	5.94	1.06	1.07	0.95	0.61
Dividend per share [1), 4)]	€/share	2.40	0.50	0.50	0.45	0.33
Gross cash flow per share [1)]	€/share	7.14	2.25	2.08	2.02	1.61
Book value per share, adjusted [1), 2)]	€/share	10.49	6.81	6.43	5.65	5.19
Year-end closing price (XETRA) [1)]	€	39.97	40.69	20.55	12.76	9.78
Highest price (XETRA) [1)]	€	95.90	40.69	20.55	14.78	9.86
Lowest price (XETRA) [1)]	€	27.72	18.50	13.05	9.05	5.30
Year-end market capitalisation	€ billion	6.6	6.7	3.4	2.1	1.7
Total stock exchange turnover	€ billion	33.4	10.2	4.3	1.9	1.0
Average daily turnover	€ million	131.6	40.6	16.9	7.4	3.9
Index weighting as of 31 Dec. 2008: DAX®; 2004-2007: MDAX®	%	1.2	5.9	3.2	2.6	2.7
Total number of shares as of 31 Dec. [1)]	million	165.00	165.00	165.00	170.00	170.00
Outstanding shares as of 31 Dec. [1), 6)]	million	165.00	165.00	165.00	165.00	170.00
Average number of shares [1), 7)]	million	164.95	164.94	164.96	169.24	170.00
Total dividend payment [4)]	€ million	396.0	82.5	82.5	74.3	55.3
Distribution level [4), 5)]	%	40.4	47.1	46.8	47.2	53.5
Dividend yield (closing price) [4)]	%	6.0	1.2	2.4	3.5	3.3
Return on equity after taxes [2), 3)]	%	68.6	16.1	17.7	17.8	12.1
Return on capital employed (ROCE)	%	64.0	15.5	17.4	19.5	14.2
Enterprise value (EV) as of 31 Dec.	€ billion	7.2	7.8	4.1	2.4	2.0
Enterprise value to revenues (EV/revenues)	x	1.5	2.3	1.4	0.9	0.8
Enterprise value to EBITDA (EV/EBITDA)	x	4.8	18.8	10.2	6.3	6.9
Enterprise value to EBIT (EV/EBIT)	x	5.3	27.3	14.8	9.7	12.2

[1)] Adjusted to the share split in the ratio 1:4 (entry in Commercial Register: 24 June 2008; technical execution: 21 July 2008).
[2)] Adjusted for the effects of market value changes from hedging transaction as well as derivatives that are no longer in operation; a tax rate of 27.9% (2007: 31.6%) was imputed for adjusted Group earnings and adjusted earnings per share.
[3)] In 2006: excluding non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
[4)] The figure for 2008 corresponds to the dividend proposal.
[5)] Based on the adjusted earnings after taxes.
[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 the own shares held by K+S.

2008 – A dramatic year for the stock exchange

In comparison to the previous year, the world's equity markets were characterised by heavy losses in the stock exchange year 2008. The important US S&P 500 share index, down by 38.5 %, experienced the strongest fall since the global economic crisis of 1931. Also for the German share index DAX®, the year 2008 will go down in history as the second worst, after 2002, since it was established 20 years ago. The negative effects of the US property crisis increasingly spread to debt and financial markets, the economy as a whole, and ultimately to the equity markets in the industrialised nations. In particular, after the collapse of the US investment bank Lehman Brothers, in mid-September, new negative records were broken on the stock exchanges almost every week.

Although the impact of the financial crisis on the real economy of emerging market countries has not yet been as serious as that experienced in the industrialised nations, the equity markets there also suffered very heavy losses in comparison to the previous year. The market prices of numerous commodities also fell significantly. For example, the oil price initially rose by over 60 % at the start of 2008, only to tumble by almost 70 % from its high of US$ 146.08 in the middle of the year to US$ 45.59 at the end of the year. Even gold, frequently used in the past as a hedging instrument in times of crisis and high inflation rates, was exposed to considerable price fluctuations.

DAX® and MDAX® in the maelstrom of the financial crisis

The important German share index, the DAX®, now a benchmark for K+S, closed on 30 December 2008 at 4,810 points and thus fell by 40.4 % over the course of the year. The MDAX®, the index for the 50 largest stocks after the DAX® stocks from rather classic sectors and still a relevant benchmark for K+S until 19 September 2008, closed the year at 5,602 points and thus down by 43.2 %, was also hit dramatically by the turbulence on the markets.

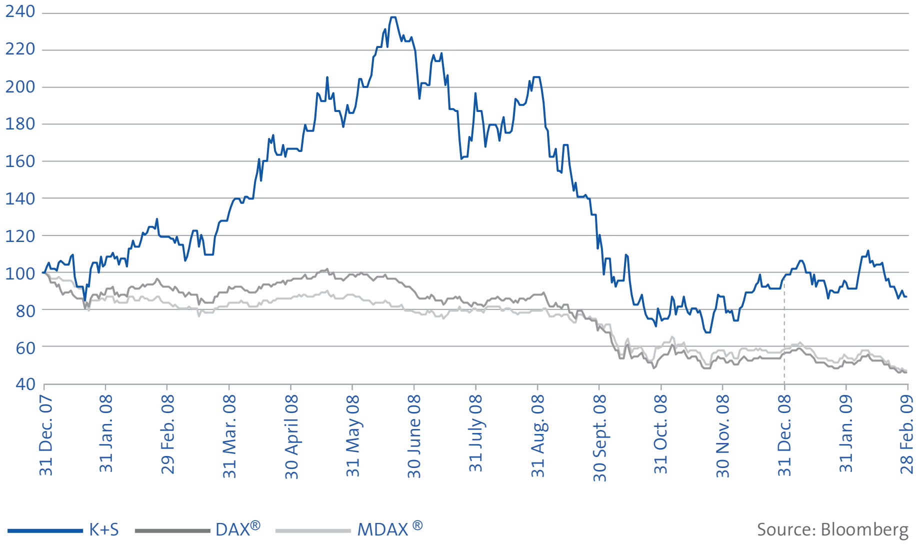
As also stated in the ten-year summary provided in the cover of this Financial Report, the K+S share cost about € 5.44 at the end of 2003. During the past five years, the value of the K+S share has thus experienced a sevenfold increase. In the same period, the DAX® and MDAX® managed to rise by just under 21.3 % and 25.3 % respectively. Even over a period of ten years, the K+S share significantly outperformed the DAX® and MDAX® (see table below).

Performance

in %	1 year 2008	5 years 2004-2008	10 years 1999-2008
K+S share (excluding dividends)	(1.8)	+ 634.7	+ 1,259.5
K+S share (including dividends)	(0.5)	+ 672.0	+ 1,360.5
DAX® (performance index)	(40.4)	+ 21.3	(3.8)
MDAX® (performance index)	(43.2)	+ 25.3	+ 42.8

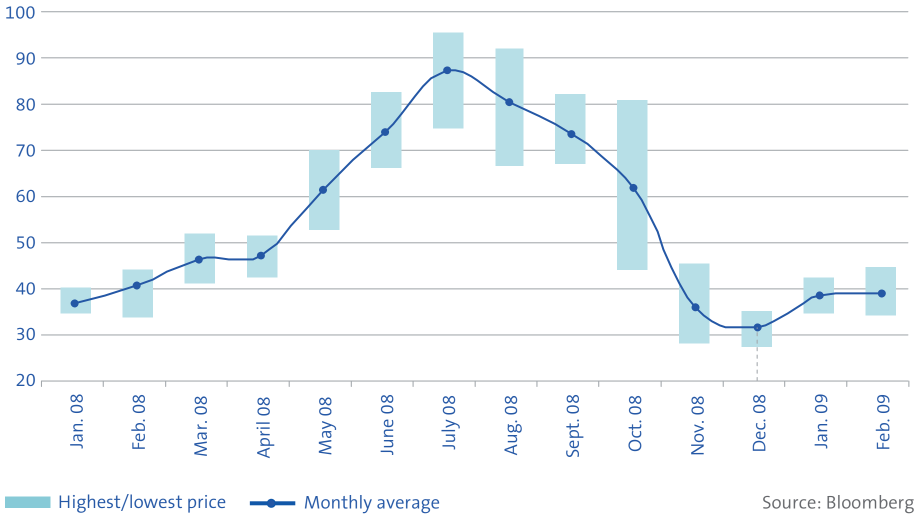
Source: Bloomberg

Performance of the K+S share in relation to DAX® and MDAX®
(Index: 31 December 2007; in %)



Source: Bloomberg

Monthly Highest, lowest and average price of K+S share (in €)



Source: Bloomberg

K+S share price approaching roughly the same level as a year ago (1.8)%

The 2008 closing price was only slightly below that for the previous year, although the performance of the share was by no means straightforward.

The following important events impacted the trend in the price in 2008:

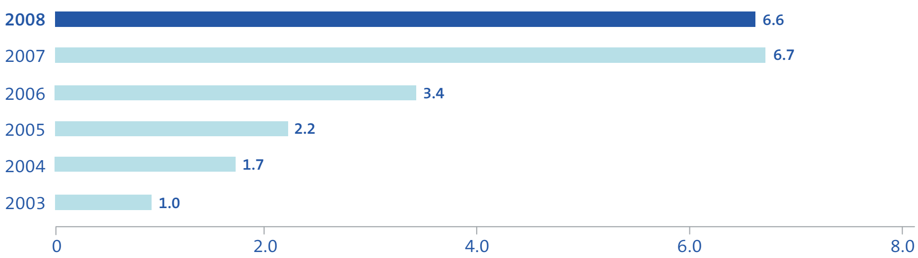
- At the start of the year, considerable upgrades in some analysts' ratings against the backdrop of new, global price increases for potash fertilizers, resulted in a positive performance of the K+S share.

- The publication of a strong outlook in the quarterly report for the first quarter of 2008 gave a further boost to the K+S share in mid-May. On 3 June, within the framework of an ad hoc disclosure, we published the new and non-scheduled upgrading of our profit forecast to "at least € 1.1 billion". On 18 June, it became known, moreover, that the company "MCC Holding Limited", which manages the industrial shareholdings of Andrej Melnichenko on a fiduciary basis, had increased its holdings of K+S Aktiengesellschaft from 7.28 % to 10.43 %. These two events prompted our share price to then hit its all-time high of € 95.60 shortly thereafter.
- At the start of the second half of the year, profit taking then resulted in price declines for most shares of international fertilizer manufacturers. Falling prices for agricultural raw materials caused an even greater flight from holdings of these stocks, which is why the K+S share also fell dramatically to € 65.43 by 24 July. The share split in the ratio of 1:4, previously executed technically on 21 July, did not affect this development. On that day, each issued share was split into four shares of K+S Aktiengesellschaft before the stock exchanges opened.
- The new and non-scheduled upgrading of our profit forecast on 31 July 2008 and the half-year financial report published on 13 August 2008 initially had a positive impact; both caused the K+S share price to soar to € 82.80 by the end of August.
- Following this, however, significant profit taking in the raw materials sector and the consequences of the crisis on the financial markets again had a negative impact on the performance of the K+S share. Promotion to the DAX® on 22 September 2008, already expected during the preceding weeks and thus already priced-in, passed almost unnoticed against the backdrop of market activity. Starting from September, the K+S share price suffered, above all from concerns that not only falling prices of grain, but also potentially more difficult borrowing conditions for customers as a result of the banking crisis, might result in greater reluctance to purchase fertilizers. These concerns were also reflected in the share performance of our competitors.
- Starting from mid-October, downgrades in some analysts' ratings, together with the announcement of reductions in output due to slow demand from the agricultural sector, put further pressure on the price of the K+S share. The quarterly figures published on 12 November 2008, which exceeded analysts' expectations, also failed to provide a tailwind to the K+S share price owing to the more cautious outlook, so that it hit a low for the year of € 27.72 on 21 November 2008.
- This level was apparently regarded by investors as an opportunity to cover themselves at more favourable prices and again to wager on the fundamentally uninterrupted trends, such as the constant growth of the world's population, the low availability of grain, corn and soy beans, as well as the changed eating habits of the emerging market countries, a factor that is relatively independent of economic crises. Thus MCC Holding Limited also increased its holdings of K+S Aktiengesellschaft from 10.43 % to 15.001 % by 26 November 2008. This move underlined the fact that MCC is convinced of the company's medium- to long-term prospects of success, even in a volatile capital market environment.

On 30 December 2008, our share was quoted at € 39.97 and thus only slightly under the level at the end of 2007 (€ 40.69). In spite of an – in historical terms – extremely difficult stock exchange climate, the share closed the year down only 1.8 % in comparison to the end of 2007. If one additionally takes into consideration the dividend paid in May 2008, it could even almost maintain the level of the previous year. The K+S share thus achieved the second-best performance on the DAX® and, on the MDAX® too, was one of the stocks to best withstand the turmoil of 2008. Over the course of the year, the K+S share performed 40 percentage points better than the DAX® and about 43 percentage points better than the MDAX®.

Following a brief recovery at the beginning of the year, the K+S share price fluctuated between € 35 and € 40 until the end of January. Investors evidently used the level of € 35 as an opportunity to invest, so that on 7 February, the K+S share reached € 45.27, its hitherto high for the year. Subsequently, the price fell significantly again in the wake of the general market turbulence and was quoted at € 35.53 on 27 February 2008. Thus, the K+S share was down 11 % on the end of 2008; the DAX® and MDAX® fell even more sharply, by 20 % and 18 % respectively over the same period of time.

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

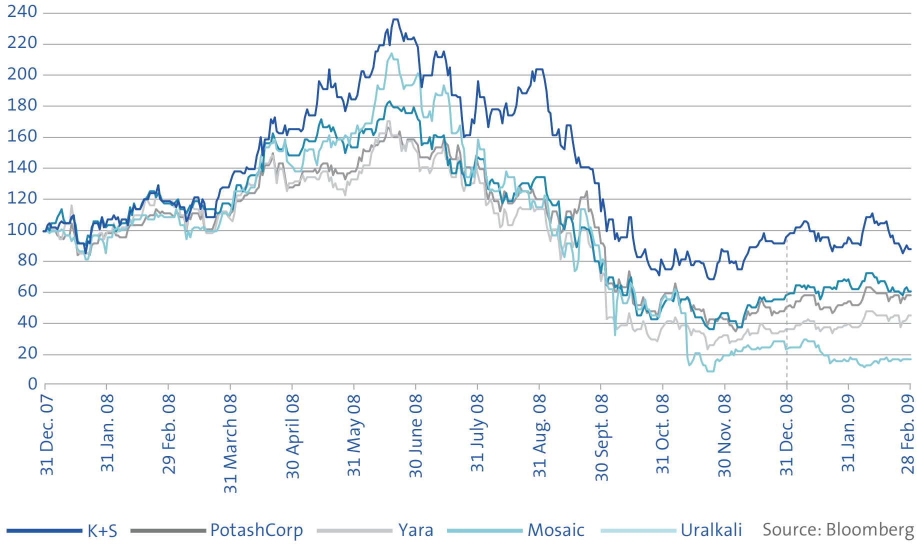


Performance of the K+S share in relation to competitors

We consistently follow the relative performance of our share compared to our publicly traded competitors, i.e. the so-called peer group. It includes the North American fertilizer producers PotashCorp and Mosaic, the Russian potash producer Uralkali as well as the Norwegian fertilizer supplier Yara.

Performance of the K+S share in relation to competitors

(Index: 31. December 2007; in %)



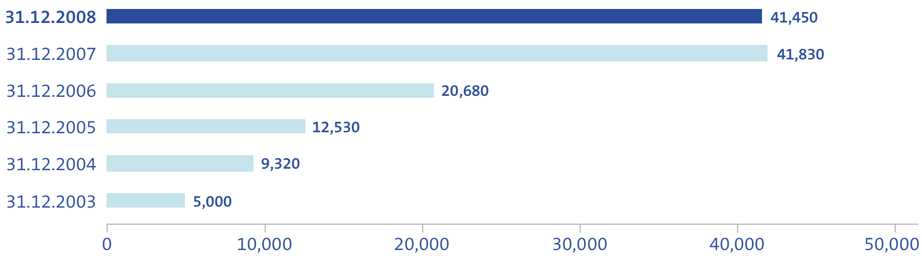
Source: Bloomberg

The diagram above shows that the share prices of K+S, like those of our competitors, initially rose considerably. During the second half of the year, however, the crisis on the financial markets then made itself clearly felt in the share price performance of the whole peer group. In relative comparison, the K+S share managed to perform far better: While it was down only slightly over the course of the year (1.8)%, comparable companies recorded annual losses of more than 40%. The prices of competitors, which are more heavily influenced by the nitrogen and phosphate fertilizers business than K+S, were primarily impacted by considerable price decline for these nutrients during the fourth quarter. Moreover, speculation about a takeover, which was again triggered on the markets by MCC building up its holdings of K+S, probably also had a positive impact on the performance of the K+S share.

A financial investment in K+S shares has grown on average by 52.7% per year over the past five years

An investment in K+S shares has paid off extraordinarily well during the last five years. A K+S shareholder who acquired K+S shares for € 5,000 on 31 December 2003 and reinvested dividend payments made over the following five years in K+S shares, found his portfolio worth about € 41,450 on 31 December 2008. The value of the portfolio rose by an average of 52.7% over these five years. By comparison: Over the same period, DAX® and MDAX® achieved an annual yield of +3.9% and +4.6% respectively.

Performance of portfolio of K+S shares* (in €, as of 31 Dec.)

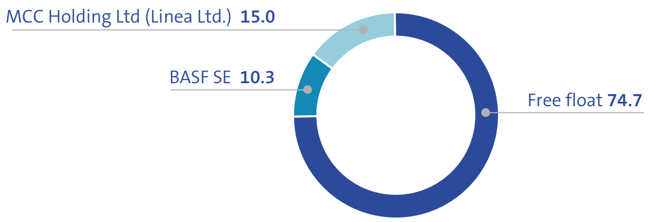


* Including reinvestment of dividends on the day after the Annual General Meeting and cash remaining

Shareholder structure characterised by high free float

In two steps, the Bank of N.T. Butterfield and Son Limited, Bermuda, announced in two steps an increase in the holdings of MCC Holding Limited in K+S Aktiengesellschaft: On 13 June 2008, the equity stake was raised from 7.28 % to 10.43 %, and on 26 November 2008 the stake held via OJSC MCC "EuroChem", to be attributed to MMC Holding Limited, was then raised to 15.001 %. MCC manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. BASF SE continues to hold about 10 % of our shares. Furthermore, The Bank of New York Mellon Corporation informed us that on 9 February 2009 they exceeded the threshold of 3 % through its subsidiary MBC Investments Corporation and at that point in time held 3.03 % of our shares.

Shareholder structure as of 28 Feb. 2009 (in %)



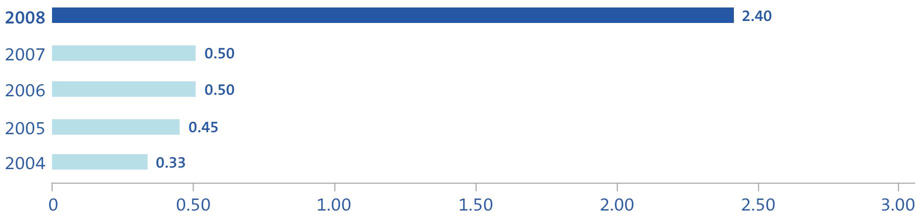
Under the free float definition applied by Deutsche Börse AG, the free float amounts to a good 74 %. A shareholder identification survey carried out in advance of the 2008 Annual General Meeting came to the following results: 19 % of the shares outstanding are held by domestic institutional investors, and 43 % by foreign ones. We continue to assume that just under 20 % is held by private investors.

In terms of geographical distribution, a good half of our shares are held in Germany if it is assumed that the private shareholders are exclusively German residents. Thus, the number of shares held in Germany has fallen by about 10 percentage points in comparison to the previous year, whereas the component held by MCC, and therefore shares to be assigned to Russia, has risen as specified above. Moreover, just 23 % of K+S shareholders reside in the Unites States and Canada, and a further 12 % in Great Britain and Ireland.

At € 2.40, proposed dividend close to five times greater than last year

We pursue an earnings-based policy on dividends and normally strive for a dividend rate of 40% to 50% of the adjusted Group earnings after taxes. The Board of Executive Directors and the Supervisory Board will thus propose to the Annual General Meeting that the dividend for the past financial year should be raised substantially in accordance with earnings, and € 2.40 per share paid.

DIVIDEND PER K+S SHARE (IN €)



This corresponds to a dividend payment rate of about 40%. With 165.0 million shares outstanding, this therefore results in a total dividend payment of € 396.0 million. Based on a share price of € 39.97 at the end of the year, our dividend proposal will lead to a dividend yield of 6.0%.

Quotation on stock exchange indices – Promotion to the German share index DAX®

The fact that K+S is one of the world's most important suppliers of fertilizers and salt also paid off, during the third quarter of 2008, in its presence on the German capital market: Since 22 September 2008, K+S is the only raw material stock to be represented on the most important German share index, the DAX®. Ranked 19th and 20th in terms of market capitalisation and stock exchange trading volume respectively at the end of August, not only the criteria for “regular entry”, but also the stringent preconditions for “fast entry” were fulfilled by K+S.

According to the stock exchange ranking of February 2009, we are currently in 20st place on the DAX® in terms of market capitalisation (previous year MDAX®: 1st) and, in terms of trading volume, in 15th place (previous year MDAX®: 2nd). The K+S share is also included in the following indices:

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

Regular research coverage of K+S greatly expanded

The regular research coverage about K+S has expanded considerably during the past year, against the backdrop of its increasing international importance and higher market capitalisation. In particular, it was possible to obtain the services of international banks, with whose help it is intended to facilitate access to new groups of investors.

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

- B. Metzler seel. Sohn & Co.
- Bankhaus Lampe
- Berenberg Bank
- BHF-Bank
- CA Cheuvreux
- Cazenove (new)
- Citigroup (new)
- Commerzbank Securities
- Credit Suisse
- Deutsche Bank
- DZ Bank
- Euromobiliare (new)
- Exane BNP Paribas (new)
- Goldman Sachs (new)
- HSBC Trinkaus & Burkhardt
- Independent Research
- J.P. Morgan (new)
- Landsbanki | Kepler
- LBBW
- Main First Bank
- M. M. Warburg & Co.
- Merck Finck & Co.
- Merrill Lynch (new)
- Sal. Oppenheim Research
- Silvia Quandt Research
- UBS Investment Research (new)
- UniCredit (HVB) Equity Research
- WestLB

In the last of the research surveys that we carry out regularly, 16 banks gave us a "buy/accumulate" recommendation, five a "hold/neutral" recommendation and four a "reduce/sell" recommendation. Those analysts who follow us envisage an average target price for our share of approximately € 50. The “Investors Relations” section of our homepage carries a constantly updated overview of current research recommendations as well as consensus forecasts for revenues and earnings.

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

Investor Relations is there for you!

The aim of our Investor Relations work is transparent financial communications with all market participants, in order to strengthen confidence in the quality and seriousness of our management, and provide comprehensive, fast and optimally objective information about our strategy as well as about all events that are relevant to the capital markets and concern the K+S Group. This is accomplished through our annual analyst conference held in Frankfurt am Main, sales force briefings and the 42 roadshows and conferences that were held last year alone in Germany, Great Britain, North America, Switzerland, the Benelux countries, France, Italy, Japan, Scandinavia, Ireland, Austria, Portugal, Singapore, Spain, and Hungary. Furthermore, we conducted numerous one-to-one meetings and telephone conferences with investors. Additionally, we stepped up contacts with private shareholders through participation in stock exchange days and share forums.

Our efforts were recognised also last year by third parties:

- The K+S 2007 Financial Report came second among the 50 stocks quoted on the MDAX® in the highly regarded competition held by the German “manager” magazine (2007: 3rd place) and in the total ranking of about 200 companies examined, we achieved 4th place (previous year: 12th place).
- With our Investor Relations website, we came first among MDAX®-listed companies in the prestigious online investor relations study by NetFederation in 2008, and achieved 5th place in the total ranking of about 200 companies that are regularly examined.
- “Capital” magazine, together with the DVFA, and on the basis of comprehensive evaluations by banks and fund management companies from all over Europe, awarded us with 3rd place in the MDAX® (previous year: 3rd place) for our IR work; in the case of the renowned “Thomson Extel Survey Beste IR Deutschland 2008”, we ranked 5th place in the MDAX (2007: 1st place). In the IR magazine Continental Europe Award, K+S managed to improve its performance in 2008 and obtained 10th place in the category “Best IR by a German company” (2007: 22nd place).
- Last not but not least, anonymous polls of our shareholders and analysts revealed a high degree of satisfaction with our IR work. That there is keen interest in K+S is also evident from the fact that in 2008 a total of 253,255 financial and quarterly reports, of which 88,317 were in English, were downloaded from our homepage (previous year: 206,795 financial and quarterly reports, of which 70,181 were in English).

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

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

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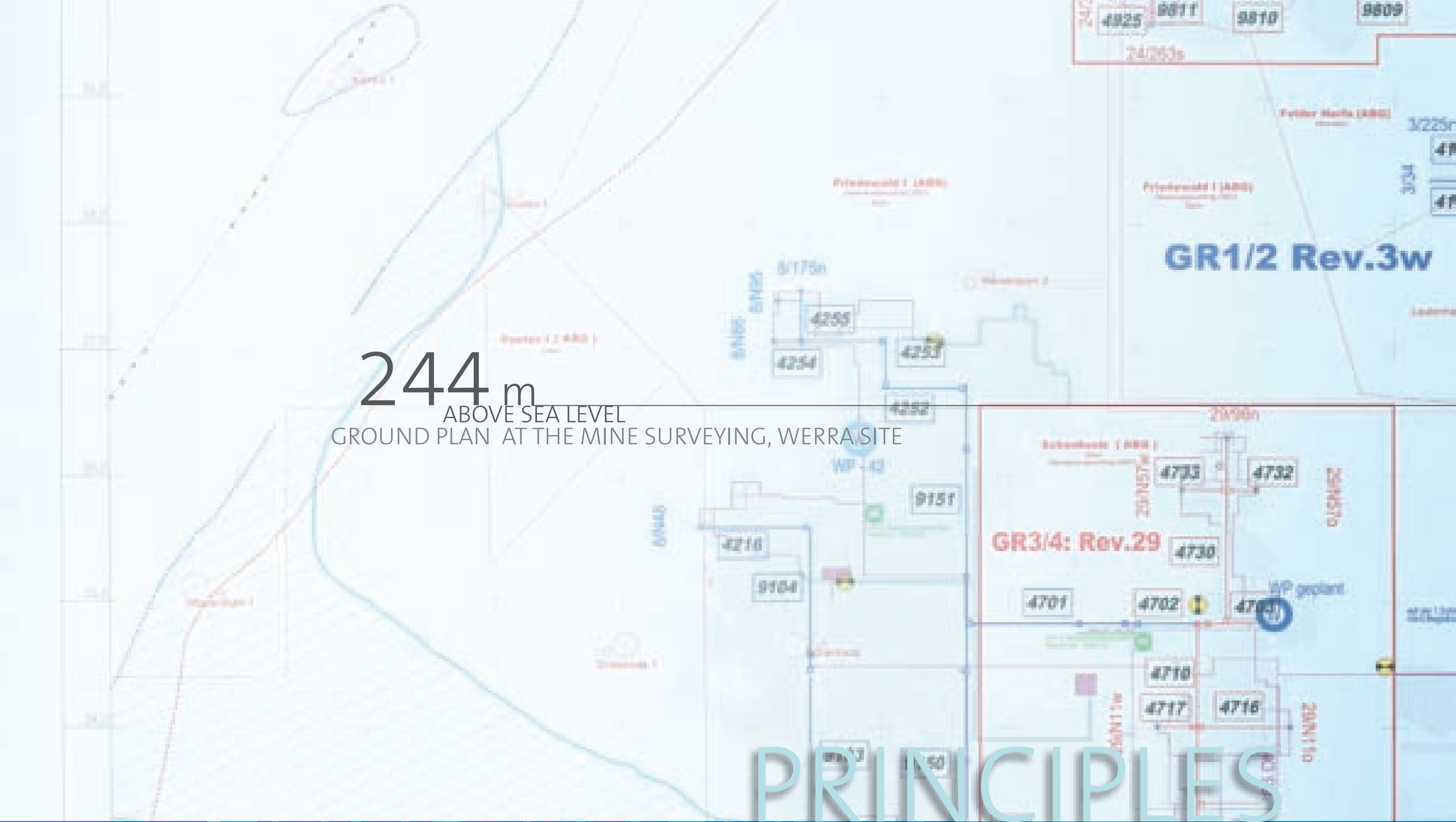
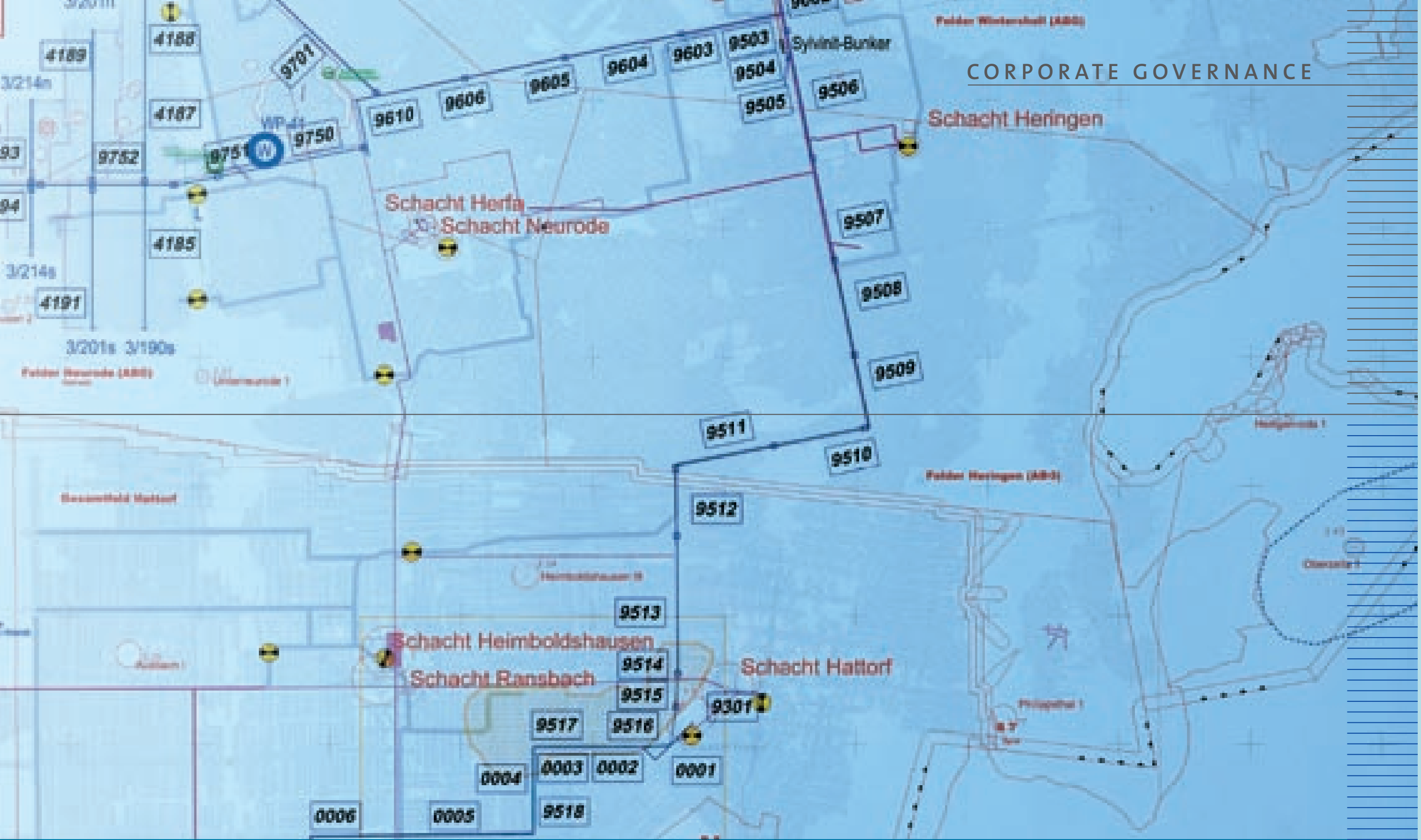


244 m
ABOVE SEA LEVEL
GROUND PLAN AT THE MINE SURVEYING, WERRA SITE

FUNDAMENTAL PRINCIPLES

03

470 m
BELOW SEA LEVEL
LOADER, WERRA SITE



Corporate governance is accorded a position of great importance in our Company. Responsible corporate management and control that is oriented towards sustainable value has been an integral part of our corporate culture for years. The code of conduct that we have imposed on ourselves is an integral part of our strict compliance programme and is rooted in core values that apply to all the employees of the K+S Group. In addition, information that is open and timely generates confidence among our shareholders, customers, partners and employees. This commitment to more transparency pays off over the long term.

CORPORATE GOVERNANCE

- **Only one deviation from the Code recommendations in 2008 and 2009**
- **Extensive compliance with Code suggestions**
- **Proactive and transparent communication is practiced at K+S**

Corporate Governance Report

The term "Corporate Governance" denotes responsible and transparent management and control oriented towards the creation of long-term value. These principles have formed the basis of all our decision making and control processes for a long time. For K+S, the relevant legal provisions, especially the legislation that governs stock corporations, co-determination and the capital markets, our Articles of Association, the bylaws of the Supervisory Board and of the Board of Executive Directors as well as the German Corporate Governance Code, have formed the basis on which management and control within the Company has been shaped. Going beyond the legal requirements, we have defined fundamental values and a code of conduct, which specify the framework for our behaviour and decisions and give orientation for our entrepreneurial actions.

Declaration on conformity 2008/2009

The Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft have submitted the following joint declaration on conformity in accordance with Article 161 of the German Stock Corporation Act:

"We declare that the recommendations which were made by the Government Commission on the German Corporate Governance Code and published by the Federal Minister of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) were complied with in 2008 and will be complied with in 2009:

2008

The recommendations contained in the German Corporate Governance Code in the version of 14 June 2007 will be complied in 2008 except that chairmanship and membership of Supervisory Board committees will only be taken into account in remuneration in the case of the audit committee (Code item 5.4.7); no remuneration in addition to the separate attendance allowance is envisaged for the remaining committees."

2009

The recommendations contained in the German Corporate Governance Code in the version of 6 June 2008 will be complied in 2009 except that chairmanship and membership of Supervisory Board committees will only be taken into account in remuneration in the case of the audit committee (Code item 5.4.6); no remuneration in addition to the separate attendance allowance is envisaged for the remaining committees."

This and all earlier declarations on conformity are also published on the Internet at www.k-plus-s.com.

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

- The Annual General Meeting has not been carried on the Internet so far (Code item 2.3.4). However, we have decided that, starting from the 2009 Annual General Meeting, the speech given by the chairman of the Board of Executive Directors will be transmitted live on our website and thus further expand the information available to our shareholders.
- The remuneration received by the Supervisory Board does not include any components that are based on the long-term success of the Company (Code item 5.4.6, Para. 2, Sent. 2). The variable component of the remuneration received by the Supervisory Board has until now been linked to the level of the dividend. Against the backdrop of the intended change of the Supervisory Board remuneration, it will be proposed to the 2009 Annual General Meeting that the return on total investment should in future be used as the basis of the variable remuneration.
- In 2008, the suggestion made in the Code of 14 June 2007 to agree maximum amounts for compensation payments when concluding Board of Executive Directors' contracts (Code item 4.2.3) was not adopted. Starting from 2009, when new Board of Executive Directors' contracts are concluded, maximum amounts will be agreed; the recommendation made in the Code of 6 June 2008 will thus be implemented.

www.k-plus-s.com/en/ir/hauptversammlung

Shareholders and the Annual General Meeting

The shareholders decide about fundamental matters affecting the K+S Aktiengesellschaft by exercising their voting rights. Each share carries one vote (one share, one vote principle). All documents of decision-making importance are available to the shareholders on our website in good time. Furthermore a transmission of the speech given by the chairman of the Board of Executive Directors is presented live over the internet. Shareholders have the possibility of having their voting rights exercised by an authorized representative of their choice or by a proxy made available by the Company and to whom instructions can be issued. Shortly after the end of the Annual General Meeting, we publish details of attendance and the results of the voting on the Internet.

The Board of Executive Directors

The bylaws govern cooperation among board members and the distribution of business responsibilities. The Board of Executive Directors as a whole is particularly responsible for the strategic direction of the Company as well as for the internal control and risk management system of the K+S Group. The system is being continually developed and adjusted to take account of changed conditions. Details can be found in the Risk Report on pages 105 et seqq.

03

The Supervisory Board

Further information about the composition of the committees of the Supervisory Board can be found on our website in the Corporate Governance section.

The Supervisory Board has sixteen members and, as required by the German Co-Determination Act (Mitbestimmungsgesetz), its members include an equal number of representatives of the shareholders and of the employees. The Supervisory Board oversees and advises the Board of Executive Directors in connection with the strategic direction and carrying on of business. Details of the activities of the Supervisory Board can be found in the Report of the Supervisory Board on pages X et seqq.

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

- The personnel committee is responsible for making preparations connected with the appointment and removal of members of the Board of Executive Directors as well as the determination of the terms and conditions of their contracts of employment on the basis of the remuneration system established by the Supervisory Board plenum. The chairman of the Supervisory Board is simultaneously the chairman of these committees.
- The audit committee deals in particular with issues relating to accounting policies, risk management and compliance as well as with such consultations as need to be held with the auditor. Furthermore, starting from 2009, half-yearly and quarterly financial reports will be discussed with the Board of Executive Directors prior to publication. On the basis of his professional experience as head of the Central Legal Affairs, Tax and Insurance Department (until end of 2007) and as Chief Compliance Officer of BASF SE, Dr. Sünner, chairman of the audit committee, possesses comprehensive knowledge and experience with respect to the application of accounting principles and internal control procedures.
- The mediation committee performs the tasks set forth in Article 31 (3) Sent. 1 of the Co-Determination Act. The chairman of the Supervisory Board is simultaneously the chairman of this committee.
- Finally, the Supervisory Board established a nomination committee last year, which, in accordance with the German Corporate Governance Code, consists exclusively of representatives of shareholders and recommends to the Supervisory Board suitable candidates for the Supervisory Board for its nominations to the Annual General Meeting. The chairman of the Supervisory Board is simultaneously the chairman of this committee.

With the exception of the term of office of Dr. Bethke, who has been elected until the close of the Annual General Meeting in 2012, the term of office of the shareholders' and employees' representatives in the Supervisory Board ends with the close of the 2013 Annual General Meeting.

Board of Executive Directors and Supervisory Board cooperation

The Supervisory Board is kept informed by the Board of Executive Directors at regular intervals in a timely and comprehensive manner about all issues that are of relevance to the Company as a whole and concern corporate strategy, planning, business development and the financial and earnings position as well as about any particular business risks and opportunities. Important decisions require the consent of the Supervisory Board. More information about this can be found in the Report of the Supervisory Board on pages X et seqq.

D&O insurance exists for members of the Board of Executive Directors and of the Supervisory Board, with a deductible amounting to € 10,000 for each insured damaging event.

No consultancy or other service and specific task agreements between members of the Supervisory Board and the Company were in force during the past reporting year. During the year under review, there were no conflicts of interest involving members of the Board of Executive Directors and the Supervisory Board that required immediate disclosure to the Supervisory Board.

Accounting and audit policies

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

Transparency

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

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

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

In 2008, the following directors' dealings were notified to K+S Aktiengesellschaft*:

Members of the Board of Executive Directors

Share price and volume in €	Date	Transaction	Number	Price	Volume
Norbert Steiner	16.05.2008	Sold	3,600	79.22	285,192.00
	16.05.2008	Bought	1,592	79.14	125,994.86
	15.05.2008	Bought	1,628	77.56	126,263.61
Joachim Felker	16.05.2008	Sold	2,400	79.29	190,290.00
	16.05.2008	Bought	1,164	79.14	92,121.87
	15.05.2008	Bought	1,192	77.56	92,448.54
Gerd Grimmig	16.05.2008	Bought	1,168	79.14	92,438.44
	15.05.2008	Bought	1,192	77.56	92,448.54
	15.05.2008	Sold	6,512	78.11	508,619.76
Dr. Thomas Nöcker	29.09.2008	Bought	700	45.51	31,857.00
	24.09.2008	Bought	520	55.14	28,672.80
	24.07.2008	Bought	500	66.28	33,140.00
	23.07.2008	Bought	522	71.30	37,220.00
	18.07.2008	Bought	400	78.14	31,255.00
	08.07.2008	Bought	200	78.75	15,750.00
	02.07.2008	Bought	680	81.46	55,390.50
	27.05.2008	Bought	200	71.25	14,250.00
	26.05.2008	Bought	200	75.23	15,045.00
	16.05.2008	Bought	1,168	79.14	92,438.44
	15.05.2008	Bought	1,188	77.56	92,138.31

Members of the Supervisory Board

Share price and volume in €	Date	Transaction	Number	Price	Volume
Dr. Ralf Bethke	19.05.2008	Sold	7,884	80.09	631,449.27
	16.05.2008	Sold	6,280	79.97	502,195.90
Dr. Rainer Gerling / Carola Lübbe	14.10.2008	Bought	640	46.87	29,996.80
Dr. Rainer Gerling	19.05.2008	Bought	312	79.89	24,925.68
Rüdiger Kienitz	24.07.2008	Bought	70	69.81	4,886.70
	21.02.2008	Sold	344	50.00	17,200.00
Rüdiger Kienitz / Brigitte Heiderich	21.02.2008	Sold	372	50.00	18,600.00

* Adjusted to the share split in the ratio 1:4. Same-day reports of the same transaction type are combined; you will find a continuously updated table on our homepage at http://www.k-plus-s.com/en/ir/meldungen/dd/index.html

As of 31 December 2008, the members of the Board of Executive Directors and of the Supervisory Board held less than 1 % of the total number of K+S Aktiengesellschaft shares outstanding.

Remuneration Report

Remuneration of the Board of Executive Directors

Remuneration structure

At regular intervals, the personnel committee discusses the structure of the remuneration system for the Board of Executive Directors and formulates draft resolutions for the Supervisory Board plenum. The personnel committee is responsible for the determination of the individual remuneration of the Board of Executive Directors. The criteria for the appropriateness of the remuneration include especially the responsibilities of each member of the Board of Executive Directors, his individual performance, the performance of the Board of Executive Directors as a whole and the economic position as well as the success and future prospects of the Company taking into consideration its comparative environment.

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

Furthermore, the members of the Board of Executive Directors benefit from directors' pension commitments.

The fixed remuneration as fixed basic remuneration is paid monthly as a salary. In addition to this, the members of the Board of Executive Directors receive benefits, in particular contributions to pension, health and long-term care insurance as well as in-kind benefits, which consist mainly of the use of company cars.

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

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

By acquiring such basic shares, the participants receive virtual options that trigger a cash payment when exercised. The amount of the cash payment depends on the performance of the K+S share in relation a benchmark index and is capped at 25% of excess performance. As a consequence of the inclusion of K+S AG in the DAX®, since the 22 September 2008, this has been used as the benchmark on a pro rata basis, instead of the MDAX®. The basic price of the K+S share decisive for the calculation of performance corresponds to the average share price during the 100 trading days until the respective base reference date (the third from last Friday before the Annual General Meeting). A subsequent change of the success targets or comparison parameters is impossible.

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

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

The application of the existing remuneration structure would have resulted in a substantially higher increase in bonuses than stated for 2008. The members of the Board of Executive Directors have therefore voluntarily foregone bonuses totalling € 1 million, because, against the background of a significant increase in the level of earnings, they do not regard as reasonable a form of variable remuneration, which develops purely in a straight-line manner and on which there is no upper limit. In keeping with the proposal made by the personnel committee, the remuneration structure of the Board of Executive Directors was also reorganised for 2009 with the introduction of absolute maximum amounts for bonuses and an increase in the fixed element. The new structure provides for a fixed remuneration of 40 % in a normal year as well as variable, short-term performance-related components of 60 %. Of the variable component, 80 % is linked to the performance of the company, i. e. to the return on total investment achieved; the remaining 20 % is dependent on personal performance. Remuneration of 100 % is reached if, on the one hand, the return on total investment achieved reaches the minimum return of 115 % of the respective cost of capital rate and, on the other hand, personal performance was assessed as being 100 %. Remuneration on the basis of return on total investment is capped at a value of 21 percentage points above the minimum return. The ranges for achieving the targets of the two variable remuneration components are between 0 % and about 150 %. The amount of the remuneration on the basis of a normal year will be reviewed annually.

A sample calculation of this new remuneration model is presented below:

in €	Achievement of target 100 % *	Achievement of target 0 % **	Maximum achievement of target ***
Fixed remuneration: 40 %	300,000	300,000	300,000
Bonus: 60 %	450,000	0	685,800
- of which performance of the company: 80%	360,000	0	550,800
- of which personal achievement of target: 20%	90,000	0	135,000
Total remuneration	**750,000**	**300,000**	**985,800**

* Return on total investment = minimum return; personal achievement of target = 100 %
** Return on total investment = 0 %; personal achievement of target = 0 %
*** Return on total investment • minimum return + 21 percentage points; personal achievement of target = 150 %

Amount of remuneration

Details of the remuneration of the Board of Executive Directors for the financial year 2008 are provided in individualised form in the table below. The respective figures for the previous year are stated in italics:

Remuneration of the Board of Executive Directors

in T€	Annual income: Fixed remuneration	Annual income: Benefits	Annual income: Bonus	Options granted: Number	Options granted: Value *	Total
Norbert Steiner	380.0	22.2	1,725.2	64,400	654.4	2,781.8
	350.0	*22.0*	*499.1*	*126,560*	*524.3*	*1,395.4*
Joachim Felker	300.0	19.9	963.0	47,120	478.8	1,761.7
	300.0	*19.7*	*365.0*	*116,000*	*480.5*	*1,165.2*
Gerd Grimmig	300.0	25.7	964.0	47,200	479.6	1,769.3
	300.0	*25.6*	*366.0*	*116,320*	*481.9*	*1,173.5*
Dr. Thomas Nöcker	300.0	21.6	963.0	47,120	479.8	1,764.4
	300.0	*21.4*	*365.0*	*116,000*	*480.5*	*1,166.9*
Dr. Ralf Bethke **	–	–	–	–	–	–
	215.0	*12.2*	*392.4*	*250,080*	*1,036.0*	*1,655.6*
Total	**1,280.0**	**89.4**	**4,615.2**	**205,840**	**2,092.6**	**8,077.2**
	1,465.0	***100.9***	***1,987.5***	***724,960***	***3,003.2***	***6,556.6***

* at the date of grant; exercise of the option rights is possible no earlier than two years after they have been granted
** until 30 June 2007

The total remuneration of the Board of Executive Directors refers to four board members in the year under review. In the previous year, in addition to the four current members of the Board of Executive Directors, who were in office for twelve months, Dr. Ralf Bethke was chairman of the Board of Executive Directors until 30 June. The increase in bonuses in comparison to the previous year is in particular the result of the significantly higher return on total investment in 2008.

The application of the originally existing remuneration structure for 2008 would have resulted in a substantially higher increase in bonuses than stated. The members of the Board of Executive Directors have therefore foregone bonuses totalling € 1 million since, against the backdrop of the significantly higher level of earnings, they do not regard as reasonable a form of variable remuneration, which develops purely in a straight-line manner and on which there is no upper limit.

For each member of the Board of Executive Directors, the total expenditure resulting from variable remuneration with a long-term incentive character, which relates both to the virtual option programme granted in 2008 and to the programmes that still existed from previous years, was (figures for the previous year in brackets): Mr Steiner T€ 541.3 (T€ 539.5), Mr Felker T€ 478.5 (T€ 528.4), Mr Grimmig T€ 482.5 (T€ 523.7) and Dr. Nöcker T€ 478.5 (T€ 510.1).

The payments for the virtual stock options of the option programme 2006 that were fully exercised by members of the Board of Executive Directors in 2008 were, for the individual board members (figures for the previous year in brackets): Mr Steiner T€ 476.4 (T€ 358.6), Mr Felker T€ 459.7 (T€ 418.8), Mr Grimmig T€ 476.4 (T€ 358.6) and Dr. Nöcker T€ 459.4 (T€ 342.2).

The values of the virtual stock options acquired but not yet exercised in the framework of the options programmes 2007 and 2008 are shown in the following table (value had they been exercised on 31 December 2008). The figures for the previous year are stated in italics:

Share-based remuneration with long-term incentive character

	Option programme 2007		Option programme 2008	
in T€	Number of options *	Value on 31.12.	Number of options	Value on 31.12.
Norbert Steiner	126,560	640.8	64,400	352.7
	126,560	*585.3*	–	–
Joachim Felker	116,000	587.3	47,120	258.0
	116,000	*536.5*	–	–
Gerd Grimmig	116,320	589.0	47,200	258.5
	116,320	*538.0*	–	–
Dr. Thomas Nöcker	116,000	587.3	47,120	258.0
	116,000	*536.5*	–	–
Total	**474,880**	**2,404.4**	**205,840**	**1,127.2**
	474,880	***2,196.3***	–	–

* previous year adjusted by share split in the ratio 1:4

The total remuneration of the previous members of the Board of Executive Directors and their surviving dependents came to T€ 2,463 (previous year: T€ 989) during the year under review. The increase is attributable in particular to the bonus for the active service of the former chairman of the Board of Executive Directors in financial year 2007 as well as to the exercise of his stock options, acquired under the option programme for 2006.

Pension commitments

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e. for each year of service in such capacity, a pension module is created. The basis for determining the pension entitlement (pension module) for the respective financial year is 15 % of the "pensionable income" (without options and benefits), which consists of the short-term remuneration, i.e. the fixed remuneration and the bonus for the respective financial year. The resulting amount is computed in accordance with actuarial principles and put aside for retirement; the factors for the creation of the modules for 2008 for the board members are between 10.5 % and 13.5 %, depending on their age; these factors decrease with increasing age. The individual pension modules earned during the financial years are totalled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his survivors, receives the benefit he is entitled to. Only on payment are pension benefits adjusted in line with changes in the "consumer price index for Germany". Claims on the modules acquired are vested.

If a Board of Executive Directors mandate ends, the retirement pension starts on completion of the 65th year of life, unless it is to be paid on the basis of an occupational or a general disability or as a survivor's pension in the case of death. In the case of occupational or general disability of a member of the Board of Executive Directors before pensionable age has been reached, that member receives a disability pension in the amount of the pension modules created by the time that such disability occurs. If the disability occurs before the 55th year of life has been reached, modules are fictitiously created on the basis of a minimum value for the years that are missing before the 55th year of life. In the event of death of an active or a former member of the Board of Executive Directors, the surviving spouse receives 60%, each half-orphan 15% and each orphan 30% of the benefit. The maximum amount for the benefit for surviving dependents must not exceed 100% of the benefit. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors departs before completing his 60th year of life, this is regarded as insured event within the meaning of the benefit commitment. For members of the Board of Executive Directors, the following amounts (T€) were allocated to the pension provisions in 2008; the respective figures for the previous year are stated in italics:

Pensions

in T€	Age	Allocations
Norbert Steiner	54	1,213.9 *139.0*
Joachim Felker	56	406.5 *69.1*
Gerd Grimmig	55	664.2 *153.1*
Dr. Thomas Nöcker	50	553.6 *85.3*
Total		**2,838.2** ***446.5***

The increase in allocations to the pension provisions can be attributed to the very good corporate earnings and the consequently higher pensionable income.

Early termination of Board of Executive Directors' contracts

For ongoing contracts, and therefore for 2008, with the exception of a change of control, no compensation agreements exist. Three of the ongoing contracts have been concluded until 2010, and one until 2011. The Supervisory Board has resolved, starting from 2009, to introduce a maximum amount for compensation payments equivalent to 1.5 times the annual fixed remuneration in the case of new contracts.

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

Miscellaneous

In the year under review, with regard to their activity as members of the Board of Executive Directors, the members were not promised or granted benefits by third parties.

Remuneration of the Supervisory Board

Remuneration structure and level for financial year 2008

The remuneration of the Supervisory Board is regulated in Article 12 of the Articles of Association. Accordingly, the members of the Supervisory Board are, in addition to the reimbursement of expenses and an attendance allowance of € 200 each, which is also paid for attendance at committee meetings, paid fixed remuneration of € 10,000 per year together with variable remuneration, which is based on the level of the dividend payment. A member of the Supervisory Board receives € 1,000 for each cent by which the dividend exceeds the amount of € 0.05. The chairman of the Supervisory Board receives twice this amount and the vice chairman receives one and a half times the amount of such remuneration. The five members of the audit committee each receive additional annual remuneration of € 5,000 with the committee chairman again receiving twice that amount.

Such rules had been developed in the past against a significantly lower level of projected earnings and dividends; in the opinion of all the members of the Supervisory Board, including those who stepped down in 2008, the application of the current rules, without any amendments thereto, would have meant that a reasonable level of remuneration would have been exceeded to an excessive degree. Thus, for 2008, all the members of the Supervisory Board – in anticipation of the proposed new Supervisory Board remuneration – have foregone that part of the Supervisory Board remuneration that exceeds a total of € 100,000, with attendance allowances and remuneration for committee meetings excepted. The chairman and deputy chairman forego that part of the Supervisory Board remuneration that exceeds twice or one-and-a-half times this € 100,000. Those members that have stepped down during the course of the year or who are new members have foregone their claims on a pro rata basis, depending on their length of membership and function. In total, the members of the Supervisory Board are foregoing € 2.5 million.

Details of the remuneration of the Supervisory Board for the financial year 2008 are provided in individualised form in the following table. The variable remuneration is subject to the reservation that the Annual General Meeting on 13 May 2009 resolves the dividend of € 2.40 per share proposed by the Board of Executive Directors and the Supervisory Board.

The respective figures for the previous year are stated in italics:

Remuneration of the Supervisory Board[1]

in €	Fixed remuneration	Variable remuneration	Audit committee	Attendance allowances	Total
Dr. Ralf Bethke [2]	16,339	147,049	3,169	2,600	169,157
	5,000	*22,500*		*600*	*28,100*
Gerhard R. Wolf (until 14 May 2008)	7,322	65,902	1,831	1,400	76,455
	20,000	*90,000*	*5,000*	*2,000*	*117,000*
Michael Vassiliadis	15,000	135,000	5,000	3,000	158,000
	15,000	*67,500*	*5,000*	*2,000*	*89,500*
Jella S. Benner-Heinacher	10,000	90,000		1,800	101,800
	10,000	*45,000*		*1,000*	*56,000*
Dr. Uwe-Ernst Bufe (since 14 May 2008)	6,339	57,049		600	63,988
	–	–		–	–
Karl-Heinz Georgi (until 14 May 2008)	3,661	32,951		1,000	37,612
	10,000	*45,000*		*1,400*	*56,400*
Dr. Rainer Gerling (since 14 May 2008)	6,339	57,049		800	64,188
	–	–		–	–
Rainer Grohe	10,000	90,000		2,200	102,200
	10,000	*45,000*		*1,400*	*56,400*
Dr. Karl Heidenreich	10,000	90,000	5,000	2,200	107,200
	10,000	*45,000*	*5,000*	*1,600*	*61,600*
Rüdiger Kienitz	10,000	90,000		1,400	101,400
	10,000	*45,000*		*1,000*	*56,000*
Klaus Krüger	10,000	90,000	5,000	2,800	107,800
	10,000	*45,000*	*5,000*	*1,400*	*61,400*
Dieter Kuhn	10,000	90,000		1,600	101,600
	10,000	*45,000*		*1,000*	*56,000*
Heinz-Gerd Kunaschewski	10,000	90,000		1,400	101,400
	10,000	*45,000*		*1,000*	*56,000*
Dr. Bernd Malmström	10,000	90,000		1,200	101,200
	10,000	*45,000*		*800*	*55,800*
Helmut Mamsch (until 30 Juy 2007)	–	–		–	–
	5,000	*22,500*		*400*	*27,900*
Dr. Rudolf Müller	10,000	90,000		1,400	101,400
	10,000	*45,000*		*800*	*55,800*
Friedrich Nothhelfer (since 14 May 2008)	6,339	57,049		800	64,188
	–	–		–	–
Renato De Salvo	10,000	90,000		1,600	101,600
	10,000	*45,000*		*1,000*	*56,000*
Dr. Eckart Sünner	10,000	90,000	10,000	2,200	112,200
	10,000	*45,000*	*10,000*	*1,600*	*66,600*
Dr. Helmut Zentgraf (until 14 May 2008)	3,661	32,951		600	37,212
	10,000	*45,000*		*1,000*	*56,000*
Total	**175,000**	**1,575,000**	**30,000**	**30,600**	**1,810,600**
	175,000	***787,500***	***30,000***	***20,000***	***1,012,500***

[1] Without the reimbursement of expenses for the VAT paid by the members of the Supervisory Board as a result of their activities.
[2] With effect from 1 July 2007, Dr. Bethke was elected to the Supervisory Board by the Annual General Meeting of 2007, and on 14 May 2008, he was elected chairman of the Supervisory Board.

In addition to this, members of the Supervisory Board were reimbursed expenses totalling € 28,207 in 2008 (previous year: € 17,047).

The remuneration (including attendance allowances) received by the following members for their activity on the Supervisory Board of the subsidiary K+S KALI GmbH was as follows (previous year's figures in brackets): Dr. Bethke € 23,100 (-), Mr Vassiliadis € 22,900 (€ 23,300) and Mr Wolf € 15,200 (€ 30,800). No benefits for personally performed services, in particular consultancy or brokerage services, were granted to the members of the Supervisory Board.

Proposed new structure of Supervisory Board remuneration

On 13 May 2009, the following proposal will be submitted to the Annual General Meeting: Article 12 of the Articles of Association is to be revised; higher fixed remuneration is to be introduced and a maximum amount for remuneration, similarly to the remuneration structure of the Board of Executive Directors:

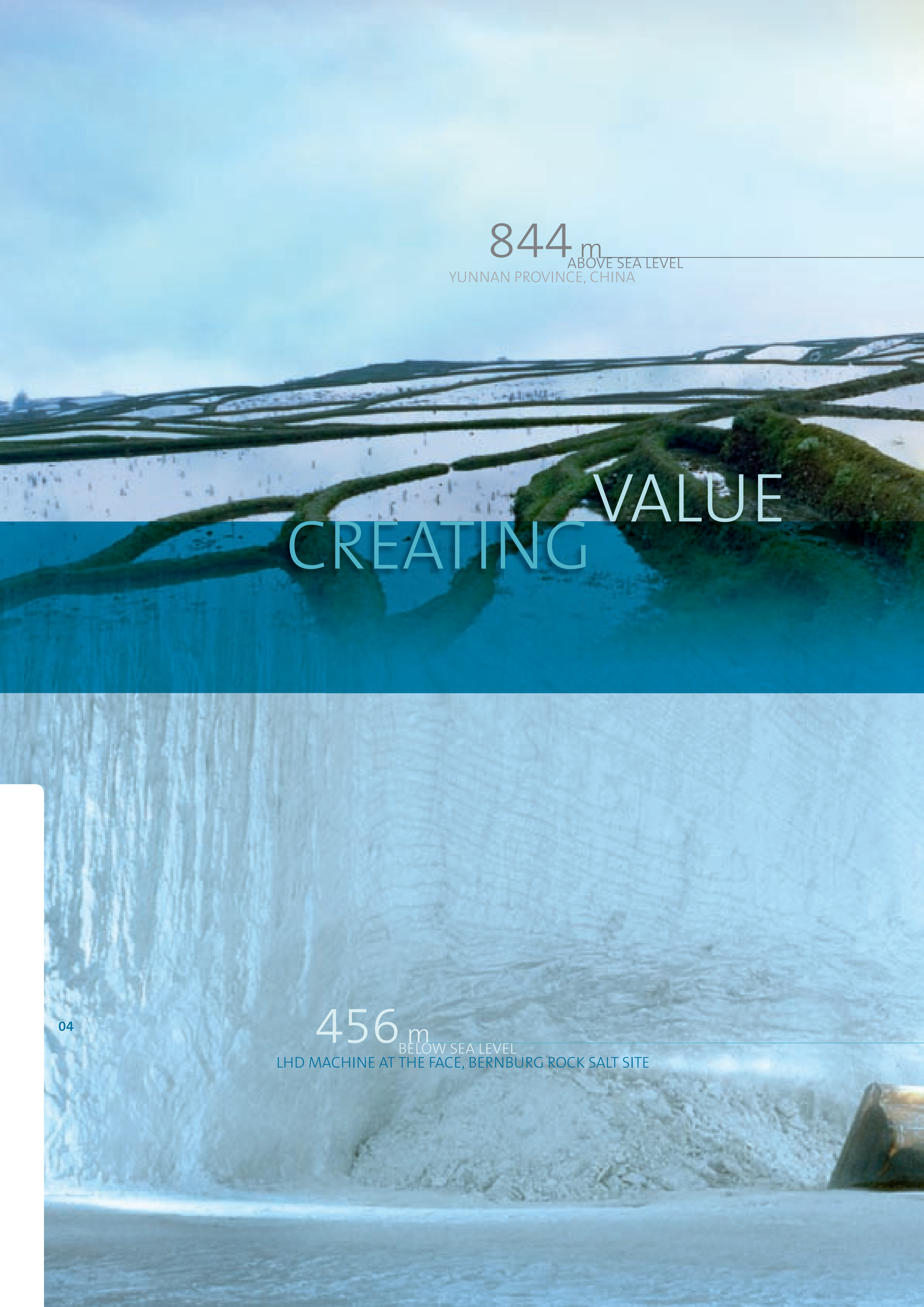
"A member of the Supervisory Board receives annual fixed remuneration of € 55,000 as well as annual variable remuneration, which is determined in the following way by the amount of the total return on investment achieved by the K+S Group in the respective financial year and determined on the basis of the certified consolidated financial statements: The prerequisite for the claim to payment of variable remuneration is the achievement of a minimum return; this corresponds to 115% of the percentage of capital costs before taxes of the K+S Group in the financial year concerned as applied in the consolidated financial statements; on the achievement of the minimum return, a member of the Supervisory Board receives remuneration of € 15,000; for each percentage point by which the return on total investment exceeds the minimum return, a member of the Supervisory Board receives further variable remuneration of € 1,500 each time. The variable remuneration is limited to maximum € 45,000 per year.

The chairman of the Supervisory Board receives twice this amount and the deputy chairman receives one and a half times the remuneration defined in Para. 1.

For his activity on the audit committee of the Supervisory Board, each member receives further remuneration of € 7,500 per year. The chairman of the committee will receive twice this amount and the deputy chairman will receive one and a half times the amount of such additional remuneration.

The Company shall pay an attendance fee of € 500 to each member of the Supervisory Board for attending meetings of the Supervisory Board or of a Supervisory Board committee to which they belong, but in the event of more than one meeting being attended on one day a maximum of € 1,000 per day will be paid.

The members of the Supervisory Board are entitled to the reimbursement from the Company of any expenses necessary and reasonable for the performance of their duties. Furthermore, they are entitled to the reimbursement of any VAT to be paid as a consequence of their activities in the capacity of Supervisory Board members."



844 m
ABOVE SEA LEVEL
YUNNAN PROVINCE, CHINA

CREATING VALUE

456 m
BELOW SEA LEVEL
LHD MACHINE AT THE FACE, BERNBURG ROCK SALT SITE

The global population will continue to grow. People in emerging market countries will – despite the financial crisis – continue to bring their eating habits into line with those in the West and progressively increase their meat consumption. With our broad portfolio, which includes innovative fertilizers, we make a substantial contribution to efficient food and feed production in both the emerging market and industrialised countries. Being oriented towards various markets lends support to our sustainable growth and secures our future over the long term.

- **High demand facilitated strong price increases for fertilizers**
- **Revenues reach €4.8 billion – an increase of about 43 %**
- **Operating earnings increased almost fivefold, by a factor of 4.7**
- **Indicators for healthy and profitable growth in the coming years remain favourable**

Business Sectors and Organisational Structure

Group structure and business operations

Details regarding subsidiaries, equity interests and related companies can be found in the list of investment holdings on pages 151 et seq. and on page 192.

Group legal structure

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

K+S KALI GmbH and K+S Salz GmbH are significant direct subsidiaries. K+S Salz GmbH groups together esco – european salt company GmbH & Co. KG as well as the companies associated with the business activities of Sociedad Punta de Lobos S.A. (SPL), Chile. COMPO GmbH & Co. KG and fertiva GmbH are held through an interim holding company. While the business segments' foreign subsidiaries are grouped together in own subsidiaries in the case of K+S KALI GmbH and K+S Salz GmbH, the foreign companies of the COMPO and fertiva business segments are managed through direct subsidiaries of K+S Aktiengesellschaft. The Complementary Business segments are also related to the K+S AG through subsidiaries.

The number of consolidated companies has changed slightly compared with last year: The K+S Consulting GmbH was removed from the consolidation group at the beginning of the year. The company K+S Argentina SRL, however, have been included in the scope of consolidation during the first quarter, due to increased business activities. The companies K+S Mining Argentina SRL and esco Holding France S.A.S. have been included in the scope of consolidation since the fourth quarter.

Business segments and organisational structure

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

K+S Group

Fertilizers and Plant Care	Potash and Magnesium Products
	COMPO
	fertiva
Salt	Salt
Complementary Business Segments	Waste Management and Recycling Logistics (KTG) Animal Hygiene Products Trading Business (CFK)

Business Segments of the K+S Group

Potash and Magnesium Products
The Potash and Magnesium Products business segment is almost completely reflected in K+S KALI GmbH and its subsidiaries. In addition to its head office in Kassel as well as 11 production sites in Germany and France, K+S KALI GmbH operates numerous distribution sites in Europe and overseas.
COMPO
The COMPO business segment is represented by COMPO GmbH & Co. KG and its domestic subsidiaries as well as through an interim holding company with its numerous foreign companies. In addition to the head office of the COMPO management in Münster, in Germany, the business segment among other things also has a production location in Krefeld and Gnarrenburg.
fertiva
The fertiva business segment comprises fertiva GmbH in Mannheim as well as two distribution companies in France and in Argentina. In addition, fertiva shares overseas sales distribution platforms with the Potash and Magnesium Products as well as COMPO business segments.
Salt
The Salt business segment comprises esco GmbH & Co. KG, Hanover, and SPL S.A., Santiago de Chile, as well as further subsidiaries in Germany and abroad. esco operates three rock salt mines in Germany, three brine plants and seven plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, a sea salt compounding plant in Portugal as well as numerous distribution sites in Europe. SPL extracts rock salt by means of open-cast mining at Salar Grande in the Atacama desert in Chile and operates a sea salt facility in north-eastern Brazil through the company Salina Diamante Branco. In the United States, SPL distributes salt products through International Salt Company (ISCO).
Complementary Business Segments
In addition to recycling activities and the disposal respectively reutilisation of waste at potash and rock salt mines, as well as the granulation of CATSAN®, further activities of importance to the K+S Group are bundled under the term “Complementary Business Segments”. With Kali-Transport Gesellschaft mbH (KTG), Hamburg, the K+S Group possesses its own logistics service provider. Chemische Fabrik Kalk GmbH (CFK) trades in different basic chemicals.

The restructuring of the business with nitrogenous fertilizers at COMPO and fertiva was already implemented at the end of the year in the group and corporate structure, and will also result in changes to the reporting structure in the second half of 2009: The nitrogenous fertilizers distributed by fertiva and the ENTEC® as well as the sulphur-containing NITROPHOSKA® products previously distributed by COMPO will be grouped together in one company. Under the umbrella of COMPO and its units in Germany and abroad, slow-release fertilizers, coated fertilizers, NPK specialities and nutrient salts in the professional segment will be managed together with consumer products.

Management and control

A presentation of the division responsibilities of the members of the Board of Executive Directors can be found under "The Board of Executive Directors" on page VIII.

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

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

The Board of Executive Directors takes responsibility for the overall performance of the K+S Group und leads the heads of the business segments as well as the holding units both in a professional and disciplinary way. The business allocation plan defines the divisional responsibilities of the members of the Board of Executive Directors. The responsible members of the Board of Executive Directors lay down the respective area and scope of responsibility for the heads of the business segments and holding functions in function descriptions. The heads of the business segments and holding units, for their part, are responsible for their results and costs and manage their subunits in a professional and disciplinary manner.

Basic features of remuneration system

The information to be disclosed in accordance with Section 315 Para. 2 No. 4 of the German Commercial Code (HGB) is contained in the Remuneration Report included in the Corporate Governance Report on pages 38 et seqq; the Remuneration Report also constitutes an integral part of the Management Report.

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

Since 1999, K+S has enabled the Board of Executive Directors and the senior management to participate in a virtual stock option programme. In 2008, a total of 278 people working for K+S were eligible to participate in it (previous year: 274 persons). You can find a more detailed description of the programme, which is identical for the Board of Executive Directors and for the remaining participants in the option programme, in the Remuneration Report on pages 38 et seqq.

Key Sites

At the end of 2008, the K+S Group employed just under 12,400 people in Germany and abroad. The following table provides an overview of the most important K+S Group sites and the number of staff employed by them at the end of 2008:

Important K+S Group Sites

in Full-time Equivalents (FTE) *	Business Segments	Employees
K+S sites in Kassel, Hesse (K+S AG/K+S KALI/K+S Entsorgung/IT services GmbH)		588
Kaliverbundwerk Werra, Hesse and Thuringia (Heringen/Merkers/Philippsthal/Unterbreizbach)	Potash and Magnesium Products	4,185
Zielitz Potash Plant, Saxony-Anhalt	Potash and Magnesium Products	1,714
Sigmundshall Potash Plant, Lower Saxony	Potash and Magnesium Products	766
Neuhof-Ellers Potash Plant, Hesse	Potash and Magnesium Products	724
Bergmannssegen-Hugo Potash Plant, Lower Saxony	Potash and Magnesium Products	150
Bernburg Salt Plant, Saxony-Anhalt	Salt	445
Borth Salt Plant, North Rhine-Westphalia	Salt	292
Empremar shipping company, Santiago de Chile, Chile	Salt	256
Salina Diamante Branco sea salt facility, Brazil	Salt	250
Braunschweig-Lüneburg Salt Plant, Lower Saxony	Salt	176
SPL open-cast mining operations, Atacama-Desert/Patillos, Chile	Salt	174
SPL headquarters, Santiago de Chile, Chile	Salt	128
esco headquarters, Hanover, Lower Saxony	Salt	84
ISCO distribution company, Clarks Summit, USA	Salt	80
Frisia Zout B.V., Harlingen, The Netherlands	Salt	74
COMPO headquarters, Münster, North Rhine-Westphalia	COMPO	335
COMPO Plant, Krefeld, North Rhine-Westphalia	COMPO	179
COMPO France S.A.S, Roche-Lez-Beaupré, France	COMPO	142
Peat and humus Plant, Gnarrenburg, Lower Saxony	COMPO	81
fertiva headquarters, Mannheim, Baden-Württemberg	fertiva	56
KTG, Hamburg	Complementary Business Segments	117
Granulation of animal hygiene products, Bad Salzdetfurth, Lower Saxony	Complementary Business Segments	117

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

Further information can be found in the Corporate Report and on our homepage www.k-plus-s.com .

Important products and services

Potash and Magnesium Products Business Segment
The Potash and Magnesium Products business segment is one of the world's most important providers of potash and magnesium products and the largest such provider in Europe. In addition to multiple-application speciality and standard fertilizers for agricultural needs, it offers a product range that meets needs for industrial, technical and pharmaceutical applications.
COMPO Business Segment
The COMPO business segment is the leading European provider of premium products in the field of potting soils, speciality fertilizers and plant care products. In addition to engaging in production at its own sites, COMPO has some of its products produced by our partner BASF. COMPO, together with fertiva, makes use of the capacity for innovation of BASF through research and development agreements. Moreover, COMPO collaborates with the Swiss agricultural business company Syngenta in the area of plant protection agents and pesticides for private users.
fertiva Business Segment
fertiva markets nitrogenous fertilizers that are produced exclusively for it by BASF and also distributes goods purchased from other well-known European manufacturers.
Salt Business Segment
The product range of the Salt business segment covers food-grade salts for private households and the food industry as well as industrial salts for use in many areas of industry (from dyeing works through the production of foodstuffs for animals to use in the exploration of oil and natural gas) as well as in the pharmaceutical industry. While salt for chemical use is one of the most important raw materials in the chemical industry, for road safety, de-icing salt is an indispensable product for winter road clearance services.
Complementary Business Segments
The range of services offered by the Waste Management and Recycling business segment extends from the underground reutilisation and disposal of waste to the distribution of smelting salts to companies in the secondary aluminium industry, including the collection and processing of aluminium salt slag. Furthermore, the other Complementary Business segments' range extends from the granulation of CATSAN® cat litter, through the Group's own logistics service provider, to trading activities involving basic chemicals such as calcium chloride for pre-wetted de-icing agents used by winter road clearance services.

Important markets and competitive positions

We generate the just under 70% and thus the bulk of our revenues in Europe and benefit from the fact that our production sites are favourably positioned in relation to our European customers in terms of freight costs. Through the acquisition of the Chilean company SPL in 2006, we have also gained the United States and South America – important markets on which to sell our salt products – and thus strengthened our position internationally and regionally further diversified our activities.

Beyond Europe, our largest market, we also have significant market positions in the southern hemisphere. We thus ship an appreciable part of our fertilizers to Latin America and in large part to Brazil. We are also using the supply of attractively priced container shipments to successfully expand our market positions in Asia.

In the Fertilizers and Plant Care Business Sector, with potash and magnesium products and plant care products we are leading in Europe. In the case of nitrogenous fertilizers, fertiva is a significant supplier in Europe and its position is particularly strong in the area of nitrogen fertilizers containing sulphur.

In the Salt business area, esco makes us the No. 1 in Europe, and with the acquisition of SPL, we are the second largest supplier in the world. The Waste Management and Recycling Complementary Business segment is the most important provider of underground waste disposal in Germany and in some of its bordering European neighbours.

Legal and economic influencing factors

The K+S Group must observe numerous laws and legal directives: Alongside common law, mining and environmental law (e.g. water law, emissions law, pollution law, soil protection law etc.) as well as work and health safety law are of particular relevance to us. The securing of existing mining rights and also the acquisition of new mining rights are of fundamental importance for the K+S Group.

In the case of economic influencing factors relevant to the K+S Group, German collective wage bargaining agreements are particularly important, as about 83 % of our workforce is employed in Germany and personnel expenses constitute a main cost item for the K+S Group. Over the past few years, we have been able to enhance our capacity to react to earnings developments both by means of flexible working hours models and variable salary components. The latter are e.g. linked to business segment and company success. Transport, energy and raw material costs as well as the development in the US dollar exchange rate also have a great impact on the success of the K+S Group.

Information under Section 315 Para. 4 HGB

Item 1: Composition of subscribed capital

Following a capital increase from corporate funds of € 56.2 million entered in the Commercial Register on 24 June 2008 and the execution of the share split in the ratio of 1:4, the share capital amounts to € 165.0 million and is divided into 165,000,000 shares. The shares of the Company are no-par value bearer shares. No other class of shares exists.

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

Each share carries one vote; no restrictions apply to voting rights or to the transfer of shares.

Item 3: Direct or indirect shareholdings exceeding 10 % of the capital

The Bank of N.T. Butterfield and Son Limited, Bermuda, through MCC Holding Limited, Cyprus, and the OJSC MCC “EuroChem”, Moscow, to be attributed to MCC Holding Limited, hold 15.001 % of K+S shares. MCC manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. Furthermore, with a 10.3 % share in the capital of K+S Aktiensgesellschaft, BASF SE, Ludwigshafen, exceeds the 10 % threshold. Furthermore, The Bank of New York Mellon Corporation informed us that on 9 February 2009 they exceeded the threshold of 3 % through its subsidiary MBC Investments Corporation and at that point in time held 3,03 % of our shares.

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

There are no special rights conferring control powers.

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

No voting right controls apply.

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

The appointment and removal of the Board of Executive Directors are governed by Section 84 AktG. Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years.

In accordance with Article 5 of the Articles of Association, the Board of Executive Directors of K+S Aktiengesellschaft comprises at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board can appoint a member of the Board of Executive Directors chairman of the Board of Executive Directors. The Supervisory Board can rescind the appointment of a member of the Board of Executive Directors or the appointment as chairman of the Board of Executive Directors for good cause.

With the exception of a resolution regarding a change of the purpose of the company, which require a three-quarters majority of the capital represented, amendments to the Articles of Association can be resolved by the Annual General Meeting by a simple majority of the capital represented (Section 179 Para. 2 AktG cf. Article 17 Para. 2 of the Articles of Association).

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

Authorised capital: The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 82,500,000.00 in the aggregate through the issuance of no more than 82,500,000 new no-par value bearer shares (Authorised Capital). Existing shareholders essentially hold subscription rights in respect of such increases. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude statutory subscription rights in the case of capital increases against cash contributions, if the capital increase does not exceed 10 % of the share capital and the issue price of the newly created shares is not significantly lower than relevant exchange price. In the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company, the Board of Executive Directors can exclude the statutory subscription rights of shareholders by a total of up to 25 % of the share capital. Furthermore, the Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription right of shareholders with respect to fractional amounts arising from subscription right.

Purchase, sale and cancellation of own shares The Board of Executive Directors is authorised to acquire own shares representing no more than 10% of the total number of no-par value shares comprising the share capital of K+S Aktiengesellschaft until 31 October 2009. At no time may the Company hold more than 10% of the total number of no-par value shares comprising its share capital. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the event of a purchase effected on a stock exchange, the purchase price per share may not exceed or undercut the relevant exchange price by more than five percent, being the weighted average exchange price of the K+S share in the XETRA computerized trading system on the last ten trading days preceding the purchase of the shares. In the event of a purchase effected by means of a public purchase offer directed to all shareholders, the offer price per share may not exceed or undercut the relevant exchange price by more than ten percent.

Until 13 May 2013, the Board of Executive Directors is furthermore authorised, subject to the approval of the Supervisory Board, to dispose of shares in the Company, which were acquired on the basis of an authorisation under Section 71 Para. 1 No. 8 AktG, on a stock exchange or by means of a public offer directed to all shareholders. In both the following cases, the shares may be disposed of by other means and thus with the subscription rights of the shareholders excluded:

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

Finally, until 13 May 2013, the Board of Executive Directors is authorised, subject to the approval of the Supervisory Board, to cancel shares of the Company, which were acquired on the basis of an authorisation under Section 71 Para. 1 No. 8 AktG and with no additional resolution of the Annual General Meeting being required to effect such cancellation. The shares have to be cancelled in accordance with Section 237 Para. 3 No. 3 AktG without any capital decrease in such a way that as a result of the cancellation the proportion of the remaining no-par value shares in the share capital is increased pursuant to Section 8 Para. 3 AktG. The authorisations to purchase own shares as well as to dispose of and cancel them may be exercised in whole or in part each time and several times in the latter case.

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

In 2006 and in 2008, K+S concluded loan agreements with syndicates of banks. If one or more persons, whether acting alone or in concert, acquire control over K+S Aktiengesellschaft, all bank advances will become due and payable with immediate effect and all other obligations will cease to apply.

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

Agreements of this type exist with the members of the Board of Executive Directors of the K+S Aktiengesellschaft and are explained in detail in the Remuneration Report on pages 42 et seq. Additionally, the rules governing the virtual stock option programme for the Board of Executive Directors and the senior management provide for a special window for the exercise of all still outstanding options in the event of a change of control. The exact form of this programme, which is identical for the Board of Executive Directors and for senior management, is also explained in the Remuneration Report (see pages 38 et seq.).

Explanatory Report of the Board of Executive Directors in accordance with Section 175 Para. 2 Sent. 1 AktG in conjunction with Section 315 Para. 4 HGB

As the information to be disclosed in respect of items 1 to 6 of Sections 315 Para. 4 of the German Commercial Code (HGB) speak for themselves, we limit ourselves to providing the following explanations in accordance with Section 175 Para. 2 Sentence 1 of the German Joint Stock Corporation Act (AktG):

- The Annual General Meeting has granted the Board of Executive Directors the possibility, subject to the approval of the Supervisory Board, of implementing a capital increase with the limited exclusion of subscription rights (authorised capital). This provides the Company with a widely used instrument with the aid of which it can act rapidly and flexibly when opportunities arise for the effecting of acquisitions. The Board of Executive Directors will only make use of this possibility if the value of the new shares is proportionate to the value of the corresponding consideration.
- The other authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase shares of the Company to a limited extent, is also a common instrument available in many companies. By being able to resell own shares, the Company is in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. The other possibility of cancelling own shares is also a common alternative course of action that lies in the interest of the Company and its shareholders.
- The provisions that the agreement contains for the event of a change of control are customary for comparable transactions and reasonable from the perspective of protecting the legitimate interests of the creditors.
- The existing arrangements with the members of the Board of Executive Directors as well as the special window of exercise governed by the virtual share option programme for the Board of Executive Directors and senior management that would apply in the event of a takeover bid take appropriate consideration of both the legitimate interests of those concerned as well as of the Company and its shareholders.

Corporate Strategy and Enterprise Management

Corporate strategy

Further information regarding the future direction of the Group as well as expected financing measures can be found in the Forecast Report on pages 119 et seqq. and 132.

Group strategy

The following are the cornerstones of the strategy that we have formulated for the K+S Group:

- Consolidation and selective expansion of our leading market positions: We want to enhance our market position in our established business sectors especially by intensified marketing of speciality products. This specialisation strategy gives us the opportunity to achieve greater value added.
- Enhancing efficiency and exploiting synergies: To ensure our lasting presence on world markets, we will continue to work consistently on further enhancing efficiency by exploiting our potential for synergies in production, in distribution as well as in logistics.
- Acquisitions and cooperation agreements: We also want to grow externally in our established business sectors. However, in doing so, we will not jeopardise the strong financial base of the K+S Group and will continue to proceed prudently.

Strategic direction of the business sectors

Fertilizers and Plant Care:

- Consistent further development of the product refinement strategy for agriculture and industry
- Continuously enhancing efficiency in production processes
- Growth through acquisitions and cooperation arrangements

Salt:

- Consolidation and selective expansion of our strong market position in Europe based on our customer-oriented assortment, high product quality and flexible delivery
- Utilisation of synergies, especially in the case of production and logistics in Europe
- Rapid expansion of the global salt business with SPL
- Growth through acquisitions and cooperation arrangements

Enterprise management

Internal corporate management system

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

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

The K+S Group is managed through regular strategic consultations held at the Board of Executive Directors and at head of business segments levels in order to then implement the relevant results in a systematic and timely fashion in the form of annual- and medium-term plans as well as agreed targets. The Board of Executive Directors and the business segment heads are briefed monthly on the trends in key indicators as well as operational early indicators for the Group and their business segments – commentary on trends and variances from targets with respect to production, sales, revenues, costs, earnings, personnel, capital expenditure as well as other financial indicators are the focus of these briefings. The basis for information are an electronic management information system, together with a joint event held in the spring at which the Board of Executive Directors, business segment heads and heads of holding company units discuss current developments as well as all measures of significance to the Company (spring forum). Additionally, there are monthly rolling forecasts on the projected earnings of the current year. The goal is to analyse changes in the most important revenue and cost elements of the income statement compared with both the estimate made in the preceding month and with the plan. The development of liquidity is also shown by means of a monthly projected cash flow statement. Moreover, at regular intervals group-wide committees discuss topics of personnel, compliance, information technology and marketing. And finally, special commissions are established for the auditing, assessment and approval of capital expenditure and acquisitions/divestitures; the main criterion used in assessing projects is the discounted cash flow method.

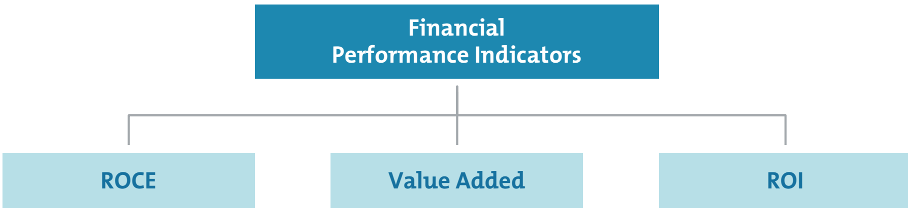
The permanent integration of all corporate sectors into the risk management and the internal corporate management system ensures short response times to changes in all areas and at all decision-making levels within the K+S Group. If necessary, changes of relevance to earnings occurring within an area of observation are also communicated directly between the Board of Executive Directors and business segment heads in the form of an immediate report.

Value Reporting

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

Financial targets

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



Definitions of the indicators used here can be found in the Glossary on pages XVIII et seq.

It is our goal that the ROCE of the K+S Group should reach a value of at least 12 % to 15 %, assuming average cost of capital before taxes of 10.4 %. In the year under review, a ROCE of 64.0 % was achieved; this return is considerably higher than the figure for the previous year (15.5 %), it is thus also far above the target value. During the financial year 2008, the K+S Group generated value added of € 1,124.5 million; this corresponds to a premium on our cost of capital before taxes of 53.6 percentage points in relation to the average amount of capital employed. Acquisitions should achieve a ROI of at least 10 % before taxes in the third year after acquisitions. In considering financial ratios, we also attach importance to a high return on equity and total capital. Further ratios for capital structure management as well as the definition of their respective target ranges can be found on pages 84 et seq.

in %	2008	2007	2006	2005	2004
ROCE	64.0	15.5	17.4	19.5	14.2
Weighted average cost of capital before taxes	10.4	10.7	9.6	9.9	9.4
Value Added in € million [1]	1,124.5	88.3	125.5	123.8	54.4
Return on equity [2]	68.6	16.1	17.7	17.8	12.1
Return on total investment	44.9	11.0	12.3	12.7	9.1

[1] Value added = (ROCE – weighted average cost of capital before taxes) x (annual average for operating assets + working capital).

[2] The return on equity given for 2006 refers to the adjusted Group earnings without non-recurrent deferred tax income of € 41.9 million.

A comprehensive presentation of our non-financial key indicators can be found in our Company Report.

Non-financial targets and sustainable performance indicators

There are four main non-financial targets that are important for the success of any company and thus for that of the K+S Group too:

- Fairness in relation to our customers –> customer satisfaction
- Fairness in relation to our suppliers –> quality
- Fairness in relation to our employees –> motivation
- Fairness in relation to our social environment –> trust

To this end, already in 2006, the K+S Group issued a Code of Conduct that clearly defines, among other things, basic principles governing dealings with customers, suppliers, employees, authorities, the capital market and the media. Further information about our supplier and customer relations can be found in our Corporate Report.

The so-called “mine effect” is one of the key performance indicators or KPIs used by K+S for effective and efficient management of underground production in the European mines of the Potash and Magnesium Products as well as Salt business segments. This key indicator specifies the volume in tonnes of crude salt mined, which can be attributed to one employee per shift involved in the crude salt mining process.

In the Potash and Magnesium Products business segment, the mine effect declined tangibly in comparison with the previous year and was thus also below the level of recent years. This is, on the one hand, the consequence of lower capacity utilisation as a result of curtailment of production in the fourth quarter of 2008. On the other hand, the more difficult mining conditions in our potash deposits contributed to this trend. The distances between mining locations and shafts also naturally increase and thus more time is required for underground transport. In order to maintain the volume of crude salts mined, last year, we have taken on additional employees to work underground. However, the resulting additional expense will totally pay off in view of the earnings potential.

In the Salt business segment, the mine effect increased considerably against the previous year; the main reason for this was the higher sales of de-icing salt on the European market, as a result of wintry weather conditions during the fourth quarter, leading to a higher utilisation of capacity.

Employees

Employees by business segment

in Full-time Equivalents (FTE) [1]	2008	2007	%
Potash and Magnesium Products	7,800	7,626	+ 2.3
COMPO	1,245	1,252	(0.6)
fertiva [2]	73	59	+ 23.7
Salt	2,394	2,294	+ 4.4
Complementary Business Segments	285	273	+ 4.4
Central functions	571	529	+ 7.9
K+S Group	**12,368**	**12,033**	**+ 2.8**

[1] FTE: Full-time equivalent; part-time positions are weighted in accordance with their respective share of working hours; as at 31.12.
[2] The increase in the number of employees in the fertiva business segment is solely attributable to the inclusion of K+S Argentina SRL in the scope of consolidation.

Further information about our employees can be found in the Corporate Report.

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

As of 31 December 2008, the K+S Group employed a total of 12,368 people. In comparison with 31 December 2007 (12,033 employees), the number has thus increased by 335 employees or 2.8% and is thus moderately higher than the number forecast for the end of 2008. This can mainly be attributed to the following developments:

- In the Potash and Magnesium Products business segment, the workforce required to maintain the quantity of crude salt mined was expanded. Additionally, the personnel requirements of the Potash and Magnesium Products business segment as well as of the central functions increased as the result of greater efforts to reduce the amount of solid and liquid production residue in potash production.
- At SPL, the number of employees increased as a result of the expansion of the shipping capacity of the logistics company Empremar and through the inclusion of the employees of a company consolidated for the first time at the end of 2007.

The situation was similar in terms of averages: During the year under review, K+S employed an average 12,214 people – that is 255 or 2.1% more than in 2007.

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

Rise in personnel expenses

In 2008, the personnel expenses of the K+S Group were € 738.5 million and thus, as anticipated, moderately higher than in the previous year (2007: € 687.3 million). The increase is attributable to the pay settlements under collective bargaining agreements that came into effect in the Potash and Magnesium Products and Salt business segments as of 1 January 2008 and to the moderately higher number of employees. Without the provision effects, pure personnel costs rose by 8% compared with the previous year for the same reasons. Of personnel expenses, variable remuneration accounted for € 83.7 million or about 11% last year (2007: € 66.1 million or just under 10%).

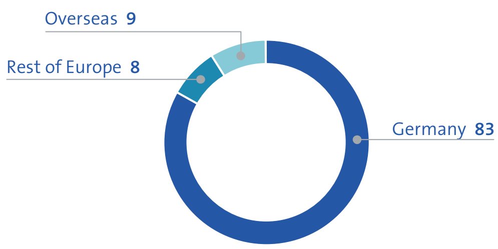
In 2008, we paid a total of € 586.8 million in wages and salaries (+9%) and € 143.8 million in social security contributions (+5%). The expenditure on company pensions and support amounted to € 7.9 million in the year under review and was thus, as a result of the adjustment of the discount factor, 16% below the level of the previous year, which, because of the company pension adjustment made at three-year intervals, was further depressed by additional allocations to provisions for pensions. The expenditure on company pensions and support also includes employer contributions to the K+S Vorsorge-Plus e.V. provident fund, the employer supplement amounting to 13% of converted employee remuneration subject to social security and paid to the Chemical Industry Pension Fund, the Salary Conversion Direct Insurance (Gehaltsumwandlungsdirektversicherung – GUD), and the employer contributions to the BASF pension fund.

During the year under review, personnel expenses per employee amounted to € 60,463 (previous year: 57,474 €) and has thus increased by about 5 % on account of the pay increase in force since January 2008 as well as higher employee participation in performance-based remuneration.

Regional distribution, age structure and employee turnover

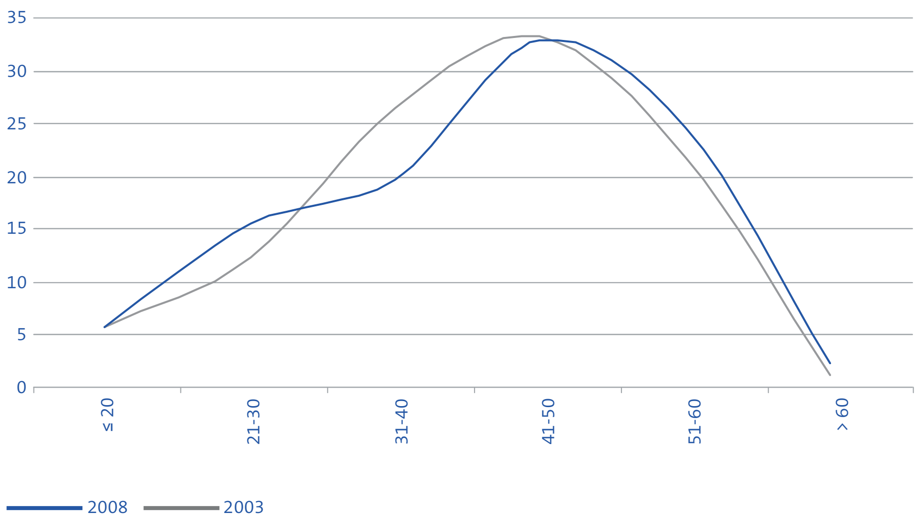
At 83 %, the overwhelming majority of our employees is employed in Germany. This is primarily linked to the geographical location of the crude salt deposits of the Potash and Magnesium Products and Salt business segments. Moreover, 8 % of our personnel worked elsewhere in Europe and a further 9 % overseas; the regional distribution has thus remained virtually constant compared with the end of 2007.

EMPLOYEES BY REGION (IN %)



A comparatively long employee length of service and a low turnover underline the fact that K+S is an attractive employer. At 4 %, the turnover rate was at a constantly low level. In relation to the total personnel, the part of the turnover based on employees resigning even amounted to only 1 %. As is the case with many other German industrial companies, our age structure is becoming concentrated in the 41 to 50 age group; the average age of a K+S employee remained unchanged at about 42 years.

AGE STRUCTURE (IN %)



EMPLOYEES

RESEARCH AND DEVELOPMENT

Training

Length of service extending over many years and the related wealth of experience are important cornerstones of a sustainably successful personnel policy. However, this also involves the transfer of knowledge to younger employees and thus the methodical provision of training to the next generation. This is an area in which we are already systematically laying the groundwork for tomorrow's growth. In 2008, 182 young people began vocational training with us, in 17 professions at 17 K+S Group sites. As at 31 December 2008, we employed a total of 615 trainees (previous year: 614 trainees), of which 610 were located at German sites. At 6%, the proportion of trainees at the domestic companies was at the high level of the previous year. The training that we provide, which is planned in the long term and geared towards quality, ensures that in the future, we will have the necessary availability of employees who will work in industrial, mining, commercial, chemical and IT occupations. On such training, we spent about € 9.6 million in personnel expenses as well as € 3.0 million in materials costs in 2008 (2007: personnel costs: € 8.7 million; materials costs: € 2.9 million). We are pleased that in the year under review we were able to hire about 90% of the successfully qualified trainees.

The provision of further training to our employees is becoming increasingly important because of rising and increasingly international requirements as well as technical innovations. We regard our activities in the field of providing initial and further training as an investment in our employees and thus in the future of the K+S Group. During the year under review, almost 5,550 employees participated in further training (+20%), in which we invested about € 6.0 million (previous year: € 4.4 million) or € 1,091 per participant (+16%). The increase can be attributed in particular to a significantly expanded offer of management qualifications in the commercial and technical sectors as well as in distribution. Moreover, there was a rising need for further training measures in the methodological sector. In order to meet the challenges of increasing internationalisation, foreign languages were an important focus once again.

Research and Development

Direction of R&D activity

Goals and main focuses of our R&D activity

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

In 2008, the reduction of solid and liquid production residue in potash production was the primary focus of our research into technical processes. The results served as the basis for the comprehensive package of measures announced for water protection at the Hesse and Thuringia potash sites. Research into improved production processes intended to enhance the exploitation of valuable substances in the Potash and Magnesium Products business segment was of high importance again during the year under review.

To ensure the effective transfer of knowledge gained from research within the K+S Group and to optimise the leveraging of potentials for synergy, all research activities are controlled centrally and the results of research are made available across the Group by means of a central database.

Use of external R&D know-how

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

- Plant cultivation tests being conducted worldwide in the field of all fertilizers are controlled and managed centrally by our departments for agricultural application consulting. All field tests are assigned to specialized and experienced agricultural farms and are either looked after directly by our employees or monitored on a scientific basis by local agricultural institutes all over the world. This enables us to obtain findings relating to a very diverse range of crops growing in local soil conditions in various climatic zones and to adapt the products correspondingly, where necessary.
- We participate in international research programmes of organisations such as the IPI (International Potash Institute), HarvestPlus and IPNI (International Plant Nutrition Institute). These programmes bundle capacities and specialist knowledge in order to answer complex questions in a global manner.
- In economic, scientific as well as technical areas, we work together with colleges, most of which are in Germany. Last year, for example, we worked together with the University of Kassel on research into the biological treatment of saline water. Across the country, we provide financial support to young scholars for seminar papers, final diplomas and doctoral dissertations in the areas that are the focus of our R&D activities. This allows us to identify talent early on and to recruit qualified new generation employees for our Company.
- Research into more innovative nitrogenous fertilizers is conducted on our instructions by BASF at its research institutes. The work is performed exclusively for COMPO and fertiva. Here, the international field testing for nitrogenous fertilizers is managed centrally.

In 2008, a total of € 6.5 million was spent on external research services, compared with € 5.8 million in the preceding year.

Research costs

in € million	2008	2007
Potash and Magnesium Products	6.7	5.1
COMPO	3.8	3.3
fertiva	2.4	2.2
Salt	0.9	1.3
Other research costs	4.3	3.6
Total	**18.1**	**15.5**

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

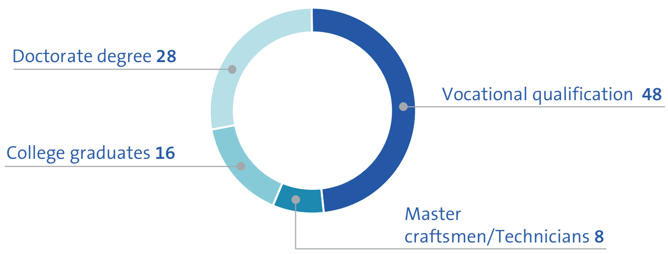
In the period under review, research costs came to a € 18.1 million in total and were thus, as expected, above previous year's level (2007: € 15.5 million). This increase can be attributed primarily to further increased efforts to develop new production processes for reducing solid and liquid production residue in potash production. The findings obtained from this intensified research work formed the basis for the comprehensive package of measures announced with respect to water protection.

Under IFRSs, certain development costs have to be capitalised in the balance sheet. At € 2.8 million, this development-related capital expenditure during the year under review was, as expected, moderately higher than in the previous year and was mainly made in the COMPO and Potash and Magnesium Products business segments. Capitalisation will result in depreciation charges for development-related capital expenditure over the coming years, but they will be at a relatively low level.

in € million	2008	2007	2006	2005	2004
Research costs	18.1	15.5	13.8	13.0	12.1
Capital expenditure in development	2.8	2.7	2.0	1.9	1.2
Employees (number)	65	56	51	50	49

As expected, due to the intensified research activities described above, at the end of the year 65 employees worked group-wide in research for the K+S Group (previous year: 56 employees).

Research and development qualification structure (in %)



Research and development projects and results

Potash and Magnesium Products Business Segment:

- In research cooperation with experts in soil science, soil physics and plant nutrition from the universities of Giessen, Halle and Kiel, we are continuously investigating the influence of optimal fertilization with the nutrients potash, magnesium, sulphur and sodium on the efficiency of the use of water of the ground/plant system. The findings confirm that water as a scarce resource can be better exploited by supplying the soil appropriately with potash. This is of immense importance against the backdrop of global climate changes.

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- In a project intended to identify the need for fertilizers of different plants, a method of measurement was developed which makes it possible to determine from the air the extent to which plants are being supplied and thus enables the application of fertilizers to specific sub areas.
- K+S is participating in a research project under the auspices of the International Plant Nutrition Institute, which is investigating the optimal supply of palms trees with fertilizer. The aim is to increase yields by means of sustainable and economical farming, so that it will prove possible to meet the greater expectations of the growing populations of the Asian emerging market countries.
- A new experiment into winter barley on dry soil already supplied with magnesium has shown that an additional direct leaf application of magnesium resulted in significant increases in yields. The findings of the experiment we used to work out specific application recommendations.
- On the basis of the positive experience with the virtual drilling jumbo control panel gained during the previous year, this method for training our employees will also be used at further potash and salt sites of the K+S Group. Moreover, this new type of training concept will also be applied to other steps in the underground mining process. On the basis of this, a virtual loading simulator has been planned and its construction has already commenced.
- In order to find further biological substitute substances for equipping our products in such a way that a low level of dust is produced, large-scale experiments were undertaken to use a palm oil-based substance. These were showing promising potentials for use.

COMPO Business Segment:

- In application tests, the product generation following ENTEC® has shown a higher mobility of the substances in the soil and thus ensures a more sustainable and effective result.
- New products with special combinations of nutrients from the segment of coated Basacote fertilizers have proven to be effective when used in the application of so-called planting hole fertilizer as well as for the cultivation of orchards in Chile and Spain, as well as for forestation measures in New Zealand.
- During the year under review, COMPO succeeded for the first time in integrating, in addition to the usual NPK nutrients, calcium and magnesium components in nutrient salts.
- On the basis of a BASF substance, a highly effective bait gel was developed by COMPO for sustainable pest control.

fertiva Business Segment:

- fertiva is working, within an international framework, on technologies that are intended to make possible a more efficient structuring of production and procurement processes. In this context, it was possible by optimising the formula to incorporate phosphate sources from alternative regions of origin for the production of complex fertilizers.

Salt Business Segment:

- In cooperation with a major customer who changed its process to chlorine-alkaline electrolysis, a special concept was developed for providing a high-quality supply of rock salt.
- After research into optoelectronic sorting, foreign minerals could successfully be removed from rock salt while it is still underground.

Brand portfolio and patents

With 137 new additions, it was possible to expand the brand portfolio also in 2008. As we endeavour to keep our brands up to date at all times, 45 brand rights that are no longer used were cancelled. On the reporting date, the Group thus held 4,302 (2007: 4,210) national proprietary protection rights for trademarks deriving from 827 basic trademarks. No licence fees were generated. Our global patent portfolio currently numbers 76 patent families, which are represented by 334 (2007: 318) national rights. In 2008, patent applications were filed for three new inventions and two utility models.

Overview of Course of Business

Macroeconomic environment

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT (REAL IN %)

Year	Germany	EU-25/ EU-27	World
2008	**+ 1.3**	**+ 1.2**	**+ 3.1**
2007	+ 2.5	+ 3.1	+ 4.8
2006	+ 2.9	+ 3.3	+ 5.3
2005	+ 0.9	+ 1.7	+ 4.8
2004	+ 1.6	+ 2.5	+ 5.0

Source: Deka Bank

At 3.1%, the rate of growth for the global economy weakened tangibly in 2008 and thus, above all during the fourth quarter, slowed down to a greater extent than had been foreseen in the 2007 Financial Report. The effects of the US property crisis had an increasingly negative impact on global credit and financial markets. Originating in the USA, the economic downturn thus spread to all economies of the industrialised nations. In the emerging market countries, however, the economies still saw significant growth. In China, for example, year-on-year growth rose by 9.1%. At year-end, however, it was possible to discern signs of a cooling-off there too. With massive interest rate cuts, economic rescue packages and comprehensive measures to support the financial markets, an attempt has been and is being made to counter recessionary trends and bring about a stabilisation of the world's economies. The US Federal Reserve (FED) even went so far as to introduce a zero rate interest policy at the end of 2008. Until the middle of the year, higher prices on the raw materials markets resulted in markedly rising inflation rates in most economies which, however, then flattened out again at the end of the year, against the backdrop of falling raw material prices.

In the European Union, it was above all the economic downturn in the fourth quarter that caused the economic performance of the EU-27 to grow by only 1.2%, according to provisional estimates. During the course of the year, and in the light of the continued impact of the financial crisis, after having been raised in July to 4.25%, the key interest rates of the European Central Bank (ECB) were lowered in three moves to 2.50% in December. While the inflation rate rose to 4.6% by the middle of the year, in the light of falling commodity prices, however, it fell again to 1.6% in at the end of the year resulting in an annual average rate of 3.7%.

The German economy grew far more slowly than in the previous year, with an increase in the gross domestic product of 1.3 %; this is mainly attributable to the noticeable slowdown in the economy during the second half of the year. An expansionary monetary policy of the ECB, together with sharply falling raw material prices from the middle of the year, did not provide a boost to the economy to any significant extent. Employment figures hit highs over the course of the year, stimulating demand, which only weakened somewhat at the end of the year. At 2.8 %, the German inflation rate in 2008 was higher than that for the previous year (2007: 2.3 %).

There was no uniform picture on the raw materials markets during the course of the year. After the oil price has risen to an all-time high of US$ 146 per barrel by the middle of the year, it then fell in just a few months by almost 70 % to a level of US$ 46 per barrel at the end of the year. The average annual price for a barrel of oil of just under US$ 99 was, nevertheless, still about US$ 26 or 36 % up on 2007. Most basic materials, such as metals and agricultural raw materials, followed the oil price and fell in price significantly by the end of the year following the mid-year highs.

Developments on the international foreign exchange markets were influenced by the continuingly weak US dollar. Only towards the end of the year did the US dollar recover markedly, ending December now only about 4 % weaker against the euro compared to the previous year. At an annual average, the US dollar lost a good 7 % in value (2008: 1.47 USD/EUR; 2007: 1.37 USD/EUR).

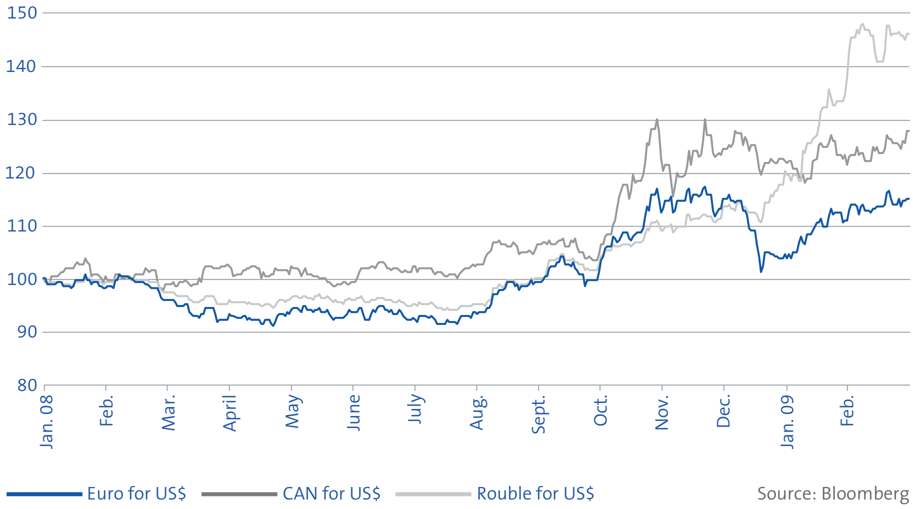
Impact on K+S

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

- The economic upturn in the emerging market countries continued and improved the standard of living of the population of such countries. This is increasing per capita consumption of food, including meat, as well as the pressure on the world's agricultural system to meet this challenge. Also the South American market for industrial salt and salt for chemical use, important for our Chilean subsidiary SPL, grew in line with the local economic development.
- In the wake of the financial crisis, the strong decline in cereal prices in the agricultural sector is leading to uncertainty about the future revenue situation. K+S is responding to the consequently lower volume of orders from the agricultural sector that became apparent during the fourth quarter, especially in Europe, by curtailing the production of potash fertilizers. At all German potash sites, a total of about 400,000 tonnes of potassium chloride less than planned was produced during the fourth quarter. The production of specialised and industrial products was maintained.

- Our production costs are affected to a not inconsiderable extent by energy costs, in particular for gas. After energy prices had risen sharply during the first six months of the year, which is reflected with a delay of six to nine months in our costs, our energy costs for 2008 as a whole have increased significantly. Due to the energy supply clauses agreed upon with our suppliers, the clear fall in energy prices observed in the second half of the year did not exert an impact on the K+S Group's energy costs last year.
- At the end of 2007/beginning of 2008, we had reorganised our US dollar hedging system. Since then, options are used for this, which hedged a worst-case scenario for 2008 of about 1.51 USD/EUR including costs. During the second half of the year, however, we were able to participate in a strengthening US dollar. Following the trend on the foreign currency markets, in comparison to 2007, this resulted overall in a far weaker average exchange rate for the Potash and Magnesium Products business segment of about 1.46 USD/EUR (2007: 1.33 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 the revenues of most of the world's potash producers in their respective local currency; this is due to the fact that the bulk of worldwide potash output lies outside the US dollar zone while all sales, with the exception of the European market, are invoiced in US dollars. The following diagram shows that in 2008, the North American, Russian and European producers were confronted with similar currency trends.

Development of EUR/USD vs. CAN/USD and RUB/USD
(Index: Beginning of the year 2008; in %)



Source: Bloomberg

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Industry environment

The industry environment of the individual business segments can be found in the Business Segment Development section on pages 95 et seqq.

Fertilizer and Plant Care Business Sector

- With a share of just under 11 %, the Potash and Magnesium Products business segment is the fourth-largest producer in the world and the leading provider in Europe.
- COMPO is one of Europe's leading providers of premium products in the field of potting soils, speciality fertilizers, plant care products and plant protection for home and garden. As to speciality fertilizers for professional horticultural and agricultural application areas, COMPO also occupies an important position in Europe.
- The fertiva business segment places K+S among the leading suppliers of nitrogen fertilizers in Europe.

Constantly growing demand for agricultural products has ensured that the ratio of stocks to demand for agricultural products continues to be at a very low level, in spite of record harvests. In light of this scarcity on the international agricultural markets, prices for agricultural products rose significantly during the first half of the year. There was therefore also a further tangible rise in global demand for fertilizers primarily during the first nine months, which resulted in far higher prices for nitrogen, phosphate and potash fertilizers due to the backdrop of supply bottlenecks and higher input costs.

As a result of the financial crisis, there was significant profit-taking on the raw material markets in the second half of the year, and thus also a sharp correction in the prices for almost all agricultural products. This development can only be explained fundamentally with difficulty, because the ratio of cereal stocks to demand, which is the decisive factor for pricing, continues to be at a very low level, although farmers achieved above-average crop yields due to ideal weather conditions in 2008.

Uncertainty regarding the future yield situation, associated with the sharp fall in cereal prices, resulted in a very low order volume for fertilizers from the agricultural sector in the fourth quarter. More restrictive lending to farmers to finance their input material in advance, had a dampening effect on demand for fertilizers, above all in South America. Consequently, numerous producers of complex fertilizers have cut back their output sharply. Moreover, the trade sector built up its stocks considerably during the first nine months against the backdrop of rising fertilizer prices. Besides, demand from the agricultural sector in the northern hemisphere in the fourth quarter in any case declines for seasonal reasons.

After fertilizer prices had risen significantly by the autumn, suppliers of nitrogen and phosphate responded to the slowdown in demand in the fourth quarter with price cuts, in the light of falling input costs and rising stocks. However, as a result of hoped-for further declines in prices, the hesitant reaction of the agricultural sector then grew even stronger, so that the increase in demand aimed for with the price cuts did not materialise.

However, the potash producers responded to the slowdown in demand, which was observed primarily on the spot markets, with production cutbacks. For this reason, the prices for potash fertilizers remained stable in the fourth quarter.

Salt business sector

With its Salt business sector, measured in terms of available capacity, K+S is the world's second largest producer of salt. esco – european salt company, with a production capacity of about 9.7 million tonnes, is Europe's largest supplier of salt. SPL is the largest salt producer in South America and through the North American distribution company ISCO, it occupies a strong market position in the north-eastern states of the United States. At the SPL Group, production capacity in 2008 amounted to about 7 million tonnes; with the expansion of SPL's own port of Patillos, in Chile, the loading capacity doubled in comparison with the previous year and thus yielded considerable savings on demurrage charges.

Sales of de-icing salt in Western Europe were again characterised by a warm winter in the first quarter. In the early purchase business, high customer inventories therefore resulted in price pressure. The wintry weather conditions during the fourth quarter, however, again had a positive impact on the de-icing salt business. In the food grade and industrial salt segments, demand in Europe was stable, and sales of salt for chemical use were still high until the fourth quarter.

Also, the North American de-icing salt market on the East Coast was adversely affected by mild weather conditions, especially in January. The tenders for the winter season 2008/2009 then, however, benefited from supply bottlenecks after two consecutive harsh winters in the Mid-West. The South American market for industrial salt and salt for chemical use grew again in line with local economic development.

Key events affecting the course of business

- During the first nine months, the international fertilizer market was characterised both by strong demand and short supply, as already described under the heading "Industry environment". As a consequence of this, for example, global prices for potassium chloride almost doubled, but prices for nitrogen and phosphate fertilizers also rose sharply during the year.
- Sales of de-icing salt largely depend on winter weather conditions during the first and fourth quarters. Therefore, the positive de-icing salt business in the fourth quarter, described in the industry environment of the individual business segments, resulted in increased sales in the Salt business sector. However, after the more significant, weak first quarter, this was not enough to compensate for increases in all costs.

Trend in share price

The closing price of the K+S share for 2008 was only slightly lower than that of the previous year (1.8) %, but the share's performance was quite volatile over the course of the year. You can find a detailed description of the K+S share price, price trends, ratios and further important information about the K+S share in the section "The K+S Share" on pages 20 et seqq.

General statements on the course of business in 2008

Further information about the future prospects of K+S can be found in our Forecast Report on pages 119 et seqq.

Financial year 2008 was the most successful year operationally in the history of the K+S Group to date. Compared to the previous year, we achieved a revenue increase of 43% and almost increased our operating earnings fivefold. A decisive factor in this success was, above all, the strong demand for potash fertilizers which, especially during the first nine months, potash producers were only able to make available with very great efforts that reached the limits of their technical capacities. The nitrogen fertilizer markets have also performed magnificently, with the exception of the fourth quarter, when the first effects of the financial crisis spread to the real economy as a whole. The small supply and demand ratio for fertilizers, but also the considerable increase in agricultural prices that could be observed globally until the middle of the year have made it possible for us to raise the prices of fertilizers substantially worldwide. Last year's salt business, however, was mediocre, since the good, but rather shorter winter at the end of the year was not quite enough to make up for reduced sales of de-icing salt as a consequence of the absence of the winter on both sides of the Atlantic. The financial and economic crisis then had an adverse effect on the fourth quarter of 2008: This "slamming on the brakes" in the economy also resulted in a total collapse of agricultural prices, which had risen sharply as a consequence of global shortfalls, which in turn put our customers into a state of great uncertainty and purchasing restraint.

Comparison of actual and projected course of business

Revenue forecast

The revenue forecast submitted on 22 February 2008 by the Board of Executive Directors in connection with the 2007 Financial Report assumed that it would be possible to significantly surpass the level of a year ago (€ 3.34 billion) with an expected US dollar exchange rate of 1.44 USD/EUR. With the publication of the Q1/08 Quarterly Report in May, we then forecast an even substantial increase. In August 2008, we published in connection with interim reporting a concrete estimate of anticipated revenues of about € 5.3 billion to € 5.5 billion for all of 2008. This increase in revenue expectations was primarily based on the higher international potash price level. Due to the reluctance to purchase fertilizers that could be observed as a consequence of the global financial crisis, it was then assumed in the outlook of the Q3/08 Quarterly Report that revenues would reach a value at the lower end of the range, i.e. just under € 5.3 billion.

The trading business in nitrogenous fertilizers then turned out to be tangibly weaker than expected in the fourth quarter, so that at € 4.8 billion, the K+S Group's revenues were below our forecast.

Expenses forecast

In the 2007 Financial Report and the quarterly reports of the first three quarters, we forecast that personnel expenses would also increase by about € 40 million, as the result of collective agreement pay rises, and thus be in the mid-single-digit percentage range (2007: € 687.3 million). Ultimately, there were personnel expenses of € 738.5 million, which represented an increase of 7.4% on the figure for the previous year. As for energy costs, we foresaw a significant rise, which also occurred with an increase of 17% to € 253.1 million.

Earnings forecast

The earnings forecast formulated by the Board of Executive Directors in the 2007 Financial Report, assumed that far higher average prices, significantly exceeding the rise in costs, would cause operating earnings to increase significantly in comparison with the figure for the previous year (€ 285.7 million). At that point in time, at least a doubling seemed achievable; the outlook of 6 May 2008 already referred to a potential tripling of the operating earnings of the previous year. Signs of further significant price increases on global markets for the second half of the year, which emerged shortly afterwards, necessitated the publication of an ad hoc notification on 3 June 2008 in which a figure of at least € 1.1 billion was forecast for the operating earnings EBIT I of the K+S Group in 2008. In a further ad hoc notification on 31 July, the Board of Executive Directors again raised the forecast for the operating earnings EBIT I of 2008 from € 1.4 billion to € 1.6 billion, on the basis of knowledge gained during the preparation of the H1/08 Half-Yearly Financial Report. In the light of the abrupt slowdown in demand for fertilizers as a consequence of the financial and economic crisis and the decision to curtail output, operating earnings at the lower end of this range, i.e. of about € 1.4 billion, seemed achievable in the outlook of the Q3/08 Quarterly Report. The declines in revenues as the result of a weaker trading business with nitrogen fertilizers only had a limited impact on operating earnings which, at € 1.34 billion, were finally only 4% below the last published forecast.

For adjusted Group earnings and earnings per share, we forecast a range extending from € 1.0 million to € 1.1 million and € 6.00 to € 6.65 respectively in the outlook published on 6 August 2008. As when refining the other forecasts, in the outlook published on 5 November 2008, here too we assumed figures at the lower end of the two ranges. The adjusted Group earnings after taxes finally totalled € 979.3 million, the adjusted earnings per share € 5.94. Similar to operating earnings, both were thus only 2% and 1% below the most recently forecast figures.

Actual vs. forecast comparison

		Forecast H1/08	Forecast Q3/08	Actual 31.12.2008
Revenues	€ billion	5.3 to 5.5	just under 5.3	4.8
Operating earnings (EBIT I)	€ billion	1.4 to 1.6	about 1.4	1.34
Group earnings, adjusted [1]	€ billion	1.0 to 1.1	about 1.0	0.98
Earnings per share, adjusted [1]	€	6.00 to 6.65	about 6.00	5.94
Capital expenditure [2]	€ million	about 200	about 200	197.5
Depreciation and amortisation [2]	€ million	about 140	a good 140	141.7
Energy costs		significant increase	significant increase	+ 17 %
Personnel expenses	Δ € million	+ 40	+ 40	+ 51.2
Equity ratio	%	a good 50	a good 50	49.5
Level of indebtedness	%	20 to 30	20 to 30	33.2

[1] Adjusted for the effects of market value changes from hedging transaction as well as derivatives that are no longer in operation; a tax rate of 27.9 % (2007: 31.6 %) was imputed for adjusted Group earnings and adjusted earnings per share.
[2] In or in connection with property, plant and equipment, intangible assets.

In addition to the regular forecast presented in the table above, we published two additional ad hoc notifications as a result of the exceptionally high earnings momentum. An overview of the development of the earnings forecasts can be found in the following table:

Forecasts for operating earnings EBIT I of the K+S Group in 2008 as a whole

Financial Report, 22 February 2008	At least doubling in comparison with previous year minimum possible (≙ at least € 570 million)
Quarterly Report Q1/08, 6 May 2008	Tripling in comparison with previous year possible (≙ a good € 850 million)
Ad hoc notification, 3 June 2008	at least € 1.1 billion
Ad hoc notification, 31 July 2008	€ 1.4 to € 1.6 billion
Half-Yearly Financial Report H1/08, 6 Aug. 2008	€ 1.4 to € 1.6 billion
Quarterly Report Q3/08, 5 Nov.2008	at the lower end of the range, i.e. about € 1.4 billion

Earnings Position

At € 4.8 billion, revenues rise 43 % year on year

A detailed explanation of the revenues of the individual business segments can be found on pages 95 et seqq.

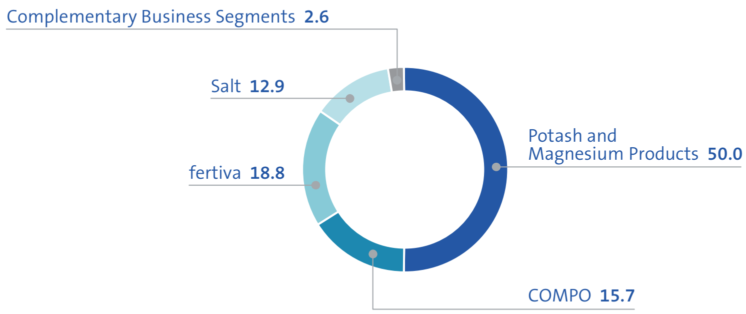
For financial year 2008, we posted revenues of € 4,794.4 million, thus up 43.4 % year on year. During the course of the year, seasonality, which result in the first quarter being the strongest and the third the weakest, was overshadowed by strong price effects in the fertilizer business. Due to volume factors, revenues during the last three months were then lower as a consequence of the high degree of purchasing restraint prompted by the financial crisis. In terms of volumes, the Fertilizer and Plant Care business sector profits in the first quarter from the start of the spring fertilizing season in Europe; although the autumn fertilizing season occurs in the third quarter, it is less important than the spring fertilizing season in terms of sales volumes. The de-icing salt business is generally focused on the first and fourth quarters of a year, while during the second and third quarters, customers stock up at prices that usually are more favourable.

Variance analysis in %	2008
Change in revenues	**+ 43.4**
- volume/structure	(18.8)
- pricing-related	+ 64.5
- exchange rates	(2.4)
- consolidation	+ 0.1

Revenues by business segment

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Potash and Magnesium Products	522.5	612.8	763.4	498.7	2,397.4	1,408.0	+ 70.3
COMPO	275.9	205.0	169.2	100.8	750.9	617.4	+ 21.6
fertiva	212.5	228.8	346.4	113.8	901.5	648.0	+ 39.1
Salt	170.3	108.0	131.0	209.3	618.6	545.1	+ 13.5
Complementary Business Segments	31.7	29.6	31.2	32.8	125.3	125.1	+ 0.2
Reconciliation	0.1	0.3	0.2	0.1	0.7	0.5	+ 40.0
K+S Group	**1,213.0**	**1,184.5**	**1,441.4**	**955.5**	**4,794.4**	**3,344.1**	**+ 43.4**
Share of total revenues in %	25.3	24.7	30.1	19.9	100.0	–	–

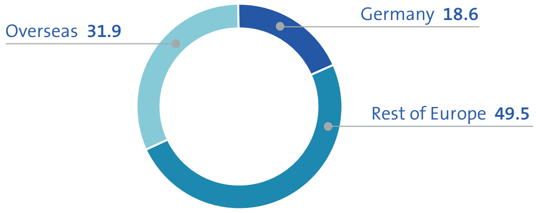
Revenues by Business segment (in %)



The increase in revenues can be attributed, in particular, to positive price effects, which could more than make up for the moderate declines in revenues that resulted from currency factors as well as for the significant declines in revenues caused by volume factors in the fourth quarter. The Potassium and Magnesium Products, fertiva and COMPO business segments increased their revenues mainly as a result of considerably higher fertilizer prices. In the Salt business segment, weak de-icing salt sales in the first quarter were more than compensated for by higher revenues in the salt for chemical use, industrial salt and food grade salt segments and also as a consequence of the onset of winter in the fourth quarter.

The Potash and Magnesium Products business segment posted the highest revenues of all the K+S Group's business segments, accounting for 50 % of the total, and was followed by fertiva, COMPO and Salt (see previous diagram). In Europe, we achieved revenues of € 3,263.8 million (+46 %). The region thus accounted for just under 70 % of total revenues. The European market is very important for us because it normally enables us to exploit our transportation cost advantages. Revenues generated on overseas markets rose by 37 % to a total of € 1,530.6 million.

Revenues by Region (in %)



Trend in orders

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

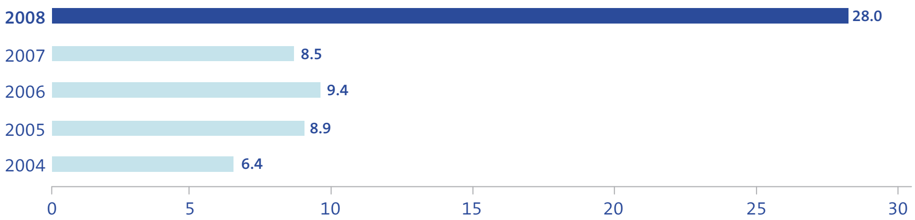
Thus, the disclosure of the Group's and its business segments' backlog of orders is of no relevance for assessments of short- and medium-term earnings capacity.

Operating earnings almost quintupled at € 1,342.7 million

The operating earnings classified as EBIT I are free of the effects of market value changes from hedging transactions and only include the hedging gains actually achieved during the period under review. The effects of the exercise, sale or expiry of the derivatives that still existed at the beginning of the year but are no longer in operation are not included in the operating earnings either.

At € 1,342.7 million, operating earnings EBIT I were up € 1,057.0 million or 370 % on last year's figure (2007: € 285.7 million). Except for the Salt and the Complementary Business segments, all the remaining business segments were able to improve on the previous year materially. Far higher prices for standard and speciality fertilizers resulted in a situation, where it proved possible to considerably more than make up for higher production costs as well as negative currency effects.

EBIT Margin (in %)



The most important cost types in detail: At € 738.5 million, the personnel expenses of the K+S Group increased by € 51.2 million or 7 % in comparison with the previous year. Without the provision effects, personnel costs rose by 8 % as compared with the previous year; the increase is attributable to higher pay settlements under collective bargaining agreements, a somewhat higher number of employees and a rise in performance-related remuneration. The sourcing of raw materials, e. g. phosphate and ammonia, also resulted in further partially tangible increases in costs, especially during the first nine months. While energy costs increased in 2008 by 17 % to about € 253.1 million as a result of price factors, freight costs decreased slightly to € 437.7 million during the period under review due to the lower overseas component.

The EBIT margin for 2008 reached 28.0 %, representing an increase of almost 20 percentage points on the previous year.

A detailed explanation of the earnings of the individual business segments can be found on pages 95 et seqq.

EBIT I by business segment

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Potash and Magnesium Products	170.9	291.4	465.6	275.3	1,203.2	177.9	+ 576.3
COMPO	35.9	29.1	24.7	(10.7)	79.0	32.0	+ 146.9
fertiva	6.7	14.9	15.3	5.5	42.4	25.3	+ 67.6
Salt	14.7	(4.2)	8.5	26.2	45.2	47.8	(5.4)
Complementary Business Segments	7.1	7.1	5.1	5.8	25.1	37.7	(33.4)
Reconciliation *	(9.0)	(11.9)	(17.0)	(14.3)	(52.2)	(35.0)	(49.1)
K+S Group	226.3	326.4	502.2	287.8	1,342.7	285.7	+ 370.0
Share of total EBIT I in %	16.9	24.3	37.4	21.4	100.0	–	–

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

In terms of operating earnings too, the seasonality already discussed in the context of revenues was overshadowed by the strong price effects. The prices for fertilizers, which had risen constantly during the course of the year, resulted in a large growth in earnings, which reached its zenith in the third quarter; in the fourth quarter, the volume sold declined significantly. Operating earnings in the Salt business segment were, as expected, somewhat lower than those of the previous year. This was also the result of higher costs, in particular for energy and freight, and of a lower currency result.

The EBIT I reconciliation for the reporting year amounted to € (52.2) million, which represents a decrease of € 17.2 million. This is mainly a result of the higher performance-related remuneration for the Board of Executive Directors and the senior management. Additional costs were incurred for projects examining future growth possibilities of the K+S Group as well as for advisory services for the announced reorganisation of the business with nitrogenous fertilizers and the image campaign started for the first time last year within the framework of the Group's inclusion in the DAX®.

EBITDA up by over € 1 billion

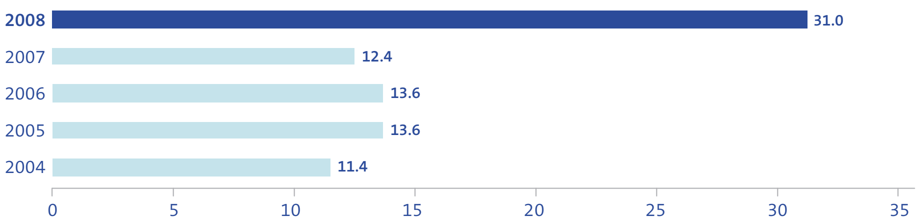
EBITDA BY BUSINESS SEGMENT

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Potash and Magnesium Products	190.3	311.2	485.3	299.5	1,286.3	255.1	+ 404.2
COMPO	38.6	31.6	32.2	(11.7)	90.7	42.2	+ 114.9
fertiva	6.8	15.2	15.5	5.7	43.2	26.0	+ 66.2
Salt	22.0	3.5	16.2	35.9	77.6	76.5	+ 1.4
Complementary Business Segments	8.5	8.5	6.7	7.5	31.2	42.4	(26.4)
Reconciliation *	(7.4)	(9.8)	(14.6)	(12.8)	(44.6)	(28.3)	(57.6)
K+S Group	**258.8**	**360.2**	**541.3**	**324.1**	**1,484.4**	**413.9**	**+ 258.6**
Share of total EBITDA in %	17.4	24.3	36.5	21.8	100.0	–	–

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

During the year under review, it proved possible to increase earnings before interest, taxes, depreciation and amortisation by € 1,070.5 million to € 1,484.4 million. Depreciation and amortisation amounted to € 141.7 million and were thus € 13.5 million higher in comparison to the previous year.

EBITDA MARGIN (IN %)



Trend in other key items of the income statement

At just under 47 %, gross margin significantly above the level of the previous year

While revenues increased by 43.4 % year on year, cost of sales rose by 15.4 %. The gross margin thus improved to 46.8 % after it had been 33.9 % in the previous year. The aforementioned cost increases for personnel and energy could be more than compensated for as a result of substantial price increases for fertilizers.

A decisive factor in this regard was the strong demand for potash fertilizers which evidently, especially during the first nine months, all producers were only able to make available with greatest effort that was on the limit of their technical capacity. This enabled us, with very high capacity utilisation until the start of the fourth quarter, to significantly improve profitability in spite of cost increases.

Selling expenses mainly influenced by freight costs

The selling expenses of the K+S Group rose during the year under review by € 23.6 million or 3 % to € 776.0 million. This is mainly due to higher personnel costs in sales resulting from pay settlements under collective bargaining agreements, increases in the material costs necessary for transporting our products as well as higher fees for credit sale insurance stemming from higher prices. Freight costs, which account for more than one half of selling expenses, slightly declined to € 437.7 million during the period under review because of the lower overseas share.

In addition, the selling expenses also include a low double-digit million amount for advertising in the form of press advertisements, brochures, TV and radio commercials, trade fairs, product launches etc. The majority of these costs are incurred in the COMPO, Potash and Magnesium Products and Salt business segments.

General and administrative expenses higher

In 2008, general and administrative expenses increased by € 14.9 million or 16.8 % to € 104.3 million. This growth is mainly attributable to the harmonisation of the IT infrastructure of SPL companies and the reasons stated for the increase in reconciliation (see page 78). In proportion to revenues, general and administrative expenses amounted to 2.2 % (previous year: 2.7 %).

Other operating income and expenses

In 2008, the balance for other operating income and expenses came to € (2.9) million; the decline in this income statement item of € 9.1 million is primarily attributable to higher provisions for payment default risks, the costs for projects to review future growth possibilities for the K+S Group as well as to valuation adjustments for inventories, especially in the case of COMPO. The currency result contained in other operating income and expenses was positive and amounted to € 19.3 million while a currency loss of € 9.5 million was incurred in 2007.

Income from investments, net

In 2008, the income from investments of € 2.5 million returned to its customary level; the figure for the previous year of € 4.6 million was boosted by special income from the sale of biodata ANALYTIK GmbH, which was not part of the core business of the K+S Group.

Earnings after market value changes and derivatives no longer in operation (EBIT II)

Under IFRSs, changes in market value from hedging transactions have to be reported in the income statement. While the cash gains from derivatives already exercised are included in operating earnings EBIT I, we report non-cash changes in the market value of derivatives that are still outstanding by reconciliation to EBIT II. Following the reorganisation of our US dollar hedging system at the end of 2007/beginning of 2008, the double-barrier options that existed at the beginning of the financial year no longer served to secure core business operations so that the earnings effects arising from the exercise, sale or expiry of the options are also reported in full in EBIT II.

Earnings after market value changes and derivatives no longer in operation (EBIT II) achieved € 1,192.3 million during the year under review, having been € (106.9) million in the previous year. At € 150.4 million, EBIT II was much less adversely affected than in the previous year (€ 392.6 million). Most of the adverse impact on earnings resulted from the exercise, sale or expiry of the derivatives that still existed at the beginning of the year but were no longer in operation. Moreover, a significantly stronger US dollar on reporting date, tangibly lower freight charges, and lower energy costs led to lower market values for the hedging instruments used.

Financial result € 42 million higher than previous year

The financial result consists of net interest income and other financial result. At (€ 4.6) million, net interest income for 2008 was significantly better than in the preceding year (€ (35.6) million). The main reason for this was the increase in the discount factor for the interest relating to provisions for mining obligations, which resulted in non-cash interest income of € 26.6 million. In total, the interest income from provisions for mining obligations in the year under review amounted to € 20.0 million (2007: interest expenses of € 13.9 million). Non-cash interest expenses for pension provisions came to a total of € 2.3 million in 2008 (2007: € 4.0 million); due to the corridor method used, the increase in the discount rate for computing pension provisions had no impact on the net interest result. Other financial result came to € 11.4 million during the year under review (previous year: € (0.1) million) and benefited from special income from the disposal of financial investments. Overall, the financial result improved by € 42.4 million to € 6.8 million.

Adjusted earnings before taxes

Adjusted earnings before taxes amounted to € 1,199.1 million. If these earnings are adjusted for the included effects of market value changes from hedging transactions as well as derivatives that are no longer in operation amounting to € 150.4 million, adjusted earnings before taxes amount to € 1,349.5 million. Thus, this more appropriate financial indicator for assessing economic success improved by € 1,099.5 million year on year.

Adjusted Group earnings after taxes

Unadjusted Group earnings after taxes and minority interests were € 870.9 million during the year under review. The non-cash changes in the market value hedging transactions as well as the result for derivatives no longer in operation also had an effect on this figure.

As, also in 2008, we generated the bulk of our earnings in Germany, we were able to profit from the reduction in the rates of corporate taxation from 25 % to 15 % in connection with the reform of corporate taxation. After taking into account the financing countermeasures, the volume of income tax relief attained in 2008 amounted to approximately € 82 million. The domestic Group rate of income tax to be applied in accordance with IFRSs was thus reduced from 37.2 % to 27.9 %.

Tax expense totalling € 327.7 million was incurred in 2008; of this amount, € 61.4 million was deferred, i.e. non-cash. In light of the significantly negative market performance of our double-barrier options, 2007 saw tax income of € 49.5 million; deferred taxes of € 68.9 million were in part offset by cash tax expenses of € 19.4 million.

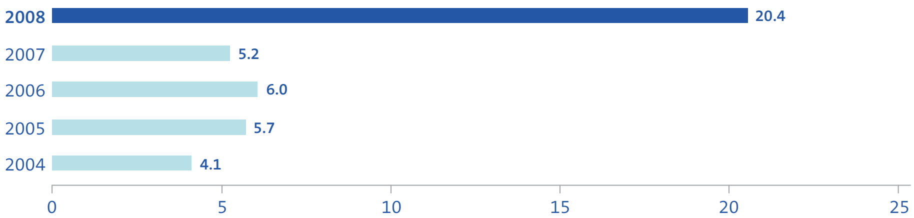
Given the limited economic meaningfulness of unadjusted earnings after taxes, we additionally report earnings after taxes adjusted for the effects of changes in market value from hedging transactions as well as from derivatives no longer in operation. This also eliminates the effects of the market value changes from hedging transactions respectively derivatives no longer in operation on deferred respectively cash taxes.

We compute adjusted Group earnings as follows:

Computation of the adjusted Group earnings

in € million	2008	2007
Group earnings after taxes and minority interests	870.9	(93.3)
Elimination of market value changes from hedging transactions respectively income of derivatives no longer in operation	+ 150.4	+ 392.6
Elimination of resulting deferred respectively cash taxes	(42.0)	(124.0)
Adjusted Group earnings after taxes and minority interests	**979.3**	**175.3**

Return on revenues (in %)



At € 979.3 million, adjusted Group earnings exceeded the previous year's level by € 804.0 million. In addition to dramatically higher operating earnings, this was also due to the greatly improved financial result. The adjusted Group tax rate was thus 27.4 %, after having been 29.9 % in the previous year.

Adjusted Group earnings after taxes

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Group earnings	84.8	226.2	333.5	226.4	870.9	(93.3)	–
Earnings per share (€) *	0.52	1.37	2.02	1.37	5.28	(0.57)	–
Average number of shares *	164.84	164.95	165.00	165.00	164.95	164.94	–
Group earnings, adjusted	**162.6**	**231.1**	**358.1**	**227.5**	**979.3**	**175.3**	**+ 458.6**
Earnings per share, adjusted *	**0.99**	**1.40**	**2.17**	**1.38**	**5.94**	**1.06**	**+ 460.4**

* Adjusted to share split in the ratio 1:4
(Entry in the Commercial Register: 24 June 2008; technical execution: 21 July 2008).

Adjusted earnings per share reach € 5.94 (2007: € 1.06)

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 year under review, adjusted earnings per share amounted to € 5.94 and were thus up 460% on the previous year (€ 1.06). They were computed on the basis of an average number of outstanding shares of 164.95 million no-par value shares (previous year: 164.94 million no-par value shares; adjusted to the share split in the ratio 1:4 entered in the Commercial Register on 24 June 2008 and technically executed on 21 July 2008).

As of 31 December 2008, we held 24 shares of our own. The total number of K+S Group shares outstanding at the end of December amounted to 165.00 million no-par value shares.

Key figures on earnings position

Definitions of the key figures used can be found in the Glossary on page XVIII.

Multi-period overview of margin and yield key figures

Figures in %	2008	2007	2006	2005	2004
EBIT Margin	28.0	8.5	9.4	8.9	6.4
EBITDA Margin	31.0	12.4	13.6	13.6	11.4
Return on revenues *	20.4	5.2	6.0	5.7	4.1
Return on equity after taxes *	68.6	16.1	17.7	17.8	12.1
Return on total investment	44.9	11.0	12.3	12.7	9.1
Return on capital employed (ROCE)	64.0	15.5	17.4	19.5	14.2

* 2006: without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.

The margin key figures were significantly higher than those of the previous periods and hit historically record highs. The EBIT margin reached 28.0% after 8.5% in 2007, the EBITDA of € 1,484.4 million resulted in an EBITDA margin of 31.0% (2007: 12.4%). At 20.4%, the return on revenues is also significantly higher than the figure for the previous year of 5.2%. The increase in revenues caused by significantly higher prices for fertilizers was thus able to far more than make up for the increase on the costs side.

In the reporting year, against the backdrop of an increase in tied-up capital, mainly as the result of price factors, substantially higher earnings contributions resulted in a significant improvement in yield figures: In the reporting year, our return on equity after taxes amounted to 68.6% (2007: 16.1%) and the return on total investment to 44.9% (2007: 11.0%). The return on capital employed (ROCE), which we pay particular attention to, was 64.0% for the year under review compared with 15.5% in the same period last year. It is thus again far above our cost of capital of about 10.4% before taxes, i.e. the K+S Group has again created substantial added value of € 1,124.5 million during the past financial year.

Financial Position

Principles and goals of financial management

Financial management of the K+S Group is controlled centrally

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

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

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

KEY FIGURES FOR THE MANAGEMENT OF THE CAPITAL STRUCTURE

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

Based on the figures achieved in 2008, it would thus be possible to attain a tangible increase in net indebtedness without jeopardising the aimed-for target creditworthiness.

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

With regard to foreign currency hedging, the focus is on the net US dollar receipts of the Potash and Magnesium Products business segment in terms of volume. Hedging transactions are concluded for terms of up to three years in advance in keeping with the medium-term planning horizon. The hedging volume is determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis in order to avoid excess hedging or hedging shortfalls.

Foreign currency hedging system

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

For 2008 at first, a worst-case scenario was hedged at about 1.51 USD/EUR including costs. During the second half of the year, however, we were able to participate in a strengthening US dollar. Following the trend on the foreign currency markets, in comparison to 2007, this resulted overall in a far weaker average exchange rate for the Potash and Magnesium Products business segment of about 1.46 USD/EUR (2007: 1.33 USD/EUR).

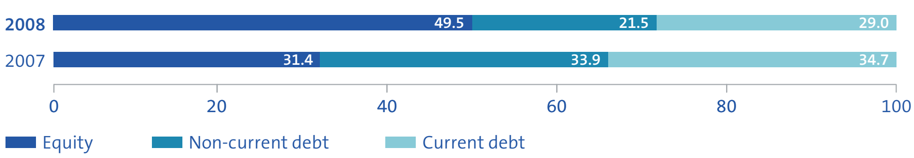
We have hedged the anticipated US dollar receipts for 2009 by means of derivatives, which establish a "worst case" at about 1.51USD/EUR including costs. We have also hedged a worst-case scenario for anticipated US dollar receipts for the first quarter of 2010 at about 1.50 USD/EUR including costs.

Financing analysis

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

The financing structure of the K+S Group has improved significantly in an annual comparison: Equity increased substantially due to the high after-tax result, the equity ratio consequently rose from 31.4 to 49.5 % of the balance sheet total. At 21.5 %, however, the proportion of non-current debt including non-current provisions, on the other hand, declined (2007: 33.9 % of the balance sheet total). Current debt too decreased from 34.7 % to 29.0 %.

EQUITY AND LIABILITIES (IN %)



About 49 % of the K+S Group's debt consists of provisions, approximately 27 % of accounts payable trade and 15 % of financial liabilities. The main provisions of the K+S Group are provisions for mining obligations (2008: € 378.3 million) as well as for pensions and similar obligations (2008: € 93.1 million). As of 31 December 2008, bank loans and overdrafts amounted to € 266.4 million, of which € 159.3 million can be classified as current.

Multi-period overview of financial position

Figures in € million	2008	2007	2006	2005	2004
Equity	1,718.3	931.8	1,124.3	942.1	880.6
Equity ratio in %	49.5	31.4	39.7	41.7	41.0
Non-current debt	749.3	1,004.2	822.1	665.1	688.2
Current debt	1,006.1	1,028.8	844.5	651.8	578.9
Non-current provisions as share of balance sheet	16.4	20.5	20.9	28.1	30.4
Liabilities due to banks	266.4	688.3	370.7	29.5	57.8
Net indebtedness *	570.0	1,085.1	718.3	321.4	340.5
Level of indebtedness I in %	15.5	73.9	33.0	3.1	6.6
Level of indebtedness II in %	33.2	116.4	63.9	34.1	38.7
Working capital	962.3	570.6	603.1	456.4	333.1
Cash flow from operating activities **	844.6	258.7	227.6	274.5	224.3
Free cash flow before acquisitions/divestments **	674.5	115.3	155.6	180.2	92.7
Cash flow for financing activities	(318.0)	81.7	170.9	(113.3)	(39.7)

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

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

- Trend in salary increases: 1.8 % (2007: 1.8 %)
- Trend in pension increases: 1.8 % (2007: 1.8 %)
- Discount factor: 5.3 % (2007: 4.6 %)

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

- Trend in price increases: 1.5 % (2007: 1.5 %)
- Discount factor: 5.6 % (2007: 5.0 %)

During the past financial year, the discount factor for pension provisions was adjusted from 4.6 % to 5.3 %. This had no direct impact on earnings as a result of the use of the corridor method (IAS 19). However, interest income of € 26.6 million resulted from the adjustment of the discount factor for provisions for mining obligations.

A change in the level of market interest rates would first of all impact on the measurement of provisions for mining obligations. Thus, an increase in the discount factor of one percentage point would reduce the carrying amount by about € 52 million in 2009. Conversely, a reduction in the discount factor of one percentage point would cause mining provisions to rise by about € 77 million in 2009. It is important to note in this regard that the aforementioned changes in provisions resulting from a change in the discount factor should not be treated as having a corresponding impact on earnings. In the case of mining provision, effects arising from the adjustment of other valuation parameters (e.g. the rate of inflation) generally counteract the effect of a change in the discount rate. In contrast to looking at a change in interest rates in isolation, this has a much lesser impact on earnings. A change in the level of market interest rates would also impact on the scale of future pension obligations, but this would not, however, entail any changes to the carrying amount because of the use of the corridor method (IAS 19).

The average cost of debt, including provisions, for the K+S Group is 4.9% before taxes and is thus higher that the rate of a year ago (4.3%). The increase can chiefly be attributed to the higher interest rate level for bank payables until the third quarter. We do not expect any significant change in the cost of debt in 2009.

About 70% of the financing of the K+S Group result from equity and non-current debt, which itself consists of non-current provisions to a large extent. Furthermore, there are sufficient financing possibilities available at banks, which, if need be, offer us additional financing at attractive rates.

Financial liabilities in foreign currencies are predominantly denominated in US dollars. As at 31 December 2008, they totalled € 187 million. Additionally, financial liabilities in Brazilian real (€ 11.7 million) as well as Chilean peso (€ 5.9 million) existed.

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

Off-balance sheet financing instruments in the sense of the sale of receivables, asset-backed securities, sale and lease back transactions or contingent liabilities in relation to special purpose entities not consolidated only exist to a negligible extent. We only have operating leases in respect of, for example, IT equipment and company vehicles and the extent of them has no bearing on the economic position of the Group.

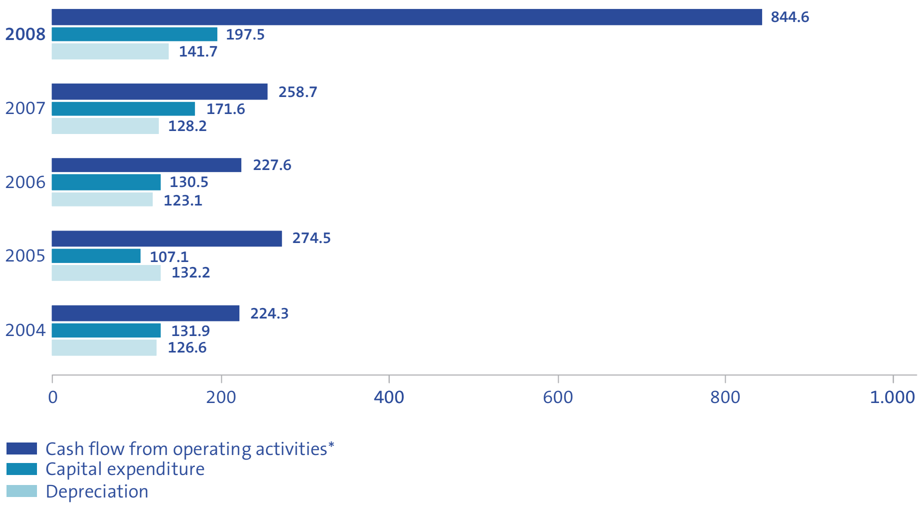
Capital expenditure analysis

Capital expenditure by business segment

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Potash and Magnesium Products	13.4	22.5	31.0	44.2	111.1	79.7	+ 39.4
COMPO	1.3	2.1	3.4	3.6	10.4	12.6	(17.5)
fertiva	0.1	0.1	0.1	0.0	0.3	4.2	(92.9)
Salt	5.5	29.8	9.6	13.7	58.6	47.9	+ 22.3
Complementary Business Segments	3.8	2.2	2.6	1.4	10.0	17.2	(41.9)
Reconciliation *	0.1	3.8	1.7	1.5	7.1	10.0	(29.0)
K+S Group	**24.2**	**60.5**	**48.4**	**64.4**	**197.5**	**171.6**	**+ 15.1**
Share of total capital expenditure in %	12.3	30.6	24.5	32.6	100.0	–	–

In 2008, we invested a total of € 197.5 million in property, plant and equipment and intangible assets, about 15 % more than in the previous year. Furthermore, in comparison to the forecast published in our financial report 2007, at the end of the year, there were capital expenditure overhangs of about € 40 million, which were mainly attributable to delays in granting of permission for the construction of the saline water pipeline from the Neuhof-Ellers site to the Werra site, already applied for in July 2007, and to limited resources at suppliers and the resultant extension of delivery times. During the course of the year, a certain degree of seasonality is evident for capital expenditure; investment undertakings are largely implemented in the third and fourth quarters, since we use the pauses in production that arise then to implement larger-scale investment undertakings.

Capital expenditure compared with depreciation and cash flow from operating activities (in € million)



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

At the end of the year, there were still capital expenditure obligations totalling € 73.9 million. On the one hand, this can be attributed to investment undertakings from 2008 that have not been completed yet and, on the other, to early orders for investment projects of 2009: As a result of the above-mentioned limited resources from suppliers, some orders for materials for the planned production pauses in 2009 were already made during the year under review.

Measures relating to replacing and ensuring production accounted for about half of the capital expenditure. The depreciation charges totalling € 141.7 million were able to thus fund these measures completely and, furthermore, cover part of the investments in expansion and rationalisation projects.

Potash and Magnesium Products Business Segment

At € 111.1 million, capital expenditure in the Potash and Magnesium Products business segment was up € 31.4 million on the previous year. The increase is, in part, attributable to measures intended to improve exploitation and to the expansion in capacity for industrial products at the Zielitz site. Moreover, we have completed the capital expenditure in the changeover of the energy supply at our Wintershall site in the year under review. Furthermore, we continued a modernisation measure for increasing capacity in the area of fertilizer specialities. Measures relating to replacing and ensuring production account for just under 60 % of the capital expenditure.

COMPO Business Segment

In the year under review, we invested € 10.4 million or about € 2 million less in the COMPO business segment. About 60 % of this took the form of measures relating to replacing and ensuring production. The largest projects were the optimisation of the Torf- und Humuswerk Gnarrenburg and the commencement of construction of a third facility for coated fertilizers in Krefeld. A further part of the capital expenditure concerned projects in the area of plant protection, which we carried out in collaboration with Syngenta.

fertiva Business Segment

Following the completion of the new sifting plant for large-grain ammonium sulphate at the Lanxess plant in Antwerp, the volume of capital expenditure in our fertiva business segment returned to its customary lower level of € 0.3 million in the year under review (2007: € 4.2 million).

Salt Business Segment

In 2008, Salt business capital expenditure increased substantially compared with the previous year by € 10.7 million to € 58.6 million. About 60 % of this volume took the form of capital expenditure relating to expansion. The increase is attributable to the expansion and extension of the useful life of our fleet of ships at Empremar as well as to the completion of measures for doubling the loading capacity of the port at the open-cast mining operations of SPL in Chile. To this can be added the expansion of the mill and the modernisation of the power supply at the Borth site in Germany.

Complementary Business Segments

The volume of capital expenditure of the complementary business segments was about € 10.0 million in the year under review. As anticipated, € 5 million of this was accounted for by the Waste Management and Recycling business segment; the remainder was mainly invested in logistics. In the Waste Management sector, a project at the Zielitz site was completed, allowing now also waste in dust form to be accepted for reutilisation. The expansion of warehouse storage capacity and the replacement of the bulk loader at KTG as well as the construction of a container terminal for combined traffic at the Werra site were among the most significant projects in the Logistics sector. Thus, about 60% of the total volume applied to investments relating to expansion.

Liquidity analysis

Cash flow review

in € million	Q1/08	Q2/08	Q3/08	Q4/08	**2008**	2007	%
Gross cash flow	243.0	281.5	456.8	196.6	1,177.9	372.1	+ 216.6
Cash flow from operating activities *	132.6	254.0	362.9	95.1	844.6	258.7	+ 226.5
Cash flow for investing activities	(24.7)	(60.8)	(48.1)	(36.5)	(170.1)	(140.7)	+ 20.9
- of which acquisitions/divestments	–	–	–	–	–	2.7	–
Free cash flow	105.6	179.7	307.3	40.0	632.6	(249.0)	–
Free cash flow before acquisitions/divestments *	**107.9**	**193.2**	**314.8**	**58.6**	**674.5**	**115.3**	**+ 485.0**
Share of total free cash flow in %	16.0	28.6	46.7	8.7	100.0	100.0	–
Cash flow for/from financing activities	(107.7)	(268.9)	1.1	57.5	(318.0)	81.7	(489.2)
Change in cash and cash equivalents	(6.6)	(91.7)	+ 312.3	+ 98.0	+ 312.0	(167.8)	–

* Adjusted for the change in the tie-up of funds for premium payments for hedging transactions (Full year 2008: € 41.9 million; full year 2007: € 367.0 million).

FINANCIAL POSITION

In the year under review, gross cash flow reached € 1,177.9 million and was thus considerably greater than it had been the previous year (2007: € 372.1 million). In spite of higher income tax payments, this was primarily the result of an EBIT I that had increased by € 1,057.0 million. As a result of the alterations made to the foreign currency hedging system at the end of 2007, far fewer premium payments were made for US dollar hedging in the financial year than in the previous year, so that the figures following adjustment for the change in these tied-up funds (2008: € 41.9 million; 2007: € 367.0 million) look like this: Despite the significant increase in inventories, receivables and other assets as a consequence of higher fertilizer prices in 2008, it proved possible to increase the cash flow from operating activities by € 585.9 million to € 844.6 million.

Expenditure on investment activities increased last year by a total of € 29.4 million to € 170.1 million; this is mainly due to a higher level of capital expenditure in the Potash and Magnesium Products business segment on measures intended to improve exploitation as well as in the Salt business segment on the expansion and extension of the useful life of our fleet of ships.

In 2008, we achieved free cash flow of € 632.6 million; this was thus far higher than the negative free cash flow of € (249.0) million of the previous year. After adjustment for acquisitions/divestitures and the tie-up of capital caused by premium payments, it rose by € 559.2 million to € 674.5 million, after having been € 115.3 million in the previous year. Free cash flow is subject to significant seasonality during the course of the year. In general, both the first and fourth quarters are influenced by an increase in receivables, while high cash receipts are usually recorded in the second and third quarters. These factors result in cash generally reaching its highest point for the year at the end of the third quarter.

Cash flow from financing activities during the year under review essentially comprised the redemption of loans as well as the dividend payment for 2007 of € 82.5 million. Altogether, the cash flow from financing activities thus consisted of loan repayments of € 318.0 million after the taking out of loans worth € 81.7 million in the previous year. Cash and cash equivalents at year-end were thus € 160.6 million (2007: € (151.4) million).

Cost of capital

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

The interest to which a contributor of equity would be entitled is based on the risk-free interest rate plus a risk premium. The average of the yields of government bonds denominated in euros with a maturity of 1 to 30 years was assumed as a risk-free interest rate; this is 4.2 %. The risk premium has been computed using the empirical mean for the market risk premium of 4.5 % and the longer-term adjusted beta factor of 0.86 applicable to K+S in relation to the MSCI Europe benchmark index. This means that a contributor of equity would be entitled to interest of 8.0 %. The market value of equity amounted to about € 4.6 billion as at the end of November 2008 and is a figure derived from the price of the K+S share on that reporting date multiplied by the number of shares issued (165.00 million units).

The average interest on debt before taxes amounts to 5.5 % and is derived from the weighted average for the risk-free interest rate plus the individual credit risk supplement for K+S as well as the interest on pension and mining provisions. After taking into account the future expected Group tax rate of 28 %, this yields an average cost of debt after taxes of about 4.0 %.

At the end of November 2008, the time for the impairment test, interest-bearing debt amounted to about € 700 million, being the aggregate of the market value of the financial liabilities, the pension provisions and the mining provisions. Total capital is accordingly about € 5.3 billion, of which about 87 % is attributable to equity valuated at market prices.

In total, this results in a weighted average cost of capital rate for the K+S Group of about 7.5 % after taxes.

Asset Position

Definitions of the margin and yield indicators used can be found in the Glossary on page XVIII.

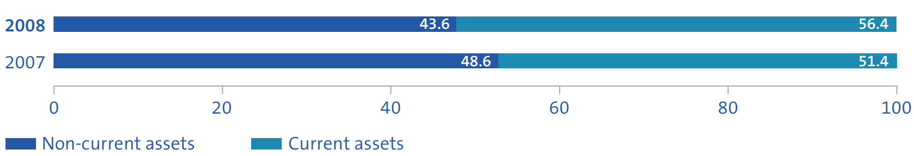
Analysis of asset structure

Multi-period overview of net asset position

Figures in € million	2008	2007	2006	2005	2004
Property, plant and equipment, intangible assets	1,423.6	1,297.3	1,271.7	874.1	883.3
Financial assets and non-current securities	22.3	54.9	61.5	75.3	75.8
Cash and cash equivalents and current securities	167.8	49.4	79.6	150.0	206.0
Net indebtedness *	570.0	1,085.1	718.3	321.4	340.5
Equity/fixed assets ratio I in %	119.9	85.6	82.4	104.8	97.7
Equity/fixed assets ratio II in %	171.9	162.1	146.2	179.7	173.9
Liquidity ratio I in %	16.7	4.8	9.0	23.0	35.6
Liquidity ratio II in %	123.5	108.8	119.1	146.4	142.6
Liquidity ratio III in %	194.6	148.2	162.2	190.0	186.1

* Without cash invested with respectively received from affiliated companies.

Assets (in %)



K+S Group balance sheet total rose by 17.2 % to € 3,473.8 million as of 31 December 2008. This is mainly the result of the increase in inventories and receivables as a consequence of the higher price level for fertilizers. For this reason too, the structure of assets shifted somewhat toward current assets in 2008. At 56:44, the ratio of non-current assets to current assets can, however, still be regarded as very balanced. At the end of 2008, liquid funds and short-term securities totalled € 167.8 million (previous year: € 49.4 million). After the inclusion of cash and cash equivalents, the provisions for pension and mining obligations (€ 93.1 million and € 378.3 million respectively) as well as financial liabilities (€ 266.4 million), K+S indebtedness at the end of the year amounted to € 570.0 million (previous year: € 1,085.1 million). The sharp decline can be attributed to the considerably higher free cash flow with which it was possible to redeem the majority of the still existing bank overdrafts.

Off-balance sheet assets

In 2005, we started on the out-financing of provisions for pensions and semi-retirement arrangements through a Contractual Trust Arrangement (CTA) model. By making allocations to the CTA model, the corresponding financial resources are earmarked for the purpose of settling pension obligations and early retirement arrangements and are thus disclosed as off-balance sheet items for the K+S Group. After a further allocation of € 34.5 million in the year under review, as at 31 December 2008, a total of € 107.8 million was tied up for this end as an off-balance sheet item.

As at 31 December 2008, other financial obligations totalled about € 122 million and concern both obligations arising from as yet uncompleted capital expenditure projects as well as from operating leases for items of factory and office equipment (e. g. printers, photocopiers and IT peripherals). In addition, cars are also leased. Due to the chosen contractual structures, these items are not carried under non-current assets on the balance sheet.

Moreover, our long-standing and trusting customer relations constitute a not inconsiderable asset. In addition to a secured volume of sales, these relationships offer us the opportunity to identify new requirements for our products, and thus also for our R&D work, at an early stage, and to implement this in collaboration with our customers.

Comments on acquisition and disposal of companies

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

General Statement on the Current Economic Situation*

Use of allowed alternative accounting treatment

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

Assessment of the economic situation by the Company management

The indicators for healthy and profitable growth for the K+S Group remain favourable for the coming years: The growing global population, the tendency for the emerging market countries to consume more meat, in spite of recurrent economic crises, and the associated increase in the demand for feed will prompt the demand for large parts of our product range to increase further. In the global salt business too, the world population trend described above and the resultant changes in lifestyle should have a positive impact. The fact that de-icing salt will continue to be needed to ensure road safety has again been demonstrated during the past few months on both sides of the Atlantic. All in all, for our business performance in 2009 we are, from the current perspective, expecting a decline in the very high revenue and earnings figures of the previous year, but are confident that these circumstances will, perhaps, have already even improved in the second half of the year. Against the backdrop of strong financial fundamentals, we continue to assess the economic position, above all in the medium term, as positive.

ASSET POSITION
BUSINESS SEGMENT DEVELOPMENT

* As of 25 February 2009

Business Segment Development

Potash and Magnesium Products Business Segment

Variance analysis in %	2008
Change in revenues	**+ 70.3**
- volume/structure	(33.1)
- pricing-related	+ 106.1
- exchange rates	(2.7)
- consolidation	–

in € million	Q1/08	Q2/08	Q3/08	Q4/08	**2008**	2007	%
Revenues	522.5	612.8	763.4	498.7	2,397.4	1,408.0	+ 70.3
Operating earnings (EBIT I)	170.9	291.4	465.6	275.3	1,203.2	177.9	+ 576.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	190.3	311.2	485.3	299.5	1,286.3	255.1	+ 404.2
Capital expenditure	13.4	22.5	31.0	44.2	111.1	79.7	+ 39.4
Employees (31 Dec.; number)	7,645	7,615	7,778	–	7,800	7,626	+ 2.3

Potassium chloride	+ 74.3
Fertilizer specialities	+ 59.6
Industrial products	+ 86.4

Market environment

With a market share of about 11%, the Potash and Magnesium Products business segment is the fourth-largest producer in the world and the leading provider in Europe. Our specialities clearly distinguish us from the competition and in terms of magnesium sulphate and potassium sulphate fertilizers, we occupy the leading position in the world. With our product range for industrial, technical and pharmaceutical applications, we are also one of the strongest providers worldwide and in Europe number 1 by far.

A description of the drivers behind global fertilizer demand can be found on pages 70 et seq.

In the year under review, global demand for potash fertilizers was, at 55 million tonnes of goods, in total about 6% below the figure of 2007 (see diagram on page 127). However, during the first six months of the year, demand still significantly exceeded previous year’s figure. As the international potash fertilizer producers had produced close to the theoretically available capacity, this resulted in availability bottlenecks at all suppliers. The resulting small supply and demand ratio, but also the considerable increase in agricultural prices that could be observed worldwide until the middle of the year have made it possible for us and our competitors to raise the prices of potash fertilizers in the first three quarters substantially (see table below).

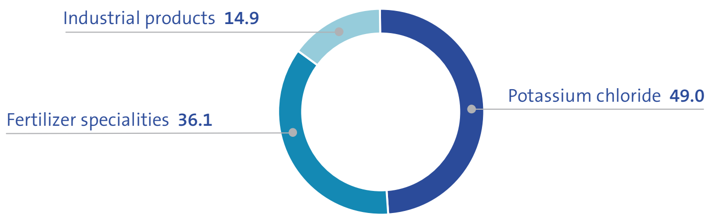
Average prices in the Potash and Magnesium Products business segment *

	Unit	**2008**	2007	2006	2005	2004
Ø-Price	**€/t**	**342.7**	**171.3**	**155.0**	**152.3**	**130.7**
- Europe	€/t	337.9	170.0	153.6	147.5	128.9
- Overseas	US$/t	524.9	237.9	197.9	200.6	166.6

* The calculation of the average includes both prices incl. and excl. freight costs. In the case of overseas revenues, these are based on the respective USD/EUR spot rates. The information on prices is thus to be understood solely as providing a rough indication.

The sharp fall in grain prices as a consequence of the financial crisis triggered uncertainty regarding the future earnings situation in the agricultural sector; this resulted abruptly in a very restrained order volume in the fourth quarter. More restrictive lending to farmers, wanting to finance their input material in advance, also had a dampening effect on demand for fertilizers, above all in South America. As a consequence, numerous producers of complex fertilizers, as significant users of potash, have cut back their output sharply. Moreover, the trade sector built up its stocks considerably during the first nine months in the light of rising fertilizer prices. Besides, demand from the agricultural sector in the northern hemisphere in the fourth quarter in any case declines for seasonal reasons. Almost all potash producers responded to the slowdown in demand, which was observed primarily on the spot markets, with significant production cutbacks. Against this backdrop, the prices for potash fertilizers remained relatively stable in the fourth quarter.

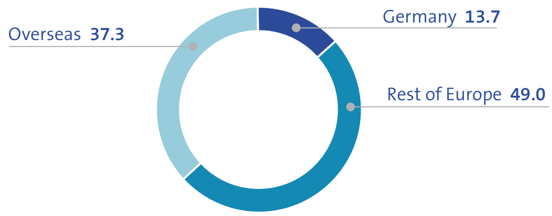
Revenues by product group (in %)



Revenues

The Potash and Magnesium Products business segment posted revenues of € 2,397.4 million for financial year 2008 and was thus able to achieve an increase of € 989.4 million or about 70 % on the figure for the previous year. The increase is attributable to significant price increases and far more than made up for volume-related declines as well as a weaker US dollar. In Europe, our core market, sales volumes fell by 11 %, while in overseas the decline was 20 %, so that at 6.99 million tonnes, aggregate sales volumes in 2008 were just under 15 % lower than in the previous year (2007: 8.22 million tonnes).

Revenues by region (in %)



Just under 63 % of revenues were generated in Europe last year and are therefore largely free of any direct foreign exchange risk. However, the weakening of the average US dollar spot rate to 1.47 USD/EUR had a negative effect on the revenues achieved overseas (2007: Ø 1.37 USD/EUR); with unchanged exchange rates, we would have achieved revenues higher by just under € 39 million.

Development of revenues, volumes and average prices by region

Region	Unit	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Revenues *	**€ million**	**522.5**	**612.8**	**763.4**	**498.7**	**2,397.4**	**1,408.0**	**+ 70.3**
- Europe	€ million	349.3	387.5	479.8	287.0	1,503.5	854.5	+ 76.0
- Overseas	US$ million	259.2	351.0	429.9	295.2	1,335.4	759.0	+ 75.9
Volumes	**t eff. million**	**2.11**	**2.02**	**1.70**	**1.16**	**6.99**	**8.22**	**(14.9)**
- Europe	t eff. million	1.43	1.33	1.05	0.64	4.45	5.03	(11.5)
- Overseas	t eff. million	0.68	0.69	0.64	0.53	2.54	3.19	(20.3)
Average Price	**€/t eff.**	**247.2**	**303.1**	**450.1**	**428.5**	**342.7**	**171.3**	**+ 100.0**
- Europe	€/t eff.	244.4	291.4	455.2	450.9	337.9	170.0	+ 98.8
- Overseas	US$/t eff.	379.6	507.4	669.6	560.0	524.9	237.9	+ 120.6

* Revenues include prices both inclusive and exclusive of freight costs and are based on the respective USD/EUR exchange rate in the case of overseas revenues. Hedging transactions have been concluded for most of these revenues, enabling us to achieve more attractive EUR revenues than indicated here. These effects are included in other operating income. The information on prices is to be understood solely as providing a rough indication.

During the year under review, revenues for potassium chloride – our biggest product in terms of volume – rose by € 501.2 million or about 74 % to reach € 1,175.5 million. Higher prices more than compensated for volume decreases and a weaker US dollar. While in Europe an increase in revenues of just under 77 % was achieved, overseas revenues increased by about 79 %. In Europe, sales volumes amounted to 1.49 million tonnes and thus decreased by just under 19 %. Overseas sales volumes amounted to 1.54 million tonnes, also about 19 % down on the previous year.

With fertilizer specialities, we achieved revenues of € 864.7 million during the past financial year, just under 60 % higher than in the previous year (2007: € 542.0 million). Higher prices more than compensated for volume decreases and a weaker US dollar. In Europe, revenues increased by 74 %; overseas revenues were also up, by approximately 30 %. While European sales volumes declined by just under 9 % to 2.15 million tonnes, at 0.78 million tonnes, overseas sales were just under 27 % below the level of the previous year.

Revenues for industrial products were up by 86 % year on year and totalled € 357.2 million. The increase is primarily due to price rises. These were more than able by far to compensate for moderate volume effects due to availability factors. In Europe, we achieved an increase in revenues of 92 %; overseas, the increase was just under 77 %. Sales amounted to 0.81 million tonnes (- 2 %) in Europe and to 0.22 million tonnes (+ 1 %) overseas.

Development of earnings

In the Potash and Magnesium Products business segment, operating earnings (EBIT I) experienced an almost sevenfold increase (a factor of 6.8) and reached € 1,203.2 million. Higher average prices for potash and magnesium products were able to far more than make up for price-related higher costs, especially in the case of materials and energy, as well as declines in volume. The seasonality of the operating earnings of the Potash and Magnesium Products business segment normally to be observed, which favours the first half of the year and is mainly connected with the European spring fertilizing season, was overshadowed in 2008 by strong price effects. Performance in the fourth quarter then reflected the purchasing restraint that had begun to be displayed in the course of the financial crisis.

COMPO Business Segment

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Revenues	275.9	205.0	169.2	100.8	750.9	617.4	+ 21.6
Operating earnings (EBIT I)	35.9	29.1	24.7	(10.7)	79.0	32.0	+ 146.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	38.6	31.6	32.2	(11.7)	90.7	42.2	+ 114.9
Capital expenditure	1.3	2.1	3.4	3.6	10.4	12.6	(17.5)
Employees (31 Dec.; number)	1,288	1,288	1,247	–	1,245	1,252	(0.6)

Variance analysis in %	2008
Change in revenues	**+ 21.6**
- volume/structure	(3.9)
- pricing-related	+ 25.1
- exchange rates	(0.3)
- consolidation	+ 0.6

Consumer business	+ 0.8
Professional/ industrial business	+ 32.1

Market environment

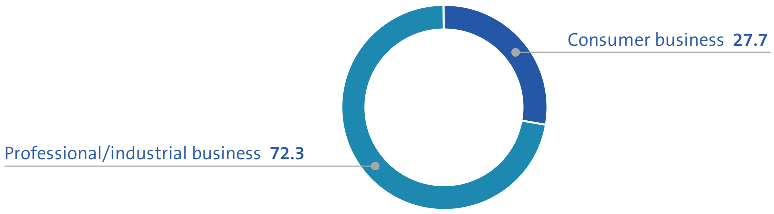
COMPO is one of Europe’s leading providers of premium products in the field of potting soils, speciality fertilizers, plant care products and plant protection for the home and garden. In the case of speciality fertilizers for professional horticultural and agricultural application areas, COMPO also occupies an important position in Europe.

While first quarter consumer business benefited from an early start to the season, due to weather conditions, demand in some European countries in the second quarter was dampened by poor weather conditions and rising inflation. During the second half of the year, the consumer business was stable, in spite of the changeable weather conditions. The level of competition, however, remained high.

Primarily in the first half of the year, the professional business was characterised by strong demand and sharp price increases. In the second half of the year, the purchasing restraint in the agricultural sector then had a dampening effect here too.

In the year under review, the input costs of the ammonia, phosphate and potash raw materials employed in fertilizer production markedly increased.

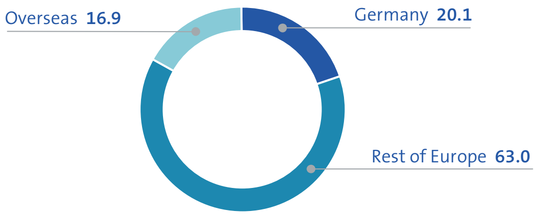
REVENUES BY SEGMENT (IN %)



Revenues

The financial year 2008 saw revenues in the COMPO business segment increase by € 133.5 million or 22 % to € 750.9 million. Price-related increases in revenues were far more than able to make up for volume-related declines in revenues. Moreover, revenues rose by € 4.0 million as a result of the inclusion of K+S Argentina in the scope of consolidation. COMPO generates about 83 % of its revenues in Europe and is thus only affected by currency fluctuations to a limited extent.

REVENUES BY REGION (IN %)



In the consumer sector, revenues in the year under review rose by just under 1 % to € 208.4 million. The volume-related decline in revenues, particularly in France, was compensated for by price increases and the positive performance of the pesticide business. Increases in sales at home made up for declines in the rest of Europe and overseas.

Professional business revenues reached € 542.5 million and therefore increased by 32 %. This increase can mainly be attributed to higher prices, which were able to more than compensate for declines in sales on almost all markets. Sales of stabilised fertilizers, coated slow-release fertilizers and complex fertilizer specialities together with nutrient salts in the professional sector amounted to 0.87 million tonnes and were thus significantly below the level of the previous year (2007: 0.99 million tonnes).

Development of earnings

At € 79.0 million, operating earnings for the COMPO business segment were about 147 % up year on year. Significant price increases in the professional segment were able to more than compensate for higher input costs of the raw materials ammonia, phosphate and potash.

The operating earnings of the COMPO business segment are highly influenced by seasonal factors with the major contributions to earnings generally being generated in the first half of the year. The third and fourth quarters are characterised by comparatively lower revenues as well as high outlays for the coming spring season. Earnings for the fourth quarter of 2008 additionally suffered from higher inventories as a consequence of purchasing restraint, write-downs on stocks as well as restructuring measures resulting from the announced reorganisation of the nitrogenous fertilizer business.

fertiva Business Segment

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Revenues	212.5	228.8	346.4	113.8	901.5	648.0	+ 39.1
Operating earnings (EBIT I)	6.7	14.9	15.3	5.5	42.4	25.3	+ 67.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6.8	15.2	15.5	5.7	43.2	26.0	+ 66.2
Capital expenditure	0.1	0.1	0.1	0.0	0.3	4.2	(92.9)
Employees (31 Dec.; number)	70	74	71	–	73	59	+ 23.7

Variance analysis in %	2008
Change in revenues	**+ 39.1**
- volume/structure	(30.2)
- pricing-related	+ 73.2
- exchange rates	(3.9)
- consolidation	–

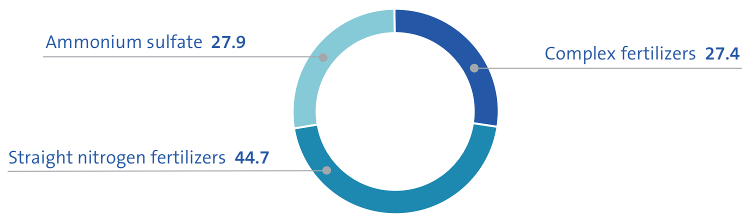
Complex fertilizers	+ 18.9
Straight nitrogen fertilizers	+ 39.3
Ammonium sulphate	+ 66.7

Market environment

With its fertiva business segment, K+S is placed among Europe's leading suppliers of nitrogen fertilizers. fertiva's positions are strongest in Germany, the Benelux states and France. With the speciality fertilizer ammonium sulphate, fertiva is one of the leading suppliers worldwide.

During the first six months of 2008, demand for nitrogenous fertilizers was at a far higher level than in the previous year. Against the backdrop of availability bottlenecks as well as rising prices for ammonia, phosphate and potash, significant price increases were implemented for all product groups. The uncertainty regarding future earnings associated with the sharp fall in cereal prices as a result of the financial crisis led to an abrupt decline in the order volume from the agricultural sector in the fourth quarter.

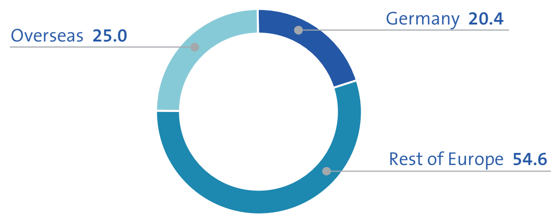
Revenues by product group (in %)



Revenues

The revenues of the fertiva business segment in the year under review amounted to € 901.5 million and were therefore up by 39 % against the previous year. This increase in revenues was due to significant price effects which were able to more than compensate for adverse volume and currency effects. In all regions, we considerably increased the prices for nitrogen fertilizers during the course of the year. While we achieved a growth in revenues of a good 63 % on the European market, our overseas revenues declined by 4 %, mainly as a result of volume factors. Sales reached 3.48 million tonnes and were therefore just under 18 % down on the figure for the previous year.

REVENUES BY REGION (IN %)



Revenues for complex fertilizers reached € 247.4 million, around 19 % higher than in the previous year for price reasons. In Europe, lower sales volumes due to availability factors were more than compensated for by price-related increases in revenues. Overseas, by contrast, significant declines in sales were deliberately accepted to sell the volume available on European markets. Total sales of complex fertilizers amounted to 0.68 million tonnes compared with 1.03 million tonnes in the previous year.

In the case of straight nitrogen fertilizers, price increases in the year under review led to a 39 % rise in revenues to € 402.6 million. As was the case in the complex fertilizers segment, the volume available was mainly sold in Europe so that not all marketing opportunities on overseas markets could be used. Sales of straight nitrogen fertilizers as a whole amounted to 1.51 million tonnes compared with 1.76 million tonnes in the previous year.

In 2008, ammonium sulphate revenues rose by just under 67 % to € 251.5 million. This considerable increase was achieved in all regions and was due to significantly higher average prices. Sales volumes of ammonium sulphate (1.29 million tonnes) were down 10 % on the previous year's level.

Development of earnings

With its trading business, the fertiva business segment achieved operating earnings of € 42.4 million, representing a strong increase in earnings of just under 68 %. Higher raw material costs could be clearly more than offset by higher prices. In effect, earnings for the goods sourced from BASF and fine crystalline ammonium sulphate are divided equally between BASF and K+S within a corridor of plus/minus € 10.0 million. Moreover, we receive a share of at least 25 % of fertiva profits in excess of € 10.0 million. In addition, fertiva generates earnings contributions from the marketing of goods purchased from other well-known European producers, including Granammon®.

Salt Business Segment

Variance analysis in %	2008
Change in revenues	**+ 13.5**
- volume/structure	+ 10.3
- pricing-related	+ 5.7
- exchange rates	(2.5)
- consolidation	–

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Revenues	170.3	108.0	131.0	209.3	618.6	545.1	+ 13.5
Operating earnings (EBIT I)	14.7	(4.2)	8.5	26.2	45.2	47.8	(5.4)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	22.0	3.5	16.2	35.9	77.6	76.5	+ 1.4
Capital expenditure	5.5	29.8	9.6	13.7	58.6	47.9	+ 22.3
Employees (31 Dec.; number)	2,331	2,347	2,390	–	2,394	2,294	+ 4.4

Food grade salt	+ 5.3
Industrial salt	+ 5.6
Salt for chemical use	+ 14.7
De-icing salt	+ 18.4
Other	+ 34.8

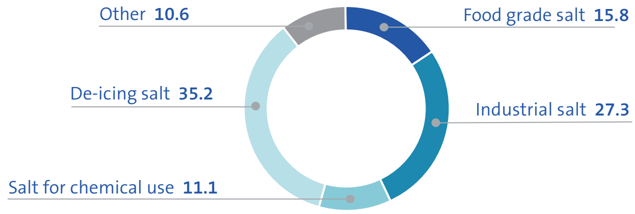
Market environment

With the Salt business segment, in terms of available capacities, K+S is the world's second-largest producer of salt. While esco – european salt company with a production capacity of about 9.7 million tonnes is the largest salt supplier in Europe, SPL is the largest salt producer in South America and, with the North American distribution company ISCO, enjoys a strong market in the north-eastern federal states of the USA. At the SPL Group, capacity in 2008 amounted to about 7.0 million tonnes; additionally, with the expansion of SPL's own port of Patillos, Chile, the loading capacity doubled against previous year, yielding significant savings on demurrage charges.

Sales of de-icing salt in Western Europe were again characterised by a warm winter in the first quarter. In the early purchase business, high customer inventories therefore resulted in price pressure. The wintry weather conditions during the fourth quarter, by contrast, again had a positive impact on the de-icing salt business. In the food grade and industrial salt segments, demand in Europe was stable, and sales of salt for chemical use were still at a high level until the fourth quarter.

The North American de-icing salt market on the East Coast too was influenced by mild weather conditions especially in January, the tenders for winter season 2008/2009 then, however, benefited from supply bottlenecks after two consecutive harsh winters in the Mid-West of the United States. The South American market for industrial salt and salt for chemical use grew again in line with local economic development.

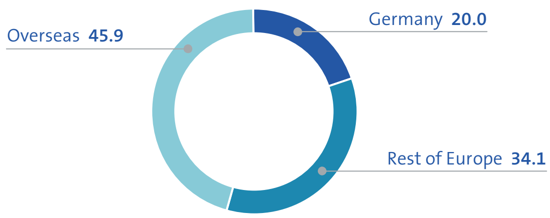
Revenues by product group (in %)



Revenues

Revenues generated by the Salt business segment amounted to € 618.6 million and were therefore up € 73.5 million or just under 14% on the previous year's level. esco made a contribution of € 32.5 million and SPL a contribution of € 41.0 million to this volume- and price-related increase in revenues. Sales of crystallised salt during the year under review amounted to 9.47 million tonnes and were therefore up 8% on the previous year's level (8.77 million tonnes). Of these sales, 48% was accounted for by esco and 52% by the SPL business.

Revenues by region (in %)



At € 97.5 million, food grade salt revenues were up 5% for the year under review (2007: € 92.6 million); this is primarily attributable to volume-related and structural growth in South America. Sales amounted to 0.93 million tonnes and were up about 8% year on year.

Revenues for industrial salts, e.g. fishery, feed and high-purity pharmaceutical salts, amounted to € 169.0 million for the past financial year and thus increased by 6%. In all regions, the volume sold was above previous year; in Europe, furthermore, it was possible to push through higher prices. Sales amounted to 2.00 million tonnes and were up 5% on the previous year's level on 1.91 million tonnes.

In the salt for chemical use business, we achieved revenues of € 68.9 million, a total increase of 15% on previous year's figure. Increases in volumes in the South American business and positive price effects in Europe and overseas were able to far more than compensate for moderate currency-related declines in revenues. Sales amounted to 2.07 million tonnes and were thus up 6% above previous year's level.

Wintry weather conditions in the fourth quarter ensured that the de-icing business was strong in Europe and North America. We achieved revenues of € 217.5 million for the reporting year and thus surpassed the value for the previous year by 18%. Increases in revenues due to volume, structural and price factors by far exceeded currency-related declines in revenues. Sales amounted to 4.47 million tonnes and were thus up about 11% year on year.

In addition to the business with other de-icing agents, such as magnesium chloride solution, the "Other" segment also includes the third-party logistics business conducted by the shipping company Emprema belonging to the SPL Group. The increase in revenues by € 17.0 million to € 65.7 million was predominantly attributable to volume-related increases at Empremar and to higher sales of other de-icing agents.

Development of earnings

At € 45.2 million, operating earnings of the Salt business segment were down € 2.6 million or about 5% on the preceding year, and could not keep pace with the increase in revenues. This can be attributed to much higher energy and freight costs as well as to a lower currency result.

Variance analysis in %	2008
Change in revenues	+ 0.2
- volume/structure	–
- pricing-related	+ 2.1
- exchange rates	–
- consolidation	(1.8)

Waste Management and Recycling	+ 0.8
Logistics	(11.4)
Granulation	+ 10.4
Trading	+ 14.6

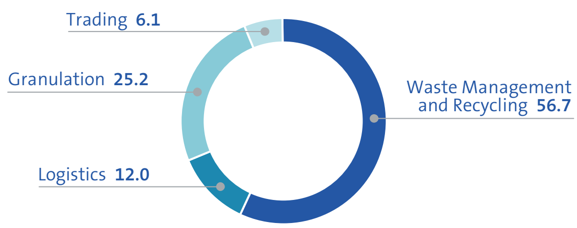
Complementary Business Segments

in € million	Q1/08	Q2/08	Q3/08	Q4/08	2008	2007	%
Revenues	31.7	29.6	31.2	32.8	125.3	125.1	+ 0.2
Operating earnings (EBIT I)	7.1	7.1	5.1	5.8	25.1	37.7	(33.4)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	8.5	8.5	6.7	7.5	31.2	42.4	(26.4)
Capital expenditure	3.8	2.2	2.6	1.4	10.0	17.2	(41.9)
Employees (31 Dec.; number)	272	279	285	–	285	273	+ 4.4

Market environment

Given the high proportion of intra-group services as well as the diverse character of the individual sectors within this business segment, it has been decided not to present it in a combined fashion. You will find an overview of the individual areas of activity on page 49.

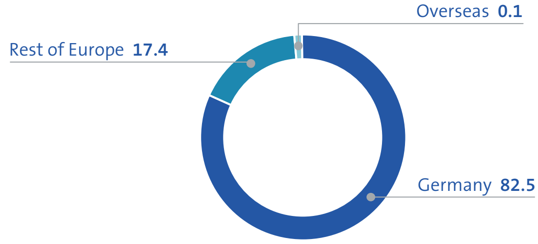
REVENUES BY SEGMENT (IN %)



Revenues

At € 125.3 million, the revenues of the Complementary Business segments were on the level of the previous year, which benefitted from the revenue contributions of biodata ANALYTIK GmbH, which was sold in September 2007, as well as K+S Consulting GmbH, which was deconsolidated at the beginning of 2008. Under IFRSs, the revenues deriving from services supplied to K+S Group companies are not included in these figures. Including internal revenues, total revenues amounted to € 170.6 million.

REVENUES BY REGION (IN %)



In the Waste Management and Recycling segment, at € 71.1 million, revenues were slightly higher than those of the previous year (€ 70.5 million). Volume- and price-related increases in revenues in the reutilisation sector were able to more than make up for volume- and price-related declines in the recycling sector and declines in volumes in the disposal sector. While revenues in the logistics sector (€ 15.0 million) declined due to volume factors, for the granulation of CATSAN®, at € 31.6 million, they were above the level of the previous year, also for volume reasons, and rose in the trading business to € 7.6 million.

Development of earnings

The operating earnings of the Complementary Business segments reached € 25.1 million and thus were € 12.6 million or 33 % below the values of the previous year, which had benefited from the profit achieved from the disposal of biodata ANALYTIK GmbH of a good € 3 million. Following adjustment for this effect, the decline can mainly be attributed to the decrease in volume in the logistics sector and to higher costs in the Waste Management and Recycling business segment as well as granulation, which could not be fully compensated for.

Risk Report

Risk policy

You can find a detailed presentation of our financial objectives on pages 58 et seq.

The business policy of the K+S Group is geared towards generating reasonable returns that are as sustainable as possible and towards continually increasing enterprise value. To achieve this objective, our global activities require a permanent, responsible consideration of opportunities and risks. Taking opportunities and being able to recognise risks, analyse them and reduce them with appropriate strategies are important factors in our business activities. We define risks as possible negative deviations from a planned result. Systematic risk management is an ongoing task for the Board of Executive Directors and the management of each field of responsibility.

The organisation of the K+S Group, described on pages 48 et seqq. guarantees clear responsibilities and unambiguous decision-making structures. They are described in the organisational principles of the K+S Group, which regulate in particular the interaction between holding units and the business segments within a matrix organisational structure and form the basis for respective responsibilities within the monitoring system. In addition, we have established a compliance system with a preventative character.

Opportunity management

Opportunity and risk management are closely interlinked within the K+S Group. Chances are possible positive deviations from a planned result. We essentially derive our opportunity management from the goals and strategies of our business segments and ensure an appropriate relationship between opportunity and risk. Direct responsibility for the early and regular identification, analysis and management of opportunities rests with the operational management of the business segments and/or the heads of the central holding units, forming an integral part of the group-wide planning and management systems. We occupy ourselves intensively with detailed analyses of the market and the competition, market scenarios, relevant cost drivers and critical success factors, including those in the political environment in which it operates. This serves as the basis for identifying concrete potential opportunities that are specific to business segments and which are then discussed within the framework of the goal-setting talks held between the Board of Executive Directors and the managers responsible for the business segments. Selected potential opportunities for the K+S Group are discussed in the Forecast Report.

Risk Management

Overall risk management

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

Within the framework of its overall responsibility for risk management, the Board of Executive Directors has laid down principles and rules of behaviour throughout the Group, as well as guidelines for a systematic and efficient risk management. The risk management system consists of the following elements:

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

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

The proper functioning of our risk management system is regularly reviewed by a business-segment-wide working group as well as by the internal auditors. Their findings are used to further improve risk early detection and control. Furthermore, the functionality and the effectiveness of our risk management system is regularly reviewed by our auditor. The existing system is suitable for the early detection of such developments that could jeopardise the continued existence of the Company.

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

Risk management in relation to financial instruments

Central tasks in risk management include the limitation of risks arising from financing and evaluation. Our international activities can give rise to currency-related risks, which are counteracted by hedging transactions under our currency management system.

The Board of Executive Directors has specified the permitted hedging instruments in a currency guideline which also regulates hedging strategies, responsibilities, processes and control mechanisms. The hedging instruments are used exclusively to secure hedged items, and not for trading or speculation. Financial transactions are only concluded with banks that have a high credit rating.

The hedging instruments employed should above all limit negative fluctuations of the underlying, but should at the same time make it possible to participate in positive developments. In this connection, the guideline stipulates that derivatives should be distributed across various institutions. We enter into hedging transactions either in the case of a hedged item or if we have certainty regarding a future hedged item on the basis of empirically reliable findings ("anticipative" hedging transactions). A more detailed explanation of hedging transactions can be found in the Notes on pages 150 et seqq.

Business environment and industry risk

Since the K+S Group is subject to the effects of economic and legal factors, the following business environment and industry risks exist:

Fluctuations in supply and demand

Markets are subject to fluctuations in supply and demand. The demand for agricultural products and therefore for fertilizers is driven by megatrends such as the world's increasing population, a higher standard of living in emerging markets and the development of the bioenergy sector. Fertilizers with its yield- and quality-enhancing effects therefore play a central role in agricultural production. Depending on the global level of supply of agricultural raw materials, fertilizers can also be affected by price swings.

We continue to take a positive view of the basic environment for fertilizers and plant care products in the long term. Over the next few years too, we essentially expect worldwide demand to keep rising. In particular in the potash industry, additional production capacities should just be sufficient to cover anticipated increased demand in the future. However, as a result of exogenous influences such as a worldwide financial crisis combined with a downturn, sliding global prices of important agricultural products, or deliberate buying restraint, the demand may temporarily ease off strongly in big sales markets and may lead to pressure on global prices. Such negative influences are currently the reason for the muted fertilizer demand, which is clearly below the hitherto level. In the short term, we see a significant under-utilisation of our fertilizer capacity. This possible scenario can, depending on its duration and intensity, have an important influence on the financial condition and results of operations. These types of adverse effects are also possible in the other business areas, but should be considered moderate under current market conditions.

Impact of country risks

Far-reaching changes in the political, social and economic environment can never be ruled out in producing and buying countries. Such developments can result in the loss of major customers, transfer difficulties with capital services and the expropriation of business assets. Such negative factors would have a considerable impact on the net assets, financial position and results of operations, but they are nevertheless improbable at the moment.

Energy costs

Our production costs are affected to a not inconsiderable extent by energy prices, in particular by that of gas. Rising crude oil prices normally result in gas becoming more expensive. Project-related cooperation with energy companies should, in future, reduce the energy risk since we will obtain steam from substitute fuel heating plants at two sites; moreover, hedging transactions are also used to limit the effects of price fluctuations. Furthermore, a weakening US dollar exchange rate against the euro has the effect of slowing down the rise in energy costs. We consider corresponding adverse effects to be possible because of highly volatile oil prices, but we assess the effect in relation to the expected results as moderate.

Corporate strategy risk

At K+S, corporate strategy risks may arise mainly through the erroneous assessment of future market developments, though on account of our product portfolio to a lesser extent through technological negative developments.

Economic environment and strategy

The financial objectives and the strategic cornerstones are described on pages 58 et seq.

We try to predict future market developments with intensive observations of the market and competition as well as through regular discussions on strategy with customers and suppliers. We indeed face strong competitors but we are nevertheless striving to secure our market position and to expand it globally. By means of entry into new markets as well as acquisitions and cooperations – mainly in existing business segments – we want to expand our market positions. Synergies with existing businesses should be used to the maximum possible extent in this regard.

The consistent pursuit of the existing Group and business segment strategies, as well as their regular review and further development, is ensured in conjunction with the Board of Executive Directors and business segment heads.

Efficient quality assurance systems and certification contribute to creating a positive impression through customer-orientated quality and to consolidating our position on the markets. If necessary, business processes are also examined and enhanced with the assistance of external advisors.

We continue to respond to changes in framework conditions with technical, organisational as well as personnel and collective bargaining measures in order to cut costs further and create flexibility. Thus, our remuneration system contains a relatively high, variable remuneration component which still has the potential to be increased. The variable component rises with managerial responsibility. We are in the process of also introducing this approach within the international companies of the K+S Group to a greater extent.

The introduction of new technologies plays a secondary role for the markets in which we are active. We are improving the efficiency and environmental friendliness of our production facilities' technology through development partnerships with colleges.

Investments and acquisitions

Across the Group, we make high demands related to returns in every investment and acquisition decision (see Financial Targets on pages 58 et seq.). We already prepare focussed market, competition and potential analyses in advance. Company valuations incorporating the findings of due diligence reports and the aforementioned analyses are of central importance in the case of acquisitions. Furthermore, we analyse personnel, technical, legal and tax questions. In addition, further checks are carried out in the case of important investment and acquisition projects.

Factors tending to have a negative influence on the profitability of our acquisitions could have negative effects on our net assets, financial position and results of operations and could therefore limit us in regaining the full value of the capital employed. The acquisition of companies basically contains risks involving the integration of employees, processes, technologies and products. Through the early analysis of opportunities and risks by experienced specialist departments, with the support of external advisors where necessary, we seek to limit the risks in this regard.

Economic performance risk - Procurement

Loss of suppliers and supply bottlenecks

The loss of suppliers and supply bottlenecks affecting special materials and supplies, commodities and technical equipment specific to mining may give rise to significant cost and supply risks. This also applies to the procurement of logistics services. We minimize such procurement risks with market analyses, the careful selection and appraisal of suppliers, long-term delivery agreements, clearly defined quality standards as well as modern purchasing methods. This ensures that goods and transport are available in the required volume and quality in a timely fashion. We consider the possible remaining procurement risk for us to be moderate overall.

Freight costs

In the case of the overseas business, the reduced availability of freight capacity (high global cargo volume) in the past resulted in higher costs for transportation by large vessels. By means of the long-term securing of freight capacity with a high fixed-price component as well as switching over to the use of containers, we were able to largely counteract the effects of this development; in addition, hedging transactions are also employed to limit the effects of price fluctuations. The situation on the freight market clearly eased in the wake of the financial crisis at the end of the year. We consider appropriate new adverse effects to be possible in the long term, but we regard the effect in relation to the expected results as moderate.

Raw material procurement of ammonia and phosphate

The production costs of the nitrogenous and phosphate-containing fertilizers produced for us by BASF are to a great extent determined by global market prices for ammonia and phosphate. Ammonia prices have continued to increase substantially over the past few years, but it has then largely been possible to pass on the price increases via prices. If the competitive environment becomes more difficult, fertiva and COMPO might not always be able to do so in full. However, because of the contractual arrangements with BASF, the resulting risk is classified as moderate for K+S. Market conditions on the raw material markets have also led to a temporary scarcity and increase in the price of phosphate. With such a market environment, there might at times not be enough quality phosphate available for the production of complex fertilizers. As the market environment has stabilised and processing techniques have made it possible to use phosphate from alternative areas of origin, we consider adverse effects in the COMPO and fertiva business segments to be improbable at the moment, and we assess their impact in relation to the expected results as moderate.

Economic performance risk – Sale and distribution

Reduction in anti-dumping protection

After updated regulations came into force in 2006 on anti-dumping protection against unfair competition with potash fertilizers from Russia and Belarus for the European market, increasing competition was discernible in the EU. As a result of the high demand for potash on the global market and the substantial price increases that have occurred in the meantime, the effects were, however, limited so far. In the event of a change in the market situation, another rise in competitive pressure cannot be ruled out in Europe. This could result in us having to market a greater proportion of our products overseas. The loss potential arising from the weakened anti-dumping measures depends on the success of sales overseas and the respective cost and price situation and can, against the backdrop of the price levels prevailing on overseas markets at the present time, be classified as moderate. The occurrence of a loss is therefore currently classified as unlikely.

Impact of weather conditions

General weather conditions represent a notable sales risk for the Potash and Magnesium products, fertiva, COMPO and Salt business segments. Prolonged cold and wet weather during the spring season, particularly important for Europe, can result in sales shifts and possible lower sales of fertilizers and plant care products. Mild winters in the main sales regions for de-icing salt can result in lost revenues and earnings. We are responding to this risk in the form of needs-based production management and flexibility on working hours. We have not used special derivatives to hedge this risk thus far because of what we consider to be unattractive market terms. We consider corresponding adverse effects resulting from the influence of the weather to be possible, but we assess the effect in relation to the expected results as moderate.

Economic performance risk – Production and the environment

Production risks

Further information on quality assurance can be found in the Company/Sustainability Report on page 107.

K+S Group production plants are characterised by very high performance capacity. By employing wide-ranging monitoring, probing and control systems, we can identify possible production risks early on and respond accordingly. Risks are reduced thanks to a number of quality assurance measures, preventative maintenance and constant facility inspections. This is also assisted by certification under international norms and the constant further development of our facilities and products. We have taken out insurance against fire damage and the resultant production stoppages. Given our preventative measures, we consider the remaining possible production technology risks to be moderate.

More stringent environmental law

Public and political debate about future, higher requirements of environmental friendliness of the production processes employed by us may impact on the issuing and retaining of operating licences and planning decisions approving public works as well as water permits. In the Potash and Magnesium Products business segment, among others, liquid residues (saline water) arise both from current production and through rainfall on the tailings piles. Waste management is effected through discharge into rivers in accordance with water law permits or through injection into subterranean rock layers. Over and above the legal requirements, official limits and conditions must be respected in the process. Realizing a significant reduction in the injection area capacity anticipated up to now, or the premature complete utilization of approved injection areas, as well as proving that injection might have an impact on drinking water or usable ground water resources, could entail a partial or even entire withdrawal of injection approvals for the waste management of liquid residues, and would lead to considerable additional costs or, in an extreme case, to a significant cutback of production at the sites affected. For example, the Neuhof-Ellers potash plant had to stop injecting saline water into the plate dolomite layer after the injection area was fully utilised.

In order to ensure the due waste management of a tailings pile, saline water is transported by train and lorry to the nearest site in accordance with valid approvals until the completion of the saline water pipeline which was already requested in July 2007. Also, in the Werra potash plant at the Unterbreizbach site, there is a clear risk that injection will not be able to be resumed. Some production waste water containing magnesium chloride was injected up to October 2007 under a test operation. K+S has applied in a timely manner for a new injection approval. Granting an approval depends on monitoring drills which enable predictions to be made regarding hydro-geological relations and which should at the same time specify whether a danger to drinking water, caused by injecting saline water, can be excluded. A monitoring drill completed in October 2008 did not produce any reliable results in this respect. Until this question is resolved, the saline water must be discharged into an approved storage space underground or channelled into the Werra in accordance with the approved limits. Furthermore, K+S will, in the short term, review the technical and legal requirements for discharging liquid residues from the Hattorf location of the Werra plant and submit appropriate applications for approval without delay.

From today's perspective, an unchanged long-term continuation of the injection and discharge approvals after the currently valid permits expire cannot be expected. K+S has therefore presented a package of water protection measures containing a sustainable and also long-term waste management concept capable of being approved. It anticipates investments of up to € 360 million until 2015 and would involve additional expenses. The package of measures is designed to halve the saline water volume in the Hesse and Thuringia potash district and to significantly improve the water quality of the Werra and the Weser as of 2011. The agreement subject to public law of 4 February 2009 signed by the Hesse and Thuringia state governments as well as by K+S KALI GmbH is designed to create the binding framework for the implementation of the K+S package of measures and to give the Company investment security for the long term. The reduction of solid and liquid production residues from potash production will continue to be among the focal points of our research and development. All conceivable concepts relating to disposal are checked with the participation of independent experts. It is possible that concepts resulting from this, which are intended to ensure sustainably safe disposal at the same time as maximally protecting the environment, may also lead to considerable additional costs beyond the period under examination.

Carbon dioxide pockets in deposits

Carbon dioxide pockets in certain deposits constitute a latent potential danger. To keep any impact on people, machinery and deposits as low as possible, extraction operations underground are always conducted in compliance with the special safety guidelines applicable to CO_2 leaks. We regard the possible loss potential as moderate.

Saline solution access

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

Workplace limits

The EU initiative on setting indicative workplace limits for nitrogen monoxide (NO), nitrogen dioxide (NO_2) and carbon monoxide (CO), which hardly meet the actual conditions on site and are not feasible scientifically, could pose a risk to our mining activities. It should be possible to achieve realistic limits meaningful over the long term through intensive cooperation between the EU Commission and national governments as well as the companies concerned and their pressure groups. Concrete statements about the measures necessary to reduce the concentration of NO, NO_2 and CO in the underground workplace and the resulting additional costs depend on the final limits. In the medium term, adverse effects are possible, but we currently consider them to be moderate.

Economic performance risk – Research and development

We do not see any serious risks in the research and development field as the relevant markets for K+S are only subject to limited technological change. We have intensified our own development activities through research cooperation with industrial partners as well as colleges. Technical possibilities for optimising production processes are therefore being examined on an ongoing basis. The reduction of solid and liquid production residues in potash production, as well as opportunities to cut costs, stand at the forefront. The risk of developing products that are not accepted by our clients can be deemed to be slight because of our good customer contacts. In addition, we provide our agricultural customers with intensive application advice, which enables us to identify future needs early on.

Furthermore, our internal quality management is a key factor for avoiding inefficiency and thus achieving our business success. The K+S Group attaches great importance to knowledge management. Employees are thereby actively engaged in a structured, continuous process of improvement.

Personnel risks

The competence and commitment of employees are important factors for the successful development of the K+S Group and the successful management of opportunities and risk. Our vocational training as an important investment for the future, in the context of demographic change too, contributes to securing and strengthening these factors. By means of practice-based support for future generations of employees, targeted further training measures and encouragement for those who display potential, the K+S Group has demonstrated that it is an attractive employer able to retain managerial personnel in particular over the long term. With this strategy and increased cooperation with selected colleges, we offer qualified employees very promising career prospects. We are thus well prepared for the increased competition on the labour market for specialist and managerial personnel. Key positions are regularly analysed with respect to forward-looking succession planning, and suitable candidates are prepared for such tasks. Further elements are assistance and advice geared towards target groups as well as attractive incentive systems. We therefore consider greater adverse effects due to fluctuations or within the framework of recruitment and staff development to be improbable.

We are currently preparing a new direction for our business with nitrogenous fertilizers from 1 July 2009. The further development of the business model for the COMPO and fertiva business segments is intended to open up new options for growth to the K+S Group. The new COMPO set-up will continue the business with considerably leaner structures and higher efficiency. This also necessitates staffing adjustments. Agreements on reconciling interests and a social plan have been signed and provisions recognised.

In the Salt business segment too, staffing adjustments are necessary to increase efficiency. Redundancies involving employees from the work areas concerned are to be largely ruled out through re-employment within the Group where staff is required.

IT risks

Data security

The increasing networking of IT systems and the necessity of their permanent availability impose high demands on the information technology used. We respond to possible risks by using modern hardware and software that meet current security standards. Our IT systems are constantly being reviewed and, if necessary, modified to ensure the secure execution of business processes. We apply a largely uniform IT infrastructure throughout the Group. The compatibility and security of the IT systems and of stored data is guaranteed along with the requisite efficiency. These measures are permanently controlled by the data protection representative and by our automatic security systems.

We consider serious dangers connected with information security or risks from the information technology used, particularly as a result of a longer failure of our networks and the forging or destruction of data due to service and programme errors or external influences, to be improbable.

Failure of computer centre

The computer centre is operated as a two-location computer centre. This protects the main areas through redundancy. The power supply, data cables and monitoring systems are duplicated. All systems are permanently monitored and faults corrected automatically or manually. Adverse effects in the event of a failure lasting several days would have a moderate impact, but are unlikely.

Financial risks

Group financing and the limiting of financial risks are managed centrally.

Liquidity risks

Liquidity is monitored on an ongoing basis and managed optimally by means of central cash pooling. The aim of investment is to optimise the income earned from liquid funds at low risk. In the case of all forms of investments, there are certain set creditworthiness requirements in relation to issuers that have to be met. Delivering solid financial figures strengthens the financial position of the K+S Group. A syndicated loan was taken out on attractive terms for the acquisition of Chilean SPL in 2006. A further syndicated loan, which extends the financial leeway for short-term financing undertakings or general business purposes, was agreed in 2008. Beyond that, bilateral framework credit agreements which have not been taken up are also available. There is no particular dependency on any individual lenders. At the present time, we consider any liquidity or financing risk for the K+S Group to be unlikely.

Company rating

Currently, there is no official rating issued by an external rating agency. The solid structure of our balance sheet and the credit potential available to us have not prompted us to undergo a rating process at a rating agency in the past. The information available to us from various well-known credit institutions shows that we are assessed with a good creditworthiness classification.

Foreign currency risks

The K+S Group faces particular challenges in the field of foreign currency management because of the international orientation of its business operations. Transactions denominated in foreign currencies generally account for between 20 and 30 % of Group revenues. Exchange rate fluctuations, especially in relation to the US dollar, can play an important role for the Potash and Magnesium Products business segment and the American business of the Salt business segment. We use derivative financial instruments to counter exchange rate risks (see "Risk management in relation to financial instruments").

In the aforementioned business segments, net positions, i.e. the payments resulting from revenues generated in foreign currencies less the costs (essentially freight costs) to be paid in foreign currencies, are hedged against exchange rate fluctuations, with the help of derivatives, normally options and futures. Not only anticipated foreign currency payments based on revenues generated are hedged but also anticipated payments based on projected revenues. USD/EUR hedge transactions currently extend until the beginning of 2010 and have a volume of about USD 1,680 million and, in a worst-case scenario, fixed USD hedging rates of about 1.51 USD/EUR in 2009 and, currently, of about 1.50 USD/EUR in 2010. To a lesser extent, we are also hedging currency fluctuations of the Chilean peso against the US dollar in connection with the North America business of the Salt business segment. In relation to the current results and hedging strategy, we consider the possible risk arising from currency exchange rate fluctuations to be moderate.

Currency exchange rate fluctuations have hardly any effect on the European business of the Salt and Waste Management and Recycling business segments, because revenues are generated almost exclusively in euros. In the fertiva and COMPO business segments, exchange rate risks on the revenue side are offset by exchange rate opportunities on the raw material procurement side. Here, we also conclude forward exchange transactions at the time a receivable arises.

Increase in general interest rate level

As at 31 December 2008, about 6 % of the financial liabilities of the K+S Group are hedged against a rise in interest rates by means of fixed-rate financing or by interest rate hedges (interest caps). Rising interest rates would encumber the financial result, as the majority of financial liabilities have a short-term interest rate lock-down period and are, to that extent, subject to the risk of a change in interest rates. Interest rates are analysed regularly to manage this risk.

Keeping everything else equal, an increase in the relevant reference interest rates by one percentage point in 2009 would influence the Group earnings before taxes by not more than 1%. In our opinion, the effects of any possible fluctuations in the interest rate would be moderate.

Default of payment

Default risks relating to payments are largely covered by flat-rate export guarantees (foreign non-OECD area) or by Euler-Hermes credit insurance (domestic and foreign OECD area). The waiving of security for receivables is only possible after specific authorisation has been obtained and the long-term customer relationship has been reviewed critically. The financial crisis has led to a reduction in cover in the case of financially weak customers. Across the Group, however, more than 90% of all insurable claims are hedged against failure. Significant negative effects of a default risk relating to payments, which could result in a moderate adverse effect on the financial position of the K+S Group, are thus unlikely.

Other risks

Legal and tax law risks

In June 2007, the EU commission granted its approval with reference to the legal provisions relating to government aid for the continuation of tax shelters for especially energy-intensive companies until the end of 2009. This concerns the limitation of the net burden from ecology tax in the context of what it termed “tax capping”. Under this approval, tax capping can be continued until the end of 2012 under the prerequisite that the German economy achieves the goals it committed itself to in the climate agreement. If the approval is not granted beyond 2009, there is a danger that an additional energy tax burden could be incurred from that time on, but we consider the possibility of this to be moderate. There are no other significant legal or tax law risks that could have a significant influence on the Company’s net assets, financial position and results of operations.

Organisational risks

We do not foresee any risks arising from management and control systems as well as organisational and leadership-related risks.

Risk transfer

Risks are in part transferred to insurers through the conclusion of Group insurance policies. The aim is to ensure insurance cover that is adequate in terms of risk and premiums along with suitable deductibles. Furthermore, loss prevention measures are regularly reviewed in cooperation with insurers to prevent losses as much as possible and to reduce the costs that will arise if a loss occurs.

Assessment of overall risk situation

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

Subsequent Events

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

Forecast Report

Future Group directions

Planned changes in business policy

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

Future markets

The K+S Group generates the bulk of its revenues in Europe. As the largest European producer of potash and magnesium products as well as Europe's largest salt producer, this will also remain so for the coming years. For COMPO and fertiva too, Europe remains the main sales region, in spite of increasing overseas business. For 2009, we therefore again expect a percentage Europe/overseas revenue split of 70/30.

Initially very strong worldwide demand for fertilizers was followed in the fourth quarter of 2008 by a sharp price correction for almost all agricultural products against the background of the financial crisis as well as a palpable slowdown in demand.

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However, the relationship between inventories and demand, a decisive ratio in the pricing of agricultural products, continues to be at a low level, even though farmers in 2008 achieved above-average crop yields thanks to ideal weather conditions worldwide. This fact, together with the unbroken trends represented by a growing global population and the tendency for the emerging market countries to consume more meat, in spite of recurrent economic crises, and the associated increase in the demand for feed should soon impact on the price trend for agricultural products once again. That is why the coming years should see an increase in demand for large parts of our fertilizer product range both in Europe and on overseas markets. The growth rates of the overseas markets Latin America and South East Asia should, in this regard, gain further momentum. In these regions, we will sell about one third of our fertilizer products in the future too, deploying attractively-priced logistics.

The European salt market is a mature market with constantly high salt consumption, except for fluctuations in the use of de-icing salt due to weather conditions. In comparison to the more rapidly growing overseas markets, it displays a low level of susceptibility to fluctuations thanks to developed structures and demand that is very differentiated. In connection with the acquisition of the Chilean salt producer SPL in 2006, we are, however, now also exploiting the potential found on overseas markets that are more dynamic as a result of a growing and increasingly more prosperous population. The resulting change in the habits of South Americans is leading to marked increases in demand for food grade salt, industrial salt and salt for chemical use.

Future use of new processes

We are constantly working on process improvements to increase raw material exploitation and energy efficiency and to minimise solid and liquid production residue. In the potash field in particular, very promising processes enhancing economic efficiency and raw material exploitation are being developed for both underground and above-ground applications.

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. We therefore expect both research expenditure and the number of employees involved in research to continue to increase in the years 2009 and 2010, in order to meet the coming challenges, particularly in the area of the environment.

In 2009 and 2010, the research projects carried out will include the following:

- the reorientation and optimisation of extraction and production processes with regard to increasing efficiency as well as the minimisation of solid and liquid production residue. Within this framework, experiments on cooling or evaporating saline water, the further development of dry processing technologies and improvements in preliminary deposit explorations form important focal points;
- the development of plant protection products in collaboration with Syngenta;
- continued cooperation with the Dutch research institute "Wetsus" in, among other things, the use of renewable energies.

Future products and services

- In order to respond to the constantly rising demand for FCC (Food Chemicals Codex) high-purity potassium chloride of food quality, a new facility is currently being constructed at the Zielitz site. The potassium chloride FCC to be produced in future here can be used to produce low-sodium foods and is intended to further consolidate our market position in the Healthcare & Food sector.
- The magnesium-containing REV.® bath salt was successfully launched on the US market and will in future supplement the product portfolio of the Potash and Magnesium Products business segment.
- Under the exclusive partnership agreed between COMPO and Syngenta in 2005, we are developing and distributing a range of plant protection products and pesticides for home and garden use by private consumers in Europe. A precondition for this is the procurement of appropriate permits, the approval of which can take up to four years. By 2010, we expect a steadily increasing contribution to revenues of € 10 million to € 15 million, which should result in attractive earnings potential for COMPO.
- One of the projects esco is working on concerns the investigation of further possibilities for refining its Axal®+ water softening product range, in order to offer operators of water softening plants a further additional benefit.

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

Anticipated personnel development, anticipated personnel expenses

In future too, we will face intense competition for good employees. We will continue to bring young people in particular into the Company in order to respond to the demographic change in a timely and successful manner. However, we also want to win older and experienced employees for our Company.

Training will continue to be given special emphasis. Also in the years to come, we want to recruit many of our future specialist and managerial personnel from our own ranks. Furthermore, we will strive to achieve a further flexibility on personnel expenses, so that those will be even more closely linked to the respective development of the results of operations.

For the current year, we are once again expecting, on the basis of a further increase in the Potash and Magnesium Products business segment workforce, another slight increase in the number of employees within the Group in terms of the annual average. Against the background of the personnel measures at esco and COMPO, as described below, the number of employees of the K+S Group at the end of the year should, however, be on about the same level as in 2008. At the same time, for our domestic companies, we continue to aim for a trainee ratio of about 6 %. As far as personnel expenses are concerned, we expect that the additional costs arising from the most recent collective agreement pay rise and the slight increase in the number of personnel will moderately exceed the savings resulting from short-time working. For 2010, we are anticipating a slightly smaller number of employees and a slight increase in personnel expenses.

- In August 2008, esco concluded an agreement with the Works Councils and 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 was 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, up to 20 employees can move to fertiva and its nitrogenous fertilizer business. In addition, we are seeking to do everything possible to avoid operations-related redundancies, partly by providing further employment elsewhere within the Group. A definite determination of the measures necessary for the entire COMPO group will be possible after the concepts for the foreign companies in Europe and overseas are presented, which will still occur in the first half of 2009.

Future macroeconomic situation

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT
(REAL IN %)

Year	Germany	EU-25/ EU-27	World
2010e	**+ 0.9**	**+ 0.9**	**+ 2.8**
2009e	**(2.6)**	**(2.0)**	**+ 0.1**
2008	+ 1.3	+ 1.2	+ 3.1
2007	+ 2.5	+ 3.1	+ 4.8
2006	+ 2.9	+ 3.3	+ 5.3

Source: Deka Bank

As the crisis on the financial markets worsened in autumn 2008, the global economic downturn acquired a new dimension. All the indicators are currently pointing to a dramatic slump of the world economy in 2009. It is to be anticipated that the situation on the financial markets, regardless of the many and varied state programmes intended to provide support to the financial sector, will only ease very gradually. In both the industrialised countries and the emerging market nations, the economic slowdown should intensify further during the first half of the year. Overall, it is expected that global economic growth in 2009 will probably stand at 0.1%, while in the industrialised nations, a decline of 2.0% is even anticipated.

In the United States, we expect that in addition to lower domestic demand, which has already been the case for some time, exports will also shrink considerably. The immense fiscal measures planned could, however, cause a certain revival of demand and production.

In 2009, it is most likely that there will be a considerable weakening of export activities in the emerging market countries, due to the crisis being experienced by the industrialised nations. As a result of the re-evaluation of risks amid the financial crisis, a deterioration in the financial environment for emerging market countries is anticipated. In China, in spite of a large increase in state expenditure in 2009, production will probably only rise by 6.8 %, and thus at the lowest rate for more than 15 years.

In 2009, the European Union will, in all likelihood, have to deal with the worst economic slump since its creation. In the eurozone and in Great Britain, gross domestic product is expected to fall by 2.0 % in 2009. Not only domestic demand, but also demand from abroad will probably decline significantly – and in a number of countries, in addition to a strong decline in corporate investment, it is feared that there will also be a crisis in the residential property construction sector. The European Central Bank (ECB) will, in all likelihood, make further moves to cut interest rates.

In Germany, a further decline in economic output is to be expected during the course of 2009. Above all, exports could decrease strongly as a consequence both of the recession in most industrialised nations and of a tangible slowdown in expansion in the emerging market countries. In spite of the low interest rate level, financing conditions will probably continue to remain difficult, at least for the time being. By contrast, private consumer expenditure should do something to support the economy. It is to be expected that the situation on the employment market will deteriorate and that disposable incomes will therefore grow more slowly. Since, however, a significant decrease in the inflation rate is anticipated, real incomes may actually rise moderately. Moreover, the tax burden should fall, so that private households can increase their expenditure.

As an annual average for 2009, a decrease in the real gross domestic product of 2.6% is currently expected. During the second half of 2009, e.g. lower oil prices should then be reflected in the inflation rate, so that this figure as an overall annual average for 2009 is expected to be only 0.8% higher than in the previous year.

With respect to the oil price, we anticipate its stabilisation at the level of USD 50 to USD 70 per barrel for the period 2009/10. The expectations for the average USD/EUR dollar exchange rate for both years are about 1.30 USD/EUR.

Overall, the uncertainty of forecasts is currently exceptionally high. This is primarily due to the financial market crisis, whose duration and effects are very difficult to predict. Moreover, it remains to be seen what impact the global economic stimulus packages will have. If the situation in the financial sector does not improve or if there is even a further deterioration in it, even more negative development in the real economy is to be expected. With this scenario, an economic upturn would be even longer in coming.

Impact on K+S:

- In spite of the anticipated weakening of global economic growth, there will be a continued trend towards increased wealth in the emerging market countries. 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.
- As a result of the financial crisis, the strong decline in cereal prices in the agricultural sector is leading to uncertainty about the future revenue situation. K+S responded to the lower 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 flexibility to produce up to 1.3 million tonnes of potassium chloride less.
- As a consequence of the global financial crisis the possibilities and terms for borrowing have worsened. However, thanks to our strong financial base, we are only affected by this to a minor extent.
- Energy prices fell sharply at the end of last year. However, since changes are only reflected in our costs after a delay of six to nine months, 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 reorganised our US dollar hedging system. Options are now used to hedge anticipated dollar payments over the coming years; they prescribe a worst-case scenario for 2009 of about 1.51 USD/EUR incl. costs, but give the K+S Group the opportunity to participate in a US dollar that may eventually become stronger.

Future industry situation

From today's perspective, it is not possible to forecast the duration of the financial and economic crisis reliably and comprehensively. However, medium- to long-term trends that have a positive impact on demand for our products in the Fertilizers and Plant Care Business Sector remain uninterrupted, despite the financial crisis.

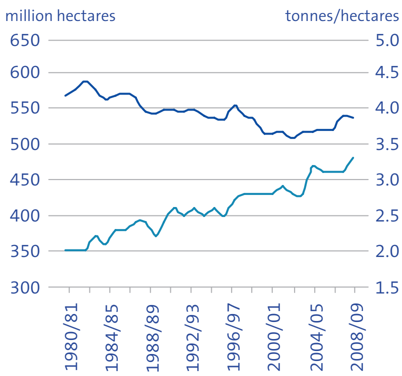
Fertilizer and Plant Care Business Sector

A global population that is growing by 80 million people every year as well as, despite recurrent economic crises, changes in eating habits that are moving towards greater consumption of meat and, not least, the growing importance of renewable raw materials for the generation of bioenergy are all tending to increase demand for agricultural raw materials around the world.

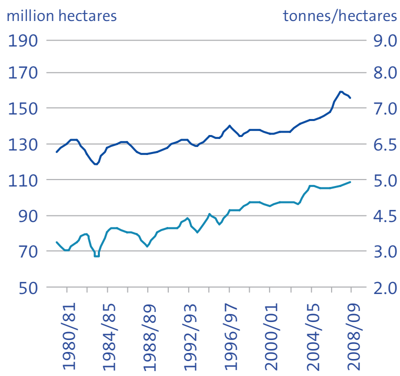
Especially against the backdrop of a decline in the availability of agricultural land per capita, this poses an enormous challenge for the agricultural sector. The following diagrams show that in absolute terms, the land used for the cultivation of corn worldwide has increased by only 0.7 % p.a. over the past 30 years and land used for cereal crops has even declined by about 0.2 % p.a.

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

LAND UNDER CULTIVATION AND YIELDS PER HECTARE FOR CEREALS



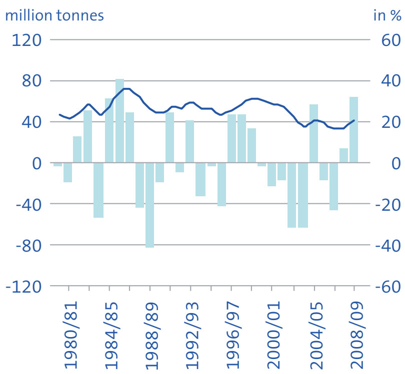
LAND UNDER CULTIVATION AND YIELDS PER HECTARE FOR CORN



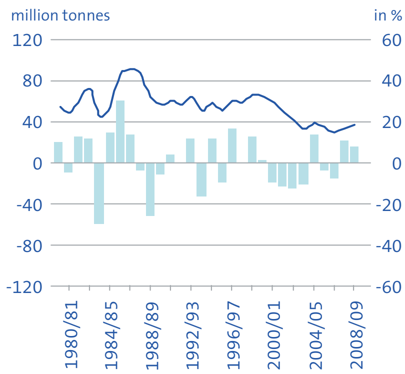
Land under cultivation — Yield (rhs)

Source: United States Department of Agriculture (USDA)

Excess production/production deficit, stocks-to-use ratios for cereals



Excess production/production deficit, stocks-to-use ratios for corn



Production/consumption surplus or deficit — Stocks to use (rhs)

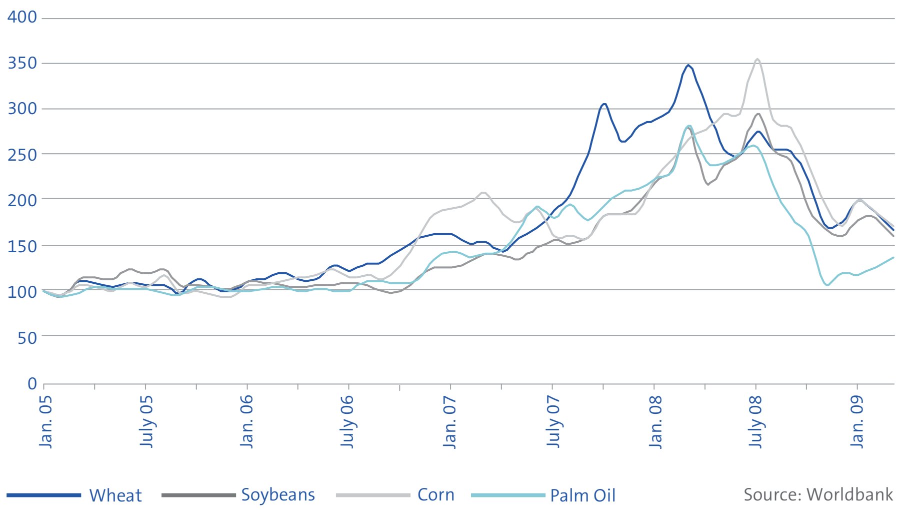
Source: USDA

Despite the great efforts made on the production side over the past few decades, more cereals and corn have tended to be consumed than produced. Against this backdrop, the stocks-to-use ratios for the consumption of both cereals and corn continue to be at a relatively low level, although farmers in 2008 achieved above-average crop yields as a result of ideal weather conditions the world over.

The substantial increase in prices for the most important agricultural goods that could be observed during the past two years was thus a logical consequence of low availability, whereas the sharp correction that occurred for agricultural products in the second half of 2008 and was brought about by the financial crisis is more difficult to comprehend. It is worth considering that some politicians as recently as May 2008, when faced with the same food situation, felt compelled to respond to the concern that food could become unaffordable with politically questionable export restrictions. The fall in the level of agricultural prices meanwhile implies a surfeity of food, which is not actually the case.

If the prices of agricultural products continue to fail to reflect fundamental facts, and farmers respond to this by reducing the amount of land under cultivation and using less fertilizer, the, in any case, already low global availability of cereals, corn and soybeans would decline even further. And this is without taking into consideration the potentialy and more frequently occurring weather phenomena such as floods or the droughts currently being experienced by China and Argentina.

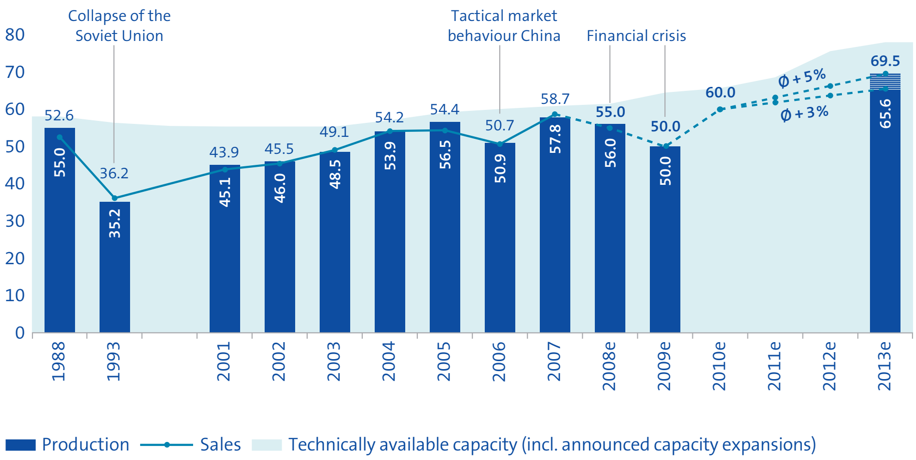
Development of prices for agricultural products (Indexed: Beginning of 2005, in %)



Source: Worldbank

Against this backdrop, it is to be expected that the low level of demand for fertilizers during the first half of 2009 will leave a significant mark initially. In the spring season, commencing in the northern hemisphere at the end of the first quarter, however, the stocks of fertilizers still available in the interim period should have been used up by the agricultural sector by mid-2009, so that for the second half of the year, fertilizer demand could again increase tangibly. This normalisation should also result in demand in 2010 being far higher than that for 2009 as a whole.

World Potash Capacity, Production and Sales (million tonnes)



(Incl. sulphate of potash and low grade potash)

Sources: IFA, K+S

At 50 million tonnes, the global sales volume of the potash industry in 2009 should be markedly below the level for 2008, which was already impacted adversely. For the first half of 2009, the potash producers have already announced cutbacks in output of more than 6 million tonnes; this explains why prices for potash fertilizers are relatively stable. 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. K+S, as the world's fourth-largest individual producer with a market share of more than 10 %, should participate in this.

Salt Business Segment

Over the coming years too, the situation of the industry and competition will be mainly shaped by the continuation of the consolidation process in the European salt industry. Depending on the level of freight costs, the intense competition characterising the market situation for European producers will be further exacerbated by rising imports from non-EU countries. In addition, there is a need to pass on rising costs – especially in the case of energy – to customers. As Europe's largest salt producer, we are well-equipped to meet the challenges arising in this market environment. While demand in the food grade salt and industrial salt segments in Europe is expected to remain stable during the coming two years, at least until mid-2009, sales volumes of salt for chemical use will be appreciably below the high level achieved for 2008, due to the financial and economic crisis.

With the acquisition of the Chilean salt producer SPL, the largest salt producer in South America, we have a very good starting point for participating in the dynamic growth of the South and Central American markets. While the demand from the chemicals industry, an important customer for salt for chemical use, can be expected to be temporarily be held back by the global economic crisis, the South American market for industrial salt and food grade salt should grow constantly in line with the population growth there. In combination with the optimisation of logistics, the decline in freight rates is ensuring the competitiveness of the North American de-icing salt business, but also offers North American salt producers the possibility to cover greater distances. The intensity of competition could thus increase.

Expected development of revenues and earnings

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

K+S Group

Following the estimates in the outlook for the third quarter of 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 for 2009 as a whole compared with the previous year. However, we now expect significantly lower sales volumes, which should rather offset the aforementioned price effect. While the revenues of the COMPO and fertiva business segments should be down significantly, mainly in view of substantial price decreases for nitrogen fertilizers, we expect significantly higher revenues for the Salt business sector because of the good start with de-icing salt. Overall, the 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 total costs of the K+S Group should decrease only moderat 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. By contrast, energy costs should reach a lower level than a year ago due to price and volume factors. We also see some relief in 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 forecast is based on the following circumstances that are to be expected at the current point in time:

- The financial result will be lower compared with the previous year, which benefited from extraordinary effects.
- A domestic Group tax rate to be applied in accordance with IFRSs of 27.9% and an overall adjusted Group tax ratio derived from this of between 27% and 29% (2008: 27.4%).

For 2010, we think it highly probable that revenues will again increase markedly; this assessment is based primarily on significantly higher revenues in the Potash and Magnesium Products business segment due to volume factors. Given that, we see realistic chances of a significant increase also in operating earnings, an increase that should then also have a positive impact on adjusted Group earnings after taxes.

Potash and Magnesium Products Business Segment

In 2009, the revenues of the Potash and Magnesium Products business segment should be on about the same level as year ago. Our forecast is based on a significant decline in sales of 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. While the cost level in the previous year benefitted from increasing stocks in the fourth quarter, this effect will probably not be repeated to the same extent in 2009. In addition, a weaker foreign currency result as well as higher personnel costs should weigh on earnings, so that the operating earnings of the business segment can be expected to be tangibly lower in comparison with the record level for 2008.

From the perspective of today, for 2010, we assume a normalisation of the sales level and thus a significantly better revenues and earnings forecast.

COMPO Business Segment

In favour of better comparability, the forecast for the COMPO business segment does not take into consideration the changed definition applied to separate the COMPO and fertiva business segments that will occur in the second half of the year in the wake of the planned restructuring of the business with nitrogenous fertilizers.

In the financial year 2009, revenues are expected to decline significantly. While the consumer segment in Germany will probably be adversely affected by a low level of the propensity to consume as a result of the financial and economic crisis, in the professional sector we expect not only lower demand for speciality mineral fertilizers and stabilised fertilizers, but also a tendency for the price level to fall. In the wake of an exceptionally sharp increase in raw material prices in 2008, e. g. for ammonia, the prices of important material for the production of nitrogen fertilizers have declined considerably in the meantime. Nevertheless, operating earnings should follow the declining trend for revenues and be much lower in comparison to the previous year.

In 2010, revenues are expected to increase moderately; on the one hand, a renewed increase in economic activity and the resultant strengthening of the propensity to consum, and, on the other, the recovery of nitrogen fertilizer consumption and prices should result in a significant increase in operating earnings.

fertiva Business Segment

In favour of better comparability, the forecast for the fertiva business segment too does not take into consideration the changed definition applied to separate the COMPO and fertiva business segments that will occur in the second half of the year in the wake of the planned restructuring of the business with nitrogenous fertilizers.

In 2009, we expect a significant decline in revenues, which is primarily attributable to lower average prices for nitrogenous fertilizers. 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 that will also be significantly lower than for the last year.

With regard to 2010, we assume, from the perspective of today, that there will be a stabilisation of the business. It should again be possible to pass on rising costs through prices. We therefore expect a moderate rise in revenues and earnings.

Salt Business Segment

As a result of the good start to the de-icing business both in Europe and North America due to weather conditions, we are expecting a significant increase in revenues for the Salt business segment in 2009. This forecast takes into consideration an average de-icing salt business during the fourth quarter and a stable development of revenues in the food grade salt and industrial salt segments. By contrast, in the case of salt for chemical use, we expect significant volume decreases in view of the marked economic downturn. On the costs side, this year, lower freight and energy costs will provide relief. Overall, operating earnings will be significantly above the level seen last year.

Compared with the level of revenues for 2009, which will benefit from what are probably above-average de-icing salt sales, we expect tangibly lower revenues for 2010 based on normal winter business. Operating earnings should follow this development; the anticipated success deriving from the implementation of the efficiency enhancement programme as well as lower energy costs will, however, have a positive impact.

Complementary Business Segments

In the case of the Complementary Business segments, revenues should attain a similar high level than a year ago, with all segments developing in a relatively stable way. For operating earnings, however, we expect a significant decrease compared with the previous year, which primarily results from the lower contributions to earnings deriving from waste management and logistics.

For 2010, we expect, from today’s perspective, business to normalise, especially in the logistics sector; revenues and earnings of the Complementary Business segments should therefore rise tangibly again.

Anticipated financial position

Expected financing structure

With net indebtedness (including long-term provisions) of € 570.0 million and a level of indebtedness of 33%, the K+S Group has a strong financial base as a result of normally high operating and free cash flows. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities. In view of the expected earnings and without taking into account possible acquisitions, share repurchase transactions or CTA allocations, the development of the level of our financial debt should be stable to slightly regressive compared with the previous year; subject to these conditions, we will, in all likelihood, also display a comfortable equity ratio of more than 40% in 2009 and 2010, and the level of indebtedness should be under 30%.

Expected development of liquidity

For the current and the coming year, we are anticipating a positive development of liquidity; the projected development of earnings should also have an impact on the cash flow provided by operating activities. The latter should significantly exceed outlays connected with capital expenditure, so that we can expect to generate substantial free cash flows in 2009 and particularly in 2010.

Planned capital expenditure

K+S Group

For the next few years, we are assuming that capital expenditure related to replacement and ensuring production will remain at about the level of our depreciation. Furthermore, the anticipated level of earnings should result in a cash flow provided by operating activities, which leaves sufficient scope for profitable investments in expansion and rationalisation projects.

For 2009 overall, we expect a volume of capital expenditure of about € 200 million once again. Measures related to replacement and ensuring production capacity account for a good 60% of this figure and should be fully financed through the anticipated depreciation charges of about € 150 million.

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 € 360 million in total by 2015. Of that figure, € 90 million is expected to be invested in 2010. Thus, the volume of capital expenditure for 2010 should total about € 250 million. A good 80% of this should be spent on replacement and ensuring production.

Potash and Magnesium Products Business Segment

At a good € 115 million, the level of capital expenditure in 2009 should tangibly exceed the value for 2008. Projects for the improved exploitation of raw materials, process optimisation and for reducing solid and liquid residues will be main focuses. Moreover, 2009 will also be marked by the completion of the measures intended to expand capacity for industrial products at the Zielitz site. Additionally, the changeover of the energy supply at the Wintershall site will be completed. Overall, almost two thirds of the volume of capital expenditure will be spent on investments related to replacement and ensuring production.

In 2010, the level of capital expenditure, taking account of the package of measures, should be about € 210 million. This assumes that we will receive the permit for the planned construction of the saline water pipeline from the Neuhof site to the Werra plant. Replacement and ensuring production capacity will account for a good 80% volume of capital expenditure.

COMPO Business Segment

In the years 2009 and 2010, the volume of capital expenditure should amount to € 20 million and € 7 million respectively. The increase in 2009 can mainly be attributed to the construction of the third facility for coated fertilizers at the Krefeld site, which was commenced last year. Furthermore, the modernisation of the social buildings will be completed there. A further part of the capital expenditure will be accounted for by projects in the area of consumer plant protection, which we will carry out in collaboration with Syngenta. The expansion investment component should again be slightly greater than that of replacement investments in 2009.

fertiva Business Segment

As fertiva has no production facilities of its own, the volume of capital expenditure will again be at its customary low level of € 1 million in 2009 and 2010 too.

Salt Business Sement

Following the acquisition of an additional ship for SPL in 2008, the volume of capital expenditure in the Salt business segment in 2009 should fall back to about € 42 million. Investments in relation to replacement and ensuring production will account for about 60% of this. The overhauling of ships belonging to the Empremar shipping company to extend their useful lives and maintenance work at the older loading terminal in the port in connection with the open-cast salt mining operations of SPL in Chile will be at the forefront.

For 2010, we now only expect a volume of capital expenditure of about € 24 million. The modernisation of a shaft winding engine at the Borth site will then be one of the most important projects.

Complementary Business Segments

The volume of capital expenditure this year will be just under € 8 million and thus rather below the level of the year under review. Just under € 4 million of this will be accounted for by the Waste Management and Recycling business segment; just under € 2 million should be invested each in the Logistics and Animal Hygiene Products business areas. In the Logistics area, the construction of a container terminal for combined traffic at the Werra site should be completed. Overall, about 80 % of the volume of capital expenditure will be spent on investments related to replacement and ensuring production.

The capital expenditure budget is expected to fall further in 2010.

Expected development of dividends

Dividend payment for financial year 2008

On 14 May 2008, the dividend for 2007 was paid from the balance sheet profit of € 82.5 million available at the end of 2007 and was the same amount as the balance sheet profit. In financial year 2008, K+S AG achieved net income for the year of € 629.4 million (2007: € 82.5 million). After allocating € 230.0 million to revenue reserves, € 399.4 million are disclosed as balance sheet profit.

Development of dividends
(in €)

Year	Dividend per share
2008	**2.40**
2007	0.50
2006	0.50
2005	0.45
2004	0.33

As a result of the sharp increase in the adjusted earnings of the K+S Group and in line with our long-term policy on dividends, 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, adjusted to the share split in the ratio 1:4).

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; a dividend payout rate of 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 an earnings-based dividend policy. 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 also have a corresponding impact on the future dividend payment. For 2010, due to the anticipated significant improvement in the earnings level, an appropriate increase in dividends should be possible once again.

Opportunities

Opportunities from the development of framework conditions

The historically relatively low ratio of stocks of important agricultural products to annual consumption already described under the heading “Future industry situation” on pages 125 et seqq. should also again in future be reflected in the pricing of agricultural products. Attractive price levels will in turn encourage farmers worldwide to both utilise any additionally available land and increase the intensity of cultivation. Both these elements require greater use of fertilizers and could result in global demand for fertilizers rising at a faster pace than the 2 % to 3 % per year hitherto forecast.

Corporate strategy opportunities

In the light of the high level of utilisation in normal years of technically available capacities in Germany, for some time now we have been working in the Potash and Magnesium Products business segment to expand our potash and magnesium capacities and are examining projects within and outside Europe. The construction of a new potash mine requires a mining licence and normally involves long lead times for exploration, the construction of shafts and the erection of an above-ground infrastructure. Nevertheless, we are confident that, at least in the medium term, we will be able to further strengthen the earnings capacity of the business segment, not only as the result of prices, but also because of a higher volume of sales.

The further expansion of the Chilean salt producer SPL is, moreover, providing the opportunity to increase the enterprise value of the K+S Group. Our in global terms very attractive cost structures and regional possibilities for expansion into existing markets and those not yet serviced offer us a large number of new opportunities.

Economic performance opportunities

A decrease in energy costs would have a favourable impact on the cost structures and thus the business success in particular of the energy-sensitive Potash and Magnesium Products and Salt business segments. A decrease in K+S energy costs of 10 % from their current level means that costs will fall by about € 25 million per annum. In addition, energy and ammonia costs have tended to move in tandem historically: accordingly, it is very likely that a decrease in energy costs would also result in lower ammonia costs and thus in lower procurement costs for the COMPO and fertiva business segments. Moreover, a sustained decrease in freight costs could have a favourable effect on the cost structure.

Other opportunities

In the autumn of 2004, rising fuel and electricity prices prompted us to revise our energy concept for the Group's Werra potash compound site. In conjunction with E.ON Energy from Waste, a technical concept was developed for the construction of a substitute fuel power plant aligned to the existing facilities. The plant is expected to become operational in 2009 and will greatly reduce the dependence of the Wintershall potash plant on expensive natural gas; current energy costs assumed, this will produce potential savings in the middle of the single-digit millions range.

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

Overview in table form of revenue and earnings trends described *

in € million	Potash and Magnesium Products	COMPO	fertiva	Salt	Complementary Business Segments	K+S Group
Revenues 2008	2,397.4	750.9	901.5	618.6	125.3	4,794.4
Revenues 2009	o	– – –	– – –	+ + +	o	– –
Revenues 2010	+ + +	+	+	– –	+ +	+ +
EBIT I 2008	1,203.2	79.0	42.4	45.2	25.1	1,342.7
EBIT I 2009	– –	– – –	– – –	+ + +	– – –	– – –
EBIT I 2010	+ + +	+ + +	+	–	+ +	+ + +

* Trend compared with previous year; –/+: low to moderate; – –/+ +: tangible; – – –/+ + +: significant

In view of the global financial and economic crisis we are experiencing, we assume that the hitherto positive performance of the K+S Group will suffer a setback this year. In the process, the development in the Potash and Magnesium Products business segment will be decisive for the extent to which the revenues and earnings of the K+S Group will grow: Thus, for 2009, in the light of the anticipated sharp decline in the sales volume of potash and magnesium products that we are expecting, we anticipate tangible decreases in revenues and considerable decreases in earnings.

In view of a indication of a probable worldwide decrease in the use of land this year, as well as a lower level of intensity of the application of fertilizers across all nutrients, together with problematic weather conditions in important agricultural countries such as China and Argentina, the future supply of cereals will probably fall tangibly below the demand for cereals, which is relatively stable even in times of crisis; a strong price impulse against the backdrop of an already short supply of agricultural products would be the logical consequence of this and should correspondingly boost demand for fertilizers. For 2010, we therefore expect a significant increase in sales volumes of the mineral fertilizers we offer, so that the revenues of the K+S Group should again increase tangibly in relation to 2009 and our operating earnings even significantly.

Our outlook for 2009 and 2010 is based chiefly on the following premises:

- the normalisation once more of demand for potash fertilizers worldwide starting from the second half of 2009,
- a USD exchange rate of about 1.30 USD/EUR in the years 2009 and 2010,
- stable oil and gas prices for 2009 as well as markedly rising oil and gas prices for 2010,
- an average level of de-icing salt business in the fourth quarter of 2009 as well as average sales of de-icing salt in 2010 in Europe and North America.

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

Assurance from the legal representatives of K+S Aktiengesellschaft

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

Kassel, 25 February 2009

K+S Aktiengesellschaft
The Board of Executive Directors

FORWARD-LOOKING STATEMENTS

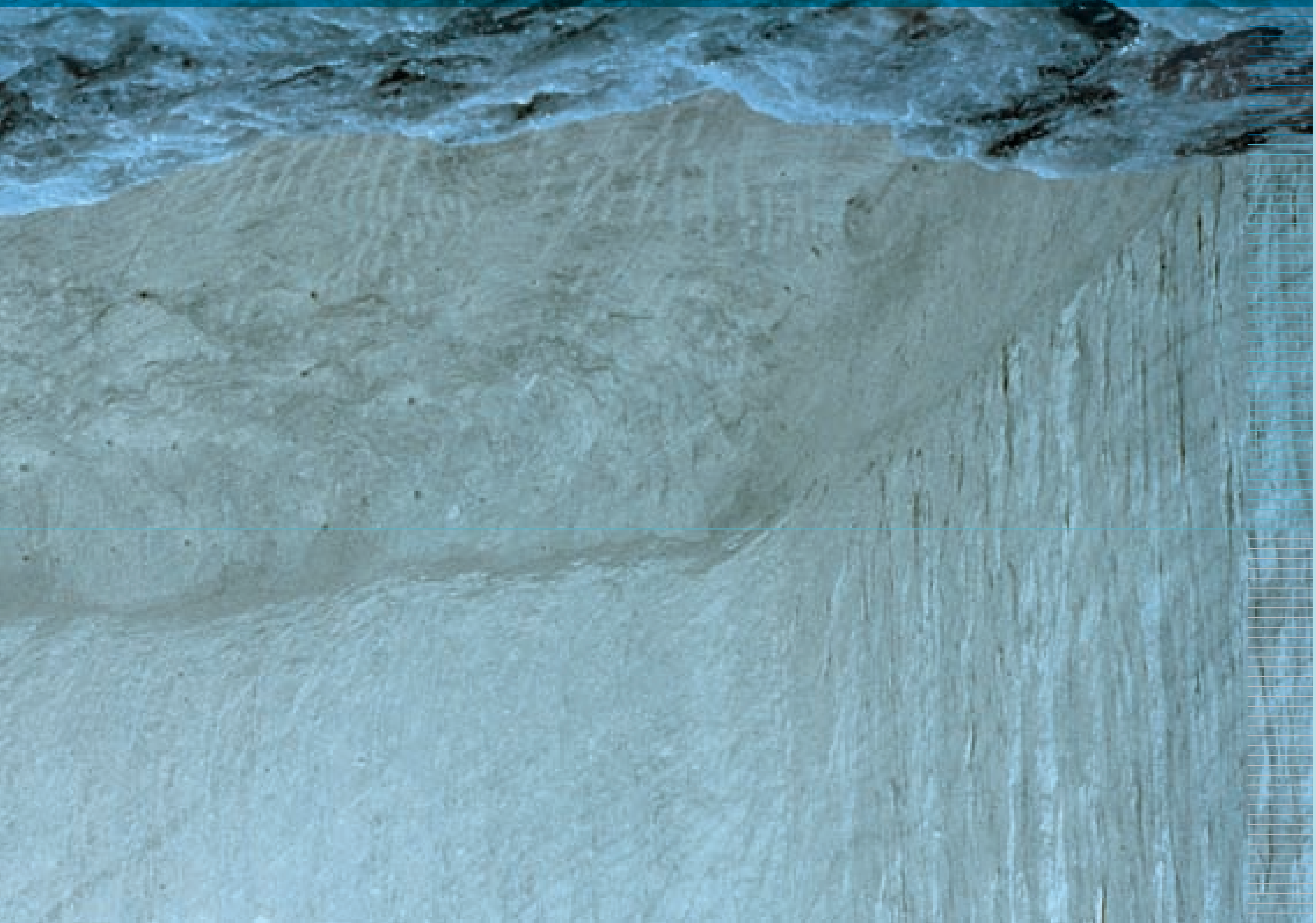
THIS FINANCIAL REPORT CONTAINS FACTS AND FORECASTS THAT RELATE TO THE FUTURE DEVELOPMENT OF THE K+S GROUP AND ITS COMPANIES. THE FORECASTS ARE ESTIMATES THAT WE HAVE MADE ON THE BASIS OF ALL THE INFORMATION AVAILABLE TO US AT THIS MOMENT IN TIME. SHOULD THE ASSUMPTIONS UNDERLYING THESE FORECASTS PROVE NOT TO BE CORRECT OR RISKS – SUCH AS THOSE DESCRIBED IN THE RISK REPORT – ARISE, ACTUAL EVENTS MAY DEVIATE FROM THOSE EXPECTED AT THE PRESENT TIME.

PROFIT
BALANCE SHEET

430 m
BELOW SEA LEVEL
UPPER MINING FLOOR, BERNBURG ROCK SALT SITE

5 m
ABOVE SEA LEVEL
BURCHARD QUAY, HAMBURG

We export our products to over 100 countries in the world and generate more than 80% of our revenues outside Germany. The year 2008 was the best financial year in our Company's history. Our operating earnings grew almost fivefold and we increased our equity ratio to just under 50%, providing strong support for future growth. On the basis of this healthy balance sheet structure and solid financial position, we want to continue achieving sustainable success for our Company.



CONSOLIDATED FINANCIAL STATEMENTS OF THE K+S GROUP

05

Auditors' Report

We have audited the consolidated financial statements, consisting of the balance sheet, income statement, statement of changes in equity, cash flow statement and notes, prepared by K+S Aktiengesellschaft, Kassel, as well as the group management report for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Report Standards (IFRSs) as applied within the EU and the supplementary commercial law provisions as applied in accordance with Section 315a, par. 1 of the German Commercial Code (HGB) is the responsibility of the company's Board of Executive Directors. Our responsibility is to express an opinion of the consolidated financial statements and the group management report on the basis of our audit.

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

Our audit has not led to any reservations.

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

Hanover, 25 February 2009

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

Income Statement

in T€	Notes	2008	2007
Revenues	[1]	**4,794,397**	**3,344,066**
Cost of sales		2,552,859	2,211,947
Gross profit		**2,241,538**	**1,132,119**
Selling expenses		775,986	752,341
General and administrative expenses		104,364	89,375
Research and development costs		18,070	15,523
Other operating income	[2]	173,608	138,195
Other operating expenses	[3]	176,572	131,957
Income from investments, net	[4]	2,519	4,584
Operating earnings (EBIT I)		**1,342,673**	**285,702**
Market value changes from hedging transactions/ Result from derivatives no longer in operation	[5]	(150,373)	(392,620)
Earnings after market value changes and derivatives no longer in operations (EBIT II)		**1,192,300**	**(106,918)**
Interest income	[6]	25,056	6,686
Interest expenses	[6]	(29,652)	(42,258)
Other financial result	[7]	11,353	(93)
Financial result		**6,757**	**(35,665)**
Earnings before income taxes		**1,199,057**	**(142,583)**
Taxes on income - of which deferred taxes	[8]	327,686 61,374	(49,474) (68,902)
Net income/net loss for the year		**871,371**	**(93,109)**
Minority interests in earnings		485	228
Group earnings after taxes and minority interests		**870,886**	**(93,337)**
Earnings per share in € (undiluted ≙ diluted)	[11]	5.28	(0.57)
Earnings before taxes, adjusted [1)]		**1,349,430**	**250,037**
Group earnings, adjusted [1)]	[11]	**979,305**	**175,333**
Earnings per share in €, adjusted 1), [2)]	[11]	**5.94**	**1.06**
Average number of shares in million [2)]		164.95	164.94

1) Adjusted for the effects of market value changes from hedging transaction as well as derivatives that are no longer in operation; a tax rate of 27.9 % (2007: 31.6 %) was imputed for adjusted Group earnings and adjusted earnings per share.

2) Adjusted for the share split in the ratio 1:4. (entry in commercial register: 24 June 2008; technical execution: 21 July 2008)

Cash Flow Statement

in T€	Notes	2008	2007
Operating result (EBIT I)		**1,342,673**	**285,702**
Depreciation (+)/write-ups (-) on fixed assets *		141,712	128,214
Increases (+)/decrease (-) in non-current provisions (without interest rate effects)		(29,527)	(5,239)
Interest, dividends and similar income received		5,068	6,686
Realised gains/losses on the disposal of financial assets and securities		11,508	606
Interest paid		(26,423)	(24,297)
Other financing expenses (-) and income (+)		(495)	2
Income tax expenses (-) and income (+)		(266,312)	(19,428)
Other non-cash items		(262)	(168)
Gross cash flow		**1,177,942**	**372,078**
Gain on disposals of fixed assets and securities		(9,704)	(4,921)
Increase (-)/decrease (+) in inventories		(314,599)	1,715
Increase (-)/decrease (+) in receivables and other assets from operating activities		(181,081)	(501,137)
- of which premium volume for derivatives		(46,334)	(338,606)
Proceeds from the exercise and sale of options		37,559	–
Increase (+)/decrease (-) in liabilities from operating activities		13,864	27,264
- of which premium volume for derivatives		4,400	(28,405)
Increase (+)/decrease (-) in current provisions		86,078	6,075
Out-financing of provisions		(7,351)	(9,414)
Cash flow from operating activities		**802,708**	**(108,340)**
Proceeds from disposals of fixed assets		2,501	6,957
Disbursements for intangible assets		(7,146)	(9,314)
Disbursements for property, plant and equipment		(160,977)	(148,923)
Disbursements for financial assets		(4,561)	(1,504)
Proceeds from the sale of consolidated companies		–	3,557
Disbursements for the acquisition of consolidated companies	[41]	(9)	(923)
Proceeds from sale (+)/disbursements(-) for acquisition of securities		27	9,434
Cash flow for investing activities		**(170,165)**	**(140,716)**
Free cash flow		**632,543**	**(249,056)**
Payment of dividend		(82,500)	(82,500)
Payments from allocations to equity		3,187	2,764
Purchase of own shares		(6,122)	(6,185)
Sale of own shares		746	319
Increase (+)/decrease (-) in liabilities from finance leases		(335)	1,060
Taking out (+)/repayment (-) of loans		(232,953)	166,293
Cash flow from/for financing activities		**(317,977)**	**81,751**
Change in cash and cash equivalents affecting cash flow		**314,566**	**(167,305)**
Change in value of cash and cash equivalents		(195)	(387)
Changes from consolidation		(2,411)	(106)
Change in cash and cash equivalents		**311,960**	**(167,798)**
Net cash and cash equivalents as of 1 January		**(151,400)**	**16,398**
Net cash and cash equivalents as of 31 December	[42]	**160,560**	**(151,400)**

* Depreciation/amortisation of property, plant and equipment and intangible assets (including equity interests).

Balance Sheet

in T€	Notes	2008	2007
Intangible assets	[12]	177,137	172,481
- of which goodwill from acquisitions	[12]	104,839	99,724
Property, plant and equipment		1,246,430	1,124,804
Investment properties	[13]	7,773	7,899
Financial assets	[14]	22,270	17,815
Receivables and other assets	[17]	15,522	13,162
Securities	[19]	–	37,133
Deferred taxes	[15]	46,299	70,053
Recoverable income taxes		543	547
Non-current assets		**1,515,974**	**1,443,894**
Inventories	[16]	684,611	368,637
Accounts receivable – trade	[17]	901,535	757,237
Other receivables and assets	[17, 18]	172,957	308,672
- of which derivative financial instruments		66,365	205,335
Recoverable income taxes		30,855	36,951
Cash on hand and balances with banks		167,823	49,411
Current assets		**1,957,781**	**1,520,908**
ASSETS		3,473,755	2,964,802

Statement of Changes in Equity

in T€	Subscribed capital [21]	Additional paid-in capital	Profit retained/ other reserves [22]
Balance as of 1 January 2008	108,800	7,649	829,755
Market value of securities	–	–	–
Consolidation effects	–	–	632
Other neutral changes	–	–	1,752
Income and expenses recorded directly in equity	**–**	**–**	**2,384**
Net income for the period	–	–	870,886
Total income and expenses recorded	**–**	**–**	**873,270**
Capital increase from corporate funds	56,200	–	(56,200)
Dividend for previous year	–	–	(82,500)
Subscription of employee shares	–	(3,183)	–
Balance as of 31 December 2008	165,000	4,466	1,564,325
Balance as of 1 January 2007	108,800	7,909	997,492
Market value of securities	–	–	–
Consolidation effects	–	(92)	(173)
Other neutral changes	–	–	8,273
Income and expenses recorded directly in equity	**–**	**(92)**	**8,100**
Net income for the period	–	–	(93,337)
Total income and expenses recorded	**–**	**(92)**	**(85,237)**
Dividend for previous year	–	–	(82,500)
Subscription of employee shares	–	(168)	–
Balance as of 31 December 2007	108,800	7,649	829,755

In T€	Anhang	2008	2007
Subscribed capital	[21]	165,000	108,800
Additional paid-in capital		4,466	7,649
Other reserves and profit retained	[22]	1,547,483	814,512
Minority interests		1,332	847
Equity		**1,718,281**	**931,808**
Bank loans and overdrafts	[28]	107,116	360,223
Other liabilities	[28]	14,533	15,127
Provisions for pensions and similar obligations	[25]	93,064	125,754
Provisions for mining obligations	[26]	378,306	357,565
Other provisions	[27]	97,646	123,839
Deferred taxes	[15]	58,677	21,662
Non-current debt		**749,342**	**1,004,170**
Bank loans and overdrafts	[28]	159,288	328,067
Accounts payable – trade	[28]	465,357	409,091
Other liabilities	[18, 28]	68,166	85,464
- of which derivative financial instruments		24,224	16,855
Income tax liabilities		25,820	6,155
Provisions	[26, 27]	287,501	200,047
Current debt		**1,006,132**	**1,028,824**
EQUITY AND LIABILITIES		**3,473,755**	**2,964,802**

Differences from foreign currency translation [22]	Revaluation reserve [22]	Total K+S AG shareholders' equity	Minority interests	Equity
(35,383)	20,140	930,961	847	931,808
–	–	–	–	–
–	–	632	–	632
18,697	(20,296)	153	–	153
18,697	**(20,296)**	**785**	**–**	**785**
–	–	870,886	485	871,371
18,697	**(20,296)**	**871,671**	**485**	**872,156**
–	–	–	–	–
–	–	(82,500)	–	(82,500)
–	–	(3,183)	–	(3,183)
(16,686)	**(156)**	**1,716,949**	**1,332**	**1,718,281**
(15,734)	25,257	1,123,724	619	1,124,343
–	(5,227)	(5,227)	–	(5,227)
–	–	(265)	–	(265)
(19,649)	110	(11,266)	–	(11,266)
(19,649)	**(5,117)**	**(16,758)**	**–**	**(16,758)**
–	–	(93,337)	228	(93,109)
(19,649)	**(5,117)**	**(110,095)**	**228**	**(109,867)**
–	–	(82,500)	–	(82,500)
–	–	(168)	–	(168)
(35,383)	**20,140**	**930,961**	**847**	**931,808**

Development of Fixed Assets 2008/2007

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

in T€	Gross carrying amounts Balance as of 01.01.2007	Change from consolidation	Additions	Disposals	Reclassi-fication	Currency differences	Balance as of 31.12.2007
Concessions, industrial property rights, similar rights and assets as well as licences for such rights & assets	109,013	(59)	4,385	2,299	1,760	(1,992)	110,808
Goodwill from acquisitions	102,866	175	622	–	–	(3,939)	99,724
Internally generated intangible assets	4,048	–	797	–	2,257	–	7,102
Emission rights	–	–	126	–	–	–	126
Payments on account	5,751	–	3,510	21	(3,561)	(36)	5,643
Intangible assets [12]	**221,678**	**116**	**9,440**	**2,320**	**456**	**(5,967)**	**223,403**
Land, rights similar to land and buildings, including buildings on third-party land	423,337	1,508	28,025	2,358	17,233	(451)	467,294
Salt deposits	253,776	–	–	–	–	(10,380)	243,396
Technical equipment and machinery	1,637,012	696	70,824	23,247	6,545	(426)	1,691,404
Ships	9,122	–	17,909	–	–	(961)	26,070
Other equipment, fixtures and fittings	194,901	(1,346)	17,810	6,199	725	(145)	205,746
Payments on account and construction in progress	26,029	–	39,989	914	(21,561)	(123)	43,420
Leasing and similar rights	2,009	–	–	–	1,400	(21)	3,388
Property, plant and equipment	**2,546,186**	**858**	**174,557**	**32,718**	**4,342**	**(12,507)**	**2,680,718**
Investment properties [13]	**17,968**	**–**	**–**	**765**	**192**	**–**	**17,395**
Investments in associated companies	9,682	(1,096)	281	11	–	–	8,856
Loans to associated companies	74	–	–	–	–	–	74
Investments	7,227	(580)	948	3	–	–	7,592
Loans to companies in which equity interests are held	279	–	–	238	–	–	41
Sundry loans and other financial assets	3,362	–	275	992	–	(2)	2,643
Financial assets [14]	**20,624**	**(1,676)**	**1,504**	**1,244**	**–**	**(2)**	**19,206**
Fixed assets	**2,806,456**	**(702)**	**185,501**	**37,047**	**4,990**	**(18,476)**	**2,940,722**

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

Depreciation, amortisation and write-downs									Net carrying amounts
Balance as of 01.01.2007	Change from consolidation	Scheduled additions	Non-scheduled additions	Disposals	Re-classification	Write-ups	Currency differences	Balance as of 31.12.2007	**Balance as of 31.12.2007**
41,973	(49)	8,048	36	2,296	907	52	(135)	48,432	62,376
–	–	–	–	–	–	–	–	–	99,724
1,136	–	1,340	–	–	14	–	–	2,490	4,612
–	–	–	–	–	–	–	–	–	126
–	–	–	–	–	–	–	–	–	5,643
43,109	**(49)**	**9,388**	**36**	**2,296**	**921**	**52**	**(135)**	**50,922**	**172,481**
196,578	482	13,759	139	1,370	12,345	–	(20)	221,913	245,381
2,359	–	1,549	–	–	–	–	(21)	3,887	239,509
1,108,080	465	85,621	–	21,092	(8,435)	–	(39)	1,164,600	526,804
141	–	907	–	–	–	–	(15)	1,033	25,037
155,804	(785)	16,275	–	5,860	(1,838)	–	(18)	163,578	42,168
–	–	–	–	–	–	–	–	–	43,420
582	–	325	–	–	–	–	(4)	903	2,485
1,463,544	**162**	**118,436**	**139**	**28,322**	**2,072**	**–**	**(117)**	**1,555,914**	**1,124,804**
9,676	**–**	**60**	**–**	**399**	**159**	**–**	**–**	**9,496**	**7,899**
372	–	–	–	–	–	–	–	372	8,484
74	–	–	–	–	–	–	–	74	–
728	–	–	207	–	–	–	–	935	6,657
–	–	–	–	–	–	–	–	–	41
11	–	–	–	–	–	1	–	10	2,633
1,185	**–**	**–**	**207**	**–**	**–**	**1**	**–**	**1,391**	**17,815**
1,517,514	**113**	**127,884**	**382**	**31,017**	**3,152**	**53**	**(252)**	**1,617,723**	**1,322,999**

Development of Provisions

in T€	Balance as of 01.01.2008	Currency differences	Change in scope of consolidation	Allocations
Backfilling of mines and shafts	179,840	–	–	44,961
Mining damage risks	37,801	–	–	561
Maintenance of stockpiles	100,765	–	–	17,292
Other mining obligations	39,159	–	–	742
Provisions for mining obligations [26]	**357,565**	**–**	**–**	**63,556**
Jubilee pay	23,075	(1)	–	291
Partial retirement	45,289	–	–	19,351
Social plan expenses	101	–	–	583
Other personnel obligations	18,274	(15)	–	14,676
Personnel obligations [27]	**86,739**	**(16)**	**–**	**34,901**
Other provisions	**37,100**	**(4)**	**–**	**953**
Provisions (non-current debt)	**481,404**	**(20)**	**–**	**99,410**
Other taxes	2,784	138	–	645
Provisions for mining obligations	6,499	–	–	290
Personnel obligations	91,003	48	(3)	104,476
Provisions for obligations from sale transactions [27]	44,340	(23)	–	102,359
Provisions for obligations from purchase contracts [27]	19,643	326	–	25,588
Other provisions	35,778	359	–	22,261
Provisions (current debt)	**200,047**	**848**	**(3)**	**255,619**
Provisions	681,451	828	(3)	355,029

Segment Reporting

	Total revenues		of which intersegment revenues	
In T€	2008	2007	2008	2007
Potash and Magnesium Products	2,500,953	1,480,377	103,570	72,502
COMPO	775,145	629,056	24,269	11,663
fertiva	915,814	657,782	14,310	9,733
Salt	622,962	548,991	4,381	3,858
Complementary Business Segments [1]	170,564	173,874	45,276	48,883
Reconciliation [2] [37]	(191,041)	(146,014)	(191,806)	(146,639)
K+S Group	4,794,397	3,344,066	0	0

	Assets [39]		Liabilities	
In T€	2008	2007	2008	2007
Potash and Magnesium Products	2,346,798	1,094,024	613,650	656,397
COMPO	579,435	455,135	227,208	170,606
fertiva	406,725	267,776	363,594	239,029
Salt	990,894	888,647	238,397	184,011
Complementary Business Segments [1]	153,837	116,482	81,046	25,739
Reconciliation [2] [37]	(1,003,934)	142,738	231,579	757,212
K+S Group	3,473,755	2,964,802	1,755,474	2,032,994

[1] On 1 January 2008, the Waste Management and Recycling business segment was grouped together with the service activities bundled in the Services and Trading business segment and the new entity was given the name "Complementary Business Segments". In addition, the activities of K+S IT-Services GmbH were presented in the reconciliation since the beginning of the year on account of the low share of third-party revenues; the previous year's figures were adjusted accordingly.

[2] Figures for business segments are shown before intersegment consolidation. Expenses and income as well as balance sheet items that cannot be allocated to business segments are recorded separately. Both effects are shown under "Reconciliation" and result in the Group figures.

Accrued interest	Provisions used	Provisions reversed	Reclassification	CTA reclassification	Balance as of 31.12.2008
(1,727)	7,583	3,635	(1,411)	–	210,445
(2,935)	344	963	–	–	34,120
(14,728)	588	6,244	–	–	96,497
(598)	145	1,914	–	–	37,244
(19,988)	**8,660**	**12,756**	**(1,411)**	**–**	**378,306**
981	1,789	93	22	–	22,486
–	24,554	–	–	7,351	32,735
–	54	–	–	–	630
–	13,980	310	810	–	19,455
981	**40,377**	**403**	**832**	**7,351**	**75,306**
(96)	**993**	**6,166**	**(8,454)**	**–**	**22,340**
(19,103)	**50,030**	**19,325**	**(9,033)**	**7,351**	**475,952**
–	2,321	349	(47)	–	850
–	214	–	1,411	–	7,986
–	85,880	1,868	85	–	107,861
–	26,642	13,753	20	–	106,301
–	14,527	4,717	(446)	–	25,867
–	14,532	4,738	(492)	–	38,636
–	**144,116**	**25,425**	**531**	**–**	**287,501**
(19,103)	**194,146**	**44,750**	**(8,502)**	**7,351**	**763,453**

of which with third parties [38]		EBIT I		Gross cash flow	
2008	2007	**2008**	2007	**2008**	2007
2,397,383	1,407,875	1,203,204	177,913	1,271,822	256,016
750,876	617,393	78,985	32,049	91,138	41,949
901,504	648,049	42,424	25,276	40,316	26,925
618,581	545,133	45,171	47,846	77,133	77,583
125,288	124,991	25,136	37,593	30,689	42,067
765	625	(52,247)	(34,975)	(333,156)	(72,462)
4,794,397	**3,344,066**	**1,342,673**	**285,702**	**1,177,942**	**372,078**

Invested capital [3]		Capital expenditure [4] [40]		Employees as of 31 Dec. [5]	
2008	2007	**2008**	2007	**2008**	2007
1,169,275	847,513	111,090	79,671	7,800	7,626
441,972	308,617	10,449	12,634	1,245	1,252
(197,791)	(91,082)	250	4,191	73	59
791,825	684,517	58,622	47,902	2,394	2,294
122,920	64,083	9,948	17,152	285	273
30,145	24,470	7,107	10,024	571	529
2,358,346	**1,838,118**	**197,466**	**171,574**	**12,368**	**12,033**

[3] Operating fixed assets and working capital.
[4] Relates to property, plant and equipment and intangible assets.
[5] Workforce as of 31 Dec. including temporary employees (without students and interns) measured on a full-time equivalent basis.

Notes

General principles

The group parent company, K+S Aktiengesellschaft (K+S AG), which is registered in Germany, has prepared the consolidated financial statements of the K+S Group as of and for the period ended 31 December 2008 based on the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in force on the reporting date insofar as those have been recognised by the European Union. In the interests of clearer presentation, the individual captions in the consolidated financial statements are presented in € thousands (T€).

The consolidated financial statements were approved for release by the Board of Executive Directors at its meeting on 25 February 2009 and, after being considered by the audit committee, were presented to the Supervisory Board for approval for its meeting on 11 March 2009.

Scope of consolidation

The scope of consolidation changed as follows in 2008:

In connection with the restructuring of the business segments as of 1 January 2008, K+S Consulting GmbH is no longer a consolidated part of the K+S Group on account of its minor importance.

data process GmbH has been renamed K+S IT-Services GmbH.

In view of its increased business activity, fertiva latinoamericana SRL was included in the scope of consolidation in the first quarter of 2008. The company was renamed K+S Argentina SRL in July 2008 and primarily trades in fertilizers.

In addition, the following French KALI companies were renamed in September 2008:

- K+S KALI & SCPA France S.A.S. to K+S KALI France S.A.S.
- SCPA Masdac S.A.S. to K+S KALI Atlantique S.A.S.
- SCPA Du Roure S.A.S. to K+S KALI Du Roure S.A.S.
- SCPA Rodez S.A.S. to K+S KALI Rodez S.A.S.
- Compagnie de Compactage de Wittenheim S.A.S. to K+S KALI Wittenheim S.A.S.

K+S Mining Argentina S.A., which was formed in September 2008, was consolidated for the first time. The company develops growth projects that extend across business segments in Latin America.

esco Holding France S.A.S., which was formed in December 2008, was also consolidated for the first time.

No details have been provided about the effects of the companies consolidated for the first time because of their minor importance for the financial year 2008.

The following 21 (2007: 22) domestic and 46 (2007: 43) foreign companies have been fully consolidated in the consolidated financial statements.

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

Outside Germany (in %)	Share of capital	Share of voting rights
Compania Minera Punta de Lobos Ltda., Santiago de Chile, Chile	99.70	100.00
COMPO Agricoltura S.p.A., Cesano Maderno, Italy	100.00	100.00
COMPO Agricultura S.L., Barcelona, Spain	100.00	100.00
COMPO Agro Chile Ltda., Santiago de Chile, Chile	100.00	100.00
COMPO Austria GmbH, Vienna, Austria	100.00	100.00
COMPO Benelux N.V., Deinze, Belgium	100.00	100.00
COMPO do Brasil S.A., Guaratinguetá, Brazil	100.00	100.00
COMPO Fertilizantes de México S.A. de C.V., Mexico-City, Mexico	100.00	100.00
COMPO France S.A.S., Roche-lez-Beaupré, France	100.00	100.00
COMPO Hellas S.A., Marousi, Greece	100.00	100.00
COMPO Horticulture et Jardin S.A.S., Roche-lez-Beaupré, France	100.00	100.00
COMPO Jardin AG, Allschwil, Switzerland	100.00	100.00
Empresa de Servicios Ltda., Santiago de Chile, Chile	99.70	100.00
Empresa Maritima S.A., Santiago de Chile, Chile	48.62	99.44
esco benelux N.V., Brussels, Belgium	100.00	100.00
esco France S.A.S., Levallois-Perret, France	100.00	100.00
esco Holding France S.A.S., Dombasle sur Meurthe, France	100.00	100.00
esco Spain S.L., Barcelona, Spain	100.00	100.00
Frisia Zout B.V., Harlingen, The Netherlands	100.00	100.00
International Salt Company LLC., Clarks Summit, USA	100.00	100.00
Inversiones Columbus Ltda., Santiago de Chile, Chile	2.00	100.00
Inversiones Empremar Ltda., Santiago de Chile, Chile	48.89	100.00
Inversiones K+S Sal de Chile Ltda., Santiago de Chile, Chile	100.00	100.00
Inversiones y Prospecciones Mineras Tarapacá Ltda., Santiago de Chile, Chile	100.00	100.00
K+S Argentina SRL, Buenos Aires, Argentina	100.00	100.00
K+S Finance Ltd., St. Julians, Malta	100.00	100.00
K+S Investments Ltd., St. Julians, Malta	100.00	100.00
K+S KALI & SCPA France S.A.S., Reims, France	100.00	100.00
K+S KALI Wittenheim S.A.S., Wittenheim, France	100.00	100.00
K+S KALI du Roure S.A.S., Le Teil, France	100.00	100.00
K+S KALI Atlantique S.A.S., Pré en Pail, France	100.00	100.00
K+S KALI Rodez S.A.S., Onet le Château, France	97.45	97.45
K+S Mining Argentina S.A., Buenos Aires, Argentina	100.00	100.00
K+S North America Corporation, New York, USA	100.00	100.00
K+S Sal do Brasil Participacoes e Investimentos Ltda., São Paulo, Brazil	100.00	100.00
K+S Salt of the Americas Holding B.V., Harlingen, The Netherlands	100.00	100.00
Salina Diamante Branco Ltda., Natal, Brazil	100.00	100.00
Salines Cérébos et de Bayonne S.A.S., Levallois-Perret, France	100.00	100.00
Salsul Indústria e Comércio Ltda., Guaiba-RS, Brazil	100.00	100.00
Servicios Maritimos Patillos S.A., Santiago de Chile, Chile	49.85	50.00
Servicios Portuarios Patillos S.A., Santiago de Chile, Chile	99.69	100.00
Sociedad Punta de Lobos S.A., Santiago de Chile, Chile	99.70	99.70
SPL Brasil Empreendimentos e Participacoes Ltda., São Paulo, Brazil	100.00	100.00
SPL USA Inc., Clarks Summit, USA	100.00	100.00
Transporte por Containers S.A., Valparaiso, Chile	47.99	100.00
VATEL Companhia de Produtos Alimentares S.A., Alverca, Portugal	100.00	100.00

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

Interests in companies over which companies of the K+S Group can exercise a significant influence (associated companies) are measured using the equity method unless they are of minor importance. The K+S Group holds shares in four associated companies (see Information on Related Companies on page 192).

The potential impact on earnings of accounting such equity interests using the equity method is immaterial from a Group perspective.

As a result of their overall minor importance, all interests in associated companies were stated at acquisition cost in financial year 2008.

Consolidation methods

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

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

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

Accounting and valuation principles

Recording of income and expenses

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

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

Intangible assets

Intangible assets acquired are stated at acquisition cost. Internally generated intangible assets are capitalised at development cost provided that they are likely to yield a future economic benefit and the costs of such assets can be measured reliably. Interest on borrowed capital is not capitalised.

Insofar, as their useful lives can be determined, intangible assets are amortised on a regular straight-line basis; in the event that a useful life of unlimited duration is anticipated, straight-line amortisation is dispensed with. A useful life of unlimited duration is also assumed in the case of goodwill *(Geschäfts- oder Firmenwert)*. The following useful lives are applied in the case of straight-line amortisation:

Useful lives for intangible assets	Years
Port concessions	250
Brands	5 - 15
Other intangible assets	2 - 10

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

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

Starting in financial year 2008, emission rights are stated in the balance sheet at acquisition cost. Thus, rights granted without payment are capitalised with a value of zero and those acquired against payment are capitalised at acquisition cost. If their value on the reporting date falls below the acquisition cost, they are written down to the lower value. Stating such values at acquisition cost leads to better transparency with respect to disbursements actually made for CO_2 emission rights; in addition, this avoids the problem of stretching the balance sheet as result of stating present values. As the emission rights totalling T€ 126 reported at the end of financial year 2007 were all acquired against payment, no adjustment of the previous year's figures were needed in the balance sheet for financial year 2008. By contrast, the values carried over as well as the additions and disposals in the development of fixed assets in 2007 were adjusted accordingly.

Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less regular, use-related depreciation. The acquisition or production costs also include future recultivation expenses. Interest on borrowed capital is not capitalised. Non-scheduled depreciation charges are recognised for any impairment losses that exceed the use-related depreciation already recorded; they are reported under other operating expenses. Such impairment losses are determined in accordance with IAS 36 by making a comparison with the discounted future cash flows that are expected for the assets affected. If no independent cash flows can be allocated to the assets affected, the cash flows for the corresponding cash-generating unit are used. Should the reasons giving rise to the non-scheduled depreciation charge cease to apply, appropriate write-ups are recognised.

Gallery and excavation work as well as salt deposits acquired are capitalised under property, plant and equipment.

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

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

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

Useful lives for property, plant and equipment	Years
Salt deposits	19 – 250
Gallery and excavation work	5 – 125
Buildings	14 – 33⅓
Technical equipment and machinery	4 – 25
Other equipment, factory and office equipment	3 – 10

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

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

Financial instruments
Financial instruments are contracts that give rise to a financial asset for one of the parties to such contract and to a financial liability or equity instrument for the other party. Essentially, financial assets and financial liabilities are disclosed separately from each other (no offsetting). Financial assets mainly comprise cash on hand and balances with banks, trade receivables, other receivables, securities, financial investments as well as derivative financial instruments with a positive market value. Financial liabilities include in particular trade payables, financial liabilities, other liabilities as well as derivative financial instruments with a negative market value. Financial instruments are recognised for the first time at their fair value as soon as the reporting enterprise becomes a contractual party for the financial instrument. Transaction costs that are to be allocated directly to the acquisition are taken into account in determining the carrying amount insofar as the financial instruments are not subsequently measured at fair value with recognition in profit or loss.

The allocation of financial instruments to one of the following categories defined in IAS 39 determines subsequent measurement:

- Loans and receivables:
  This category mainly comprises trade receivables, other receivables, loans, and cash on hand and bank balances. The item cash on hand and bank balances as disclosed in the balance sheet mainly comprises cheques, cash on hand and bank balances. It also includes securities with maturities less than three months and which are not subject to any significant fluctuations in value. Loans are essentially measured at acquisition cost. Interest-free loans or loans at low rates of interest are stated at present value. Foreseeable risks are reflected by special write-downs.

  After being recognised for the first time, the other financial assets belonging to this category are measured at amortised cost applying the effective interest method less impairments. Non-interest-bearing or low-interest receivables due in more than three months are discounted. Any impairments that may be required are based on the expected risk of default and are recorded in separate allowance accounts. Receivables are derecognised when settled or when they become uncollectible. Other assets are derecognised on disposal or in the absence of value.

- Financial assets stated at fair value through profit or loss:
  This category comprises securities “held for trading,” which have been acquired with the intention to be sold over the short term. Derivatives with positive market values are also classified as “held for trading” unless they form part of a hedging relationship in accordance with IAS 39. They are stated at fair value. Changes in value are recognised in profit or loss. Securities are derecognised after disposal on the settlement date.

- Financial assets available for sale:
  This category comprises all financial assets not allocated to any of the categories mentioned above. Securities are essentially categorised as “available for sale” unless a different categorisation is required for an explicitly designated purpose. They are measured for the first time on the transaction settlement date for the purchase. Equity instruments such as, for example, investments in (non-consolidated) associated companies as well as stocks held in listed companies also belong to this category.

  Basically, financial instruments belonging to this category are subsequently measured at fair value. Changes in fair value arising on subsequent measurement are taken to the revaluation reserve without recognition in profit or loss. Realised gains or losses are only recognised in profit or loss upon sale. If there are objective indications of lasting impairment on the balance sheet date, a special write-down to the fair value is to be recognised. The amount recorded in the revaluation reserve is derecognised without recognition in profit or loss. Subsequent impairment reversals are not recognised in profit or loss.

  In the case of financial instruments for which there are no active markets allowing fair values to be determined reliably, such financial instruments are stated at acquisition cost. This applies to investments in (non-consolidated) associated companies and equity investments. Lasting impairments are accounted for by special write-downs to lower values with recognition in profit or loss. Such write-downs may not be reversed. Shares and investments are derecognised upon disposal to a party outside the Group. Securities are derecognised after disposal on the settlement date.

- Financial liabilities carried at amortised cost:
  All financial liabilities with the exception of derivative financial instruments are stated at amortised cost applying the effective interest method. Liabilities are derecognised on settlement or if the reasons for recognizing a liability no longer apply.

- Financial liabilities stated at fair value through profit or loss:
  This category comprises derivative financial instruments with negative market values which are essentially classified as "held for trading". This rule does not apply to derivatives which are part of a hedging relationship in accordance with IAS 39.

Derivatives

Hedging relationships for derivatives and underlying transactions are only established for a portion of the derivatives. Derivatives are stated at their market value. Changes in market value are recognised in profit or loss. Derivatives are derecognised on the settlement date.

Inventories

In accordance with IAS 2, assets that are designated for sale in the normal course of business (finished goods and merchandise), are in the process of being produced for sale (work in progress) or are used in production or the rendering of services (raw materials and supplies) are recorded under inventories.

Inventories are valued at average cost or at the lower net selling price. In addition to direct costs, production costs also include reasonable proportions of fixed and variable material and manufacturing overheads as long as they occur in connection with the production process. The same applies to general administrative expenses, pension and support expenses as well as other social expenses. Interest on borrowed capital is not included. The net selling price corresponds to the estimated price less the costs that are yet to be incurred until completion and the necessary selling expenses.

Provisions for pensions and similar obligations

Pension provisions for employees and pensioners in Germany are computed in accordance with actuarial principles applying the projected unit credit method and a discount factor of 5.3%. The discount factor is computed on the basis of the yields obtainable on the reporting date for investment-grade fixed-rate corporate bonds, with the maturity of the bonds corresponding to the anticipated timing of the pension obligations. Pension obligations of foreign companies are computed applying similar principles and with due consideration given to country-specific features. Insofar as plan assets exist, such assets are offset against pension provisions.

Mining and other provisions

Provisions are recognised in an amount corresponding to the extent to which they are expected to be needed for discharging present obligations in relation to third parties arising from a past event. Such need must be more probable than improbable and it must be possible to reliably estimate the amount of the obligations. Non-current provisions with a residual maturity of more than one year are discounted applying a capital market rate of interest of suitable duration to take account of future cost increases insofar as the interest rate effect is material.

Deferred taxes

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method that is in common use internationally. This results in the recognition of deferred tax items for all temporary differences between the carrying amounts disclosed in the tax balance sheet and the consolidated balance sheet as well as for tax loss carryforwards and for appropriate consolidation procedures. However, deferred tax assets are only recognised to the extent that the possibility of their realization has an adequately concrete form. Deferred taxes are measured applying the tax rates that, under current provisions of the law, would apply in the future when the temporary differences will probably be reversed. The effects of changes in tax legislation on deferred tax assets and liabilities are recognised in profit or loss for such period in which the material condition causing such amendments to enter into force arise (in Germany: Bundesrat approval). Deferred tax assets and liabilities are not discounted applying the rules contained in IAS 12. Deferred tax assets and liabilities are offset within individual companies or tax groups according to timing.

Discretionary assumptions and estimates

Discretionary assumptions concerning the application of accounting and valuation methods

Non-current intangible assets, property, plant and equipment and investment property are stated in the balance sheet at amortised cost. No use is made of the also allowed alternative treatment of reporting them at fair value.

Securities are generally classified as “available for sale” so that changes in fair value to be recognised in the balance sheet are recorded in equity without recognition in profit or loss. Insofar as securities are classified at fair value and recognised in profit or loss, changes in fair value have a direct effect on the net profit or loss for the period.

Estimates and premises concerning the application of accounting and valuation methods

The values stated in the IFRS financial statements are in part based on estimates concerning their basis and size as well as the determination of certain premises. This is particularly necessary in the case of

- determining the useful lives of depreciable non-current assets,
- determining measurement premises and future earnings in connection with impairment tests, especially for capitalised goodwill,
- determining the net selling price of inventories,
- determining the parameters necessary for measuring pension provisions (discount factor, future development of wages/salaries and pensions, anticipated yield of plan assets),
- determining amounts, performance due dates and interest rates for discounting in connection with the measuring of provisions for mining obligations,
- selecting parameters in connection with the model-based measurement of derivatives (e. g. assumptions regarding volatility and interest rates) as well as
- determining to what extent tax loss carryforwards can be utilised.

Despite exercising the greatest of care in producing such estimates, actual developments may deviate from the assumptions made.

Foreign currency translation

In the single-entity financial statements of Group companies, all receivables and liabilities denominated in foreign currencies are measured at the exchange rate applicable on the balance sheet date irrespective of whether they are hedged or not. Hedging transactions, which, viewed from an economic angle, serve the purpose of hedging exchange rates are carried at their respective market values.

The annual financial statements of foreign Group companies are converted to euros in accordance with the functional currency concept set forth in IAS 21. All companies conduct their operations independently in financial, economic and organisational terms. The functional currency generally corresponds to the local currency, however, with the US dollar used as the functional currency in the case of Empresa Maritima S.A. and, from financial year 2008, in that of Sociedad Punta de Lobos S.A., Servicios Portuarios Patillos S.A. and Compania Minera Punta de Lobos Ltda. as these companies generate the majority of their cash inflows and cash outflows in this currency. The functional currency of the last three companies mentioned above was changed on the basis of an analysis of relevant payment flows. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date and income and expenses at the average exchange rate for the year.

Balances arising on the exchange rates prevailing on the balance sheet date for the preceding year are reported as a separate component in equity as differences from currency translation without recognition in profit or loss. The balance of these translation differences compared with the preceding year was T€ 18,697.

If Group companies are no longer consolidated, the currency translation difference concerned is released and recognised in profit or loss.

The translation of currencies important for the Group was based on the following euro exchange rates:

	2008		2007	
Exchange rate in relation to € 1	Rate on report. date	Average rate for the year	Rate on report. date	Average rate for the year
US dollar (USD)	1.392	1.471	1.472	1.370
Swiss franc (CHF)	1.485	1.587	1.655	1.643
Brazilian real (BRL)	3.244	2.674	2.619	2.664
Chilean peso (CLP)	888.600	763.098	733.032	714.905
Mexican peso (MXN)	19.233	16.291	16.059	14.975

Effects of new accounting standards and interpretations

The following mandatory accounting standards and interpretations were applied for the first time in financial year 2008.

Standard/Interpretation			Date of entry into force[1]	Endorsement[2] (31.12.2008)
New	IFRIC 11	IFRS 12 – Transactions with own Shares and Shares of Group Companies	01.03.2007	yes
New	IFRIC 14	IAS 19 – The Limit on a defined Benefit Asset, minimum Funding Requirements and their Interaction	01.01.2008	yes

[1] To be applied for the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

IFRIC 11 – "IFRS 2 - Group and Treasury Share Transactions"

IFRIC 11 states precisely when specific share-based remuneration can be treated as transactions with settlement in cash or transactions with settlement through equity instruments. IFRIC 11 has no impact on the consolidated financial statements of the K+S Group for 2008.

IFRIC 14 – "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction "

IFRIC 14 deals with the case of surplus coverage of pension obligations by externally formed plan assets. Criteria are set out for when this surplus cover is available to the company as an economic benefit and thus has to be capitalized as an asset. IFRIC 14 has no impact on the consolidated financial statements of the K+S Group for 2008.

New accounting standards and interpretations yet to be applied

The following accounting standards and interpretations were published by the IASB up to the balance sheet date, but their application by the K+S Group will only become mandatory at a later date.

Standard/Interpretation			Date of entry into force [1]	Endorsement [2] (31.12.2008)
Changes	IAS 1	Presentation of Financial Statements	01.01.2009	yes
Changes	IAS 23	Borrowing Costs	01.01.2009	yes
Changes	IAS 27	Consolidated and Separate Financial Statements	01.07.2009	no
Changes	IAS 32/ IAS 1	Puttable Financial Instruments and Obligations arising on Liquidation	01.01.2009	no
Changes	IAS 39	Financial Instruments: Presentation and Measurement: Eligible Hedged Items	01.07.2009	no
Changes	IAS 39/ IFRS 7	Reclassification of Financial Assets	01.07.2008	yes
Changes	IFRS 1/ IAS 27	Cost of an Investment in a Subsidiary, jointly controlled Entity or Associate	01.01.2009	no
Changes	IFRS 2	Share-based Payment, vesting Conditions and Cancellation	01.01.2009	yes
Changes	Improve ments	Improvements to IFRSs	01.01.2009	no
Changes	IFRS 1	First-time Adoption of IFRS	01.01.2009	no
Changes	IFRS 3	Business Combinations	01.07.2009	no
New	IFRS 8	Operating Segments	01.01.2009	yes
New	IFRIC 12	Service Concession Arrangements	01.01.2008	no
New	IFRIC 13	Customer Loyalty Programmes	01.07.2008	yes
New	IFRIC 15	Agreements for the Construction of Real Estate	01.01.2009	no
New	IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01.10.2008	no
New	IFRIC 17	Distribution of Non-cash Assets to Owners	01.07.2009	no

[1] To be applied for the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

IAS 1 "Presentation of Financial Statements"

The aim of the amended IAS 1 is to facilitate the analysis of financial statements by persons to whom such statements are addressed. This is to be achieved, for example, by an amended statement of changes in equity and by a more comprehensive overall financial performance statement. Consequently, there will be a change in the presentation of the income statement and in the statement of changes in equity starting in financial year 2009.

IAS 23 "Borrowing Costs"

The amendment to IAS 23 stipulates that borrowing costs which can be directly allocated to the construction or production of a "qualifying asset" are to be capitalised in future. The current alternative treatment of an expenditure-charged recording of borrowing costs will cease to apply. As a result, the acquisition costs capitalised for the assets concerned will increase.

IAS 27 "Consolidated and Separate Financial Statements"

The amendments to IAS 27 will give concrete form to the presentation rules to be applied if the level of an investment changes or control over a subsidiary ceases. Changes in investments are now presented as equity transactions without recognition in profit or loss. When control ceases, the result on deconsolidation is to be recognised in profit or loss. The first-time adoption of the new rules contained in IAS 27 will have an appropriate impact on how changes in investments are accounted for in the future.

IAS 32/IAS 1 "Puttable Financial Instruments and Obligations Arising on Liquidation"

IAS 32/IAS 1 extend the definition for classification as an equity instrument. In this way, two new types of equity instruments were created with puttable financial instruments and obligations arising on liquidation. From today's perspective, the amendments to IAS 32/IAS 1 have no impact on the consolidated financial statements of the K+S Group.

IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedged Items"

The amendments to IAS 39 stipulate that risks related to inflation can only be treated as a hedged item to the extent that such component of an asset is separately identifiable. In the case of options, not their entire value need to be taken into account as a hedging instrument but only the changes in their intrinsic value . From today's perspective, the amendments to IAS 39 have no impact on the consolidated financial statements of the K+S Group.

IAS 39/IFRS 7 "Reclassification of Financial Assets"

In response to the current financial crisis, IAS 39 permits the implementation of additional reclassification measures within financial instrument categories if certain conditions are met. From today's perspective, the amendments to IAS 39 have no impact on the consolidated financial statements of the K+S Group.

IFRS 1/IAS 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"

The amendments to IFRS 1/IAS 27 address the accounting treatment of investments in subsidiaries, jointly controlled entities and associates in the event of the first-time application of the IFRSs in the separate financial statements of a parent. The amendments to IFRS 1/IAS 27 have no impact on the consolidated financial statements of the K+S Group.

IFRS 2 “Share-based Payment, Vesting Conditions and Cancellation”

The amendments to IFRS 2 define the vesting conditions linked to share-based payment. They have an influence on the accounting treatment of share-based payment. In addition, the treatment of the cancellation of the contract has also been given concrete form. The impact of the amendments to IFRS 2 on the consolidated financial statements of the K+S Group is currently being examined.

Improvements to IFRSs

The standard entitled “Improvements to IFRS” brings together numerous smaller changes to existing standards. K+S particularly needs to make adjustments arising from the change to IAS 1, which requires derivatives to be reported as non-current or current financial instruments in accordance with the anticipated time of settlement.

IFRS 1 “First-time Adoption of IFRSs”

IFRS 1 has been restructured to improve readability. The standard has not been amended with respect to content. This will have no impact on the consolidated financial statements of the K+S Group.

IFRS 3 “Business Combinations”

IFRS 3 introduces an optional accounting treatment for the goodwill of minority interests. The goodwill of minority interests can either be measured at fair value based on the market or at fair value proportionate to the interest’s share in the identifiable net assets. There are also new rules governing how the successive acquisition of interests is to be accounted as well as how the fair value of contingent consideration is to be recorded. In addition, ancillary acquisition costs are no longer a component of acquisition costs but are to be recognised in profit or loss. The first-time application of the new rules contained in IAS 3 will have an appropriate impact on how future business combinations will be accounted for.

IFRS 8 “Operating Segments”

IFRS 8 replaces the hitherto valid IAS 14 “Segment Reporting”. A business segment is defined as an operating part of a company, whose earnings are regularly presented to persons responsible so that they can decide on the further allocation of resources. The presentation of the segments is thus essentially oriented towards the internal reporting structure of the financial information. The impact of IFRS 8 on the consolidated financial statements of the K+S Group is currently being examined.

IFRIC 12 “Service Concession Arrangements”

IFRIC 12 regulates the capitalization of concessions which are issued by governments or other public corporations to private operators in order to provide public services. From today’s perspective, IFRIC 12 has no impact on the consolidated financial statements of the K+S Group.

IFRIC 13 “Customer Loyalty Programmes”

IFRIC 13 covers programmes in which customers are awarded bonus points for buying products or services, which can later be exchanged for free or reduced-price goods. IFRIC 13 has no impact on the consolidated financial statements 2008 of the K+S Group.

IFRIC 15 "Agreements for the Construction of Real Estate"

IFRIC 15 clarifies whether long-term construction orders are be accounted for in accordance with IAS 11 "Construction Contracts" or in accordance with IAS 18 "Revenue". From today's perspective, IFRIC 15 has no impact on the consolidated financial statements of the K+S Group.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 addresses the uncertainty surrounding the hedging of a net investment in a foreign operation. It provides clarification with respect to the type of risk to be hedged, the maximum amount to be hedged, the accounting treatment of the disposal of the foreign operation and the question of which company within a group may hold the hedging instrument. From today's perspective, IFRIC 16 has no impact on the consolidated financial statements of the K+S Group.

IFRIC 17 "Distribution of Non-cash Assets to Owners"

IFRIC 17 clarifies that in-kind dividend payments to owners are to be stated at the fair value of the assets being transferred. Any difference between the dividend paid and the carrying amount of the asset is to be recognised in profit or loss. The impact of IFRS 17 on the consolidated financial statements of the K+S Group is currently being examined.

Notes to the income statement

The income statement is presented on page 142.

In the income statement, operating earnings (EBIT I), a key controlling variable, are reported as a separate item. This information ensures that the effects of hedging US dollar receipts as well as hedging against increases in energy and freight costs – effects that are important for the earnings position of the K+S Group – are disclosed in the appropriate period, i.e. in the year in which the transactions concerned fall due ("realised market value"). The derivatives employed as well as the hedging strategy are described in Note (18).

No hedging relationships in accordance with IAS 39 were established between the derivatives and the underlying transactions described above. The result of this is that changes in market value of all derivatives have to be disclosed in the income statement affecting profit or loss as of each reporting date, which can cause considerable fluctuations in earnings over time. To isolate these valuation effects related to reporting dates, they are disclosed separately from operating earnings and are incorporated in EBIT II. The use of this approach results in operating earnings (EBIT I) including the full contribution to earnings deriving from the hedging transactions realized over the course of the financial year. However, as a result of the rules contained in IAS 39, some of the contributions to earnings are regularly already recorded as market value changes and recognised in profit or loss in preceding years. To avoid the double reporting of earnings, the earnings reported in the reconciliation to EBIT I are eliminated in EBIT II. Thus, EBIT II corresponds to earnings under IFRSs, which take account of the reporting-date-based market valuation of hedging transactions in accordance with IAS 39.

(1) Revenues

Revenues generated by the K+S Group amounted to T€ 4,794,397 (2007: T€ 3,344,066), with T€ 4,653,094 (2007: T€ 3,198,818) resulting from the sale of goods and T€ 141,303 (2007: T€ 145,248) resulting from the rendering of services. The breakdown of the revenues by business segment as well as intersegment revenues are presented in the segment information on pages 148 et seq. The regional breakdown of the revenues is disclosed in the notes to the segment reporting under Note (38).

(2) Other operating income

Other operating income includes the following material items:

In T€	2008	2007
Foreign exchange rate gains	94,712	56,679
- of which realised market values less premiums paid	–	48,268
Release of provisions	34,279	31,032
Compensation and refunds received	13,188	15,475
Income from the derecognition of inventories	8,576	–
Reversals of allowances for receivables	2,020	5,685
Income from gas price hedging	–	5,319
Rentals and leasing	1,932	2,036
- of which investment property	1,378	1,517
Disposals of fixed assets	755	1,885
Income from the sale of emission rights	5	734
Sundry income	18,141	19,350
Other operating income	**173,608**	**138,195**

Compensation and refunds received mainly comprised refunds related to semi-retirement totalling T€ 5,507(2007: T€ 9,925) and refunds of contributions to professional associations totalling T€ 3,588 (2007: T€ 4,584) as well as income from compensation for damages totalling T€ 4,093 (2007: T€ 966).

The item “Realised market values less premiums paid” included under “Gains on exchange rate differences” last year is required for the presentation of EBIT I. This item is adjusted under “Market value changes from hedging transactions” (see Note (5)).

(3) Other operating expenses

Other operating expenses include the following material items:

In T€	2008	2007
Exchange rate hedging costs/foreign exchange rate losses	75,390	66,177
- of which realised market values less premiums paid	583	–
Write-downs on trade receivables	19,703	3,750
Partial retirement expenses	14,334	14,312
Consultancy, expert opinion and legal fees	9,839	539
Inventory derecognition expenses	8,576	–
Depreciation	5,696	3,190
Ancillary capital expenditure costs	3,924	2,390
Expenses/refunds for disused plants and maintenance of Merkers	2,938	1,975
Losses on disposals of fixed assets	2,548	1,565
Expenses related to leased investment properties	2,471	1,437
Allocations/utilisation of stock option programme	10	4,507
Allocations/utilisation of other provisions	(292)	6,414
Sundry expenses	30,852	25,701
Other operating expenses	**176,572**	**131,957**

The exchange rate hedging costs/losses arising from exchange rate differences in the amount of T€ 75,390 are compared against foreign exchange gains of T€ 94,712, which are disclosed under other operating income. This yields a foreign currency result in operating earnings (EBIT I) of T€ 19,322 (2007: T€ (9,498)).

The item "Realised market values less premiums paid" included under "Exchange rate hedging costs less premiums paid" in financial year 2008 is required for the presentation of EBIT I. This item is adjusted under "Market value changes from hedging transactions" (see Note (5)).

(4) Income from investments, net

In T€	2008	2007
Result from distributions from affiliates	2,532	1,528
Expenses for absorption of losses	(6)	–
Write-ups/write-downs on investments	(7)	(207)
Income from the disposal of investments	–	3,263
Income from investments, net	**2,519**	**4,584**

(5) Market value changes from hedging transactions/Result from derivatives no longer in operation

In T€	2008	2007
Realised market values less premiums paid	583	(48,268)
Unrealised market values less premiums paid	1,139	(19,401)
Market value changes for hedging transactions that have yet to reach maturity	421	(266,850)
- of which positive market changes	15,540	–
- of which negative market changes	(15,119)	(266,850)
Market values of expired options maturing in 2008	–	(58,101)
- of which premiums paid	–	(50,387)
Market value changes from hedging transactions	**2,143**	**(392,620)**
Market value changes of energy price hedging transactions not yet due	**(9,134)**	**–**
Market value changes of freight price hedging transactions not yet due	**(6,638)**	**–**
Market value changes from hedging transactions	**(13,629)**	**(392,620)**
Income from derivatives no longer in operation	**(136,744)**	**–**
- of which positive earnings contributions	9,081	–
- of which negative earnings contributions	(145,825)	–
Market value changes from hedging transactions / income from derivatives no longer in operation	**(150,373)**	**(392,620)**

For information regarding "Realised market values less premiums paid," see Notes (2) and (3). The market value changes for hedge transactions that have yet to reach maturity relate to derivative financial instruments for which no hedging relationship were established in accordance with IAS 39.

At the end of 2007, the hedging strategy that relied upon double-knock-out options was changed to a system based on worst-case hedging involving the use of simple options (so-called plain vanilla options) or so-called compound options (see Note (18)). Thus, the double-knock-out options that still existed at the beginning of the financial year no longer served to hedge the operational basic business, so that income from the exercise, sale or expiry of the options was fully disclosed in EBIT II (earnings from derivatives no longer in operation).

(6) Interest income, net

In T€	2008	2007
Interest income from measurement of provisions for mining obligations	19,988	–
Interest and similar income	5,068	6,686
Interest income	**25,056**	**6,686**
Interest expenses in allocations to provisions for pensions	(2,344)	(4,047)
Interest expenses from measurement of provisions for mining obligations	–	(13,934)
Interest expenses in allocations to provisions for jubilee benefits	(981)	(894)
Sundry interest and similar expenses	(26,327)	(23,383)
Interest expenses	**(29,652)**	**(42,258)**
Interest income, net	**(4,596)**	**(35,572)**

Interest expenses in the allocations to pension provisions were balanced against plan income from the contractual trust arrangement (CTA). The amount remaining is reported as an interest expense in the allocations to pension provisions.

The “Interest portion from the measurement of mining provisions" consists of the balance of the following items:

In T€	2008	2007
Interest effect from the change in the discount factor for mining provisions	26,586	–
Interest effect from the reversal of mining provisions	12,003	1,616
Increase in mining provisions due to expiry (“accumulation”)	(18,601)	(15,550)
Interest portion from the valuation of mining provisions	**19,988**	**(13,934)**

(7) Other financial result

In T€	2008	2007
Income from the disposal of financial assets	11,508	606
Income from the measurement of financial assets at market value	(196)	(384)
Other financing costs	41	(315)
Other financial result	**11,353**	**(93)**

The contribution of securities hitherto disclosed in accordance with IAS 39 to the contractual trust arrangement (CTA) resulted in income of T€ 10,454 in 2008. In addition, the disposal of property not required for business purposes produced income of T€ 318 (2007: T€ 218).

(8) Taxes on income

In T€	2008	2007
Current taxes	266,312	19,428
- Germany	251,200	3,257
- other countries	15,112	16,171
Deferred taxes	61,374	(68,902)
- Germany	68,302	(63,221)
- other countries	(6,928)	(5,681)
- of which from loss carryforwards	40,203	(47,654)
Taxes on income	**327,686**	**(49,474)**

Domestic deferred taxes were calculated using a tax rate of 27.9 % (2007: 27.8 %). In addition to the corporate income tax rate of 15.0 % and the solidarity surcharge of 5.5 %, the average trade tax rate of 12.1 % was taken into account. Deferred taxes in other countries are computed applying the respective national income tax rates for profit retention.

The following table reconciles the anticipated to the reported tax expense. The anticipated income tax expense was calculated based on the domestic Group income tax rate of 27.9 % for 2008.

In T€	2008	2007
Earnings before income taxes	1,199,057	(142,583)
Anticipated income tax expense (27.9 % Group tax rate; previous year: 37.2 %)	**334,537**	**(53,041)**
Changes in anticipated tax expense:		
Effects of changes in tax rates	(117)	14,955
Tax-exempt income from investments and profits on disposals	(5,319)	(3,139)
Reductions in tax resulting from tax-exempt income and other items		
- Trade tax additions/reductions	1,261	2,409
- Other tax-exempt income	(2,204)	(773)
Increases in tax resulting from non-deductible expenses and other items	1,625	1,399
Permanent deviations	(103)	3,827
Effects from tax rate differences	(8,932)	(6,544)
Taxes for preceding years	5,375	(8,093)
Other effects	1,563	(474)
Actual tax expense	**327,686**	**(49,474)**
Tax rate	**27.3 %**	**–**

(9) Cost of materials

In T€	2008	2007
Raw materials, supplies and purchases merchandise	1,577,156	1,201,819
Purchased services	337,157	201,104
Energy costs	253,123	216,153
Cost of materials	**2,167,436**	**1,619,076**

(10) Personnel expenses/ Number of employees

In T€	2008	2007
Wages and salaries	586,823	540,752
Social security	143,782	137,184
Pension expenses	7,590	9,146
Support	304	247
Personnel expenses	**738,499**	**687,329**

Under the stock option programme, the Board of Executive Directors and certain managerial personnel can use part of their performance-related remuneration for a basic investment in K+S shares. By acquiring and holding such basic shares, the participants receive virtual stock options that trigger a cash payment when exercised. The amount of the cash payment depends on the extent to which the K+S share outperforms the benchmark index (MDAX® until 19 September 2008; DAX® from 22 September 2008) and is capped at 25 % of excess performance. A lock-up period of two years applies to the exercise of the options and the options expire after a maximum period of five years.

In 2008, payments for stock options exercised totalling T€ 13,445 (2007: T€ 10,176) were recorded under personnel expenses. The expense was in very large measure neutralized through the utilisation of provisions. A provision has been recognised for stock options that had not been exercised as of the balance sheet date (see Note (27)).

Under the employee share ownership programme, K+S Group employees have the possibility of acquiring K+S shares at a discount. A one-year lock-up period applies to employee shares. They are stated at fair value. Expenses totalling T€ 746 (2007: T€ 2,382) were incurred in connection with the employee share ownership programme resolved in 2008. The issuing of free bonus shares in connection with earlier employee share ownership programmes gave rise to personnel expenses of T€ 792 (2007: T€ 640).

The pension expenses do not include the interest portion of the allocations to the pension provisions. This is reported as an interest expense in interest income, net.

Personnel expenses include sums totalling T€ 198 that are unrelated to the reporting period.

Employees, including those with temporary contracts (average number)	2008	2007
Germany	10,111	9,972
Outside Germany	2,103	1,987
Total	**12,214**	**11,959**
- of which trainees	547	546

(11) Earnings per share

In T€	2008	2007
Group earnings after taxes and minority interests	870,886	(93,337)
Elimination of market value changes/result from derivatives no longer in operation	150,373	392,620
Elimination of resulting deferred taxes and cash taxes	(41,954)	(123,950)
Group earnings, adjusted [1]	**979,305**	**175,333**
Average number of shares (million) [2]	164.95	164.94
Earnings per share (in €) [2]	5.28	(0.57)
Earnings per share, adjusted (in €) [1, 2]	**5.94**	**1.06**

[1] Adjusted for the effects of market value changes from hedging transaction as well as derivatives that are no longer in operation; a tax rate of 27.9 % (2007: 31.6 %) was imputed for adjusted Group earnings and adjusted earnings per share.

[2] Adjusted for the share split in the ratio 1:4. (entered in the Commercial Register: 24 June 2008; technically executed: 21 July 2008).

In accordance with IAS 33, earnings per share are to be determined on the basis of Group earnings. They also include the effects of the valuation of hedging transactions as of the reporting date as well as earnings of derivatives that are no longer in operation (see Note (5)). Given the limited economic meaningfulness of unadjusted Group earnings, we additionally report Group earnings adjusted for these effects.

In order to determine earnings per share, the respective earnings are divided by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of K+S at the present time, undiluted earnings per share correspond to diluted earnings per share. Neither discontinued activities nor changes in accounting treatment needed to be taken into account in earnings per share.

If use is made of the authorized capital (see Note (21)), earnings per share could potentially become diluted in the future.

Notes to the balance sheet

The balance sheet is presented on pages 144 et seq. The development of the gross carrying amounts and depreciation on the individual non-current asset items is shown separately on pages 146 et seq.

From financial year 2008, the coverage overhang from the contractual trust arrangement (CTA) is disclosed under "Other assets". The "Other assets" and securities from the preceding year were adjusted accordingly.

(12) Intangible assets

The amortisation charges for the financial year are recognised in the income statement in line with the use of the assets concerned and are disclosed under the following items:

- Cost of sales
- Selling expenses
- General and administrative expenses
- Research and development costs
- Other operating expenses

The goodwills disclosed in the consolidated balance sheet are allocated to the following cash-generating units:

In T€	2008	2007
Salt business segment America	90,982	85,867
Salt business segment Europe	13,251	13,251
COMPO business segment	606	606
Total Goodwill	**104,839**	**99,724**

In connection with the testing of goodwill for impairment, the residual carrying amounts for the respective cash-generating units were compared with their value in use. In keeping with the definition of a cash-generating unit, each of the K+S Group business segments was essentially considered to constitute such unit. The Salt business segment is divided into the cash-generating units Salt America and Salt Europe. The determination of value in use was based on the present value of the future cash flows of the business segments assuming continued use. The cash flow forecast is based on the current medium-term plans of the K+S Group and the respective business segments. The key premises underlying the medium-term plans are largely based on past own experience. The forecast period covers the years 2009 to 2012, with a growth rate of 2.0 % for nominal cashflow (2007: 2.0 %) assumed for subsequent years to compensate for inflation with respect to costs and revenues.

The following discount factors were applied as of 31 December 2008:

	2008		2007	
Interest rates in %	before taxes	after taxes	before taxes	after taxes
Salt business segment America	10.3	8.5	10.3	8.5
Salt business segment Europe	10.4	7.5	10.5	7.5
COMPO business segment	10.4	7.5	10.5	7.5

The rates of interest for the cash-generating units Salt Europe as well as COMPO correspond to the weighted cost of capital for the K+S Group before and after taxes. The rates of interest for the cash-generating unit Salt America take account of a country risk premium for Chile as well as the level of Chilean income taxes.

The impairment test conducted at the end of financial year 2008 confirmed that the goodwill had retained its value.

In connection with the testing for impairment of the other intangible assets, the residual carrying amounts for the respective assets were compared with their value in use as of the balance sheet date. The impairment tests conducted at the end of financial year 2008 required recognition of a write-down totalling T€ 331 (2007: T€ 36) disclosed under other operating expenses.

As of the reporting date, a brand with a useful life of unlimited duration was stated in the amount of T€ 1,705.

(13) Investment properties

The fair values of investment properties amounted to T€ 27,162 as of 31 December 2008 (2007: T€ 27,482). The fair values were estimated by internal specialist departments on the basis of local market conditions. In determining the values, particular account was taken of local property valuation records and, in part, on external valuation reports.

(14) Financial assets

Of this item, T€ 19,423 (2007: T€ 15,141) is accounted for by investments in associated companies, loans to associated companies as well as other equity investments. T€ 2,847 (2007: T€ 2,674) relates to other loans (mainly to employees) and other financial assets.
The effective annual rates of interest range between 0% and 6.25% and the remaining fixed interest period generally ranges between 1 year and 17 years.

The maximum default risk as of the balance sheet date corresponds to the amount stated in the balance sheet. There are no specific grounds that would suggest the occurrence of events of default. There are no significant concentrations of default risk.

(15) Defferred taxes

The following deferred tax assets and liabilities relate to reporting and measurement differences for individual balance sheet line items and tax loss carryforwards:

	Deferred tax assets		Deferred tax liabilities	
In T€	**2008**	2007	**2008**	2007
Intangible assets	6,672	7,176	11,514	10,454
Property, plant and equipment	1,087	630	96,713	77,625
Financial assets	–	1	5	5
Inventories	6,230	3,090	129	4
Receivables and other assets	5,535	8,866	15,069	26,383
- of which derivative financial instruments	–	223	4,367	20,648
Provisions	42,300	54,484	2,578	1,624
Liabilities	7,458	25,292	488	1,442
Gross amount	**69,282**	**99,539**	**126,496**	**117,537**
- of which long term	48,304	60,410	111,180	90,378
Tax loss carryfowards	27,250	66,702	–	–
Consolidation	16,470	(1,092)	(1,116)	(779)
Balances	(66,703)	(95,096)	(66,703)	(95,096)
Balance sheet carrying amount (net)	**46,299**	**70,053**	**58,677**	**21,662**

The capitalisation of deferred taxes totalling T€ 3,403 (2007: T€ 752) was dispensed with as use of the underlying loss carryfowards appears unlikely. The underlying loss carryforwards amount to T€ 20,354 (2007: T€ 4,561). During the year under review, T€ 1,543 (2007: T€ 7,825) in deferred taxes were offset directly against equity without recognition in profit or loss.

(16) Inventories

In T€	2008	2007
Raw materials and supplies	213,350	134,612
Work in progress	36,045	32,647
Finished products and merchandise	435,216	201,078
Payments on account	–	300
Inventories	**684,611**	**368,637**

Inventories of T€ 138,625 (2007: T€ 37,048) were stated at net realisable value. The reporting of net realisable value resulted in the writing down of inventories by T€ 16,599 (2007: T€ 5,606) during the period under review.

(17) Receivables and other assets

In T€	2008	Of which residual term > 1 year	2007	Of which residual term > 1 year
Accounts receivable - trade	901,535	–	757,237	–
Receivables from associated companies	8,518	–	11,803	–
Receivables from companies in which participating interests are held	2,255	–	1,598	–
Other assets	177,706	33,160	308,433	126,300
- of which derivative financial instruments	66,365	17,638	205,335	113,138
Receivables and other assets	**1,090,014**	**33,160**	**1,079,071**	**126,300**

The allowances developed as follows *:

In T€	2008	2007
Balance as of 1 January	20,941	23,151
Change in scope of consolidation	105	(8)
Addition	19,563	4,424
Reversal	571	1,151
Utilisation	1,722	5,475
Balance as of 31 December	**38,316**	**20,941**

* The allowances shown were offset against credit insurance receivables.

Allowances of T€ 37,943 (2007: T€ 20,791) were recognised for the accounts receivable trade portfolio in the past financial year. T€ 373(2007: T€ 150) resulted from allowances for other receivables and other assets. The allowances are based on the anticipated risk of default. If receivables have a residual term of more than three months, they are discounted as of the balance sheet date applying money market rates. To this extent, the receivables are exposed to an interest rate risk and thus, to a change in fair value. As of 31 December 2008, receivables bearing no or low interest were written down by T€ 3,332 (2007: T€ 2,638).

The following table provides information about the extent of the risk of default contained in the items "Accounts receivable - trade" as well as "Other receivables and nonderivative financial instruments".

In T€	Carrying amount	Of which neither overdue nor adjusted as of the reporting date	Of which unadjusted but overdue as of the reporting date			
			< 30 days	> 31 and < 90 days	> 91 and < 180 days	> 180 days
2008						
Accounts receivable - trade	901,535	670,267	22,734	8,433	1,258	1,159
Other receivables and non-derivative financial instruments	100,126	53,684	2,429	821	21	158
2007						
Accounts receivable - trade	757,237	626,968	24,791	6,103	822	1,691
Other receivables and non-derivative financial instruments	100,127	60,698	6,073	1,566	44	1,291

As of 31 December 2008, the extent of accounts receivable trade for which contractual conditions were renegotiated which were otherwise adjusted or overdue was insignificant.

Receivables management is geared towards collecting all outstanding accounts punctually and in full as well as to avoid the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts outstanding are monitored on an ongoing basis with system support and in line with the payment terms agreed with the customers. Payment terms generally range from 10 to 180 days, with longer terms being customary on some markets. In the case of arrears, reminders are issued at regular, two-week intervals.

The risk of default is understood as the risk of a contractual partner failing to discharge its contractual payment obligations. Customer receivables are to a large extent secured against this risk by means of appropriate insurance cover and other hedging instruments. This ensures that only low, partial losses are incurred in the event of default. An internal credit check is conducted in the case of customers for whom such cover cannot be obtained. There is no significant concentration of risk with respect to receivables.

The maximum risk of default with respect to receivables and other assets is reflected in the carrying amount disclosed in the balance sheet. As of 31 December 2008, the maxim default sum for the very unlikely event of a simultaneous default on all unsecured receivables was T€ 70,855 (2007: T€ 54,377).

(18) Derivative financial instruments

Currency and interest rate management is performed centrally for all Group companies. This also applies to the use of derivative financial instruments, e. g. those aimed at limiting certain costs. The use of derivative financial instruments is regulated by an internal guideline. A strict segregation of functions is ensured between trading, settlement and control. Derivative financial instruments are only traded with banks that have a high credit standing, which is monitored continually by means of appropriate instruments. The entire portfolio of derivative financial instruments is spread across several banks to reduce the risk of default. The level of risk of default is limited to the derivatives capitalised on the balance sheet.

The goal of interest rate management is to curb the risks arising from increasing interest rates by changes in the general level of interest rates. To this end, use is made of options (interest rate caps) that prevent an increase in the interest rate burden exceeding a defined level.

Derivatives are used to hedge exchange rate risks in order to reduce the risks to which business operations can be exposed as a result of changes in exchange rates. Exchange rate risks mainly relate to payment receipts in US dollars and, to a lesser extent, payment receipts in pound sterling. While forward exchange transactions are generally used for the pound sterling, US dollar payments are mainly hedged by means of foreign currency option transactions. To hedge payment outflows in Chilean peso, forward exchange transactions are concluded by a South American subsidiary that reports in US dollar.

Pound sterling hedging transactions are generally concluded for a maximum term of up to one year. US dollar hedging transactions in the Potash and Magnesium Products as well as Salt business segments largely are concluded for a term of up to three years, which corresponds to the medium-term planning horizon. The hedging volume of these transactions is determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis to avoid excess hedging or hedging shortfalls. By contrast, in the fertiva and COMPO business segments, selective exchange rate hedging is applied for US dollar receivables. Here, forward exchange transactions are used to achieve as certain a computational basis as possible.

In 2007, the derivatives used to hedge future anticipated US dollar items were mainly options with lower and upper knock-out thresholds (double-barrier options) and supplemented selectively by means of forward volatility agreements. If the spot rate was quoted at or beyond one of the knock-out thresholds during the term, the option expired. Since the end of 2007, such derivatives have no longer been used as operational hedging instruments. The double-barrier options remaining at the beginning of 2008 were completely liquidated.

The derivatives used since December 2007 are options that offer worst-case hedging and simultaneously permit the realisation of possible opportunities arising from market developments. They are simple options (so-called plain vanilla options) as well as so-called compound options. These compound options consist of an option on a simple option that can be acquired at a later date for a fixed amount.

To hedge freight rates for the years 2010 to 2013, swaps have been concluded that provide for the settlement of any difference between agreed fixed prices and market prices on their respective maturity. They are based on the Baltic Panamax Index.

Depending on assessments of the market, derivatives are also used to restrict increases in energy costs. In this case, options and swaps based on the oil price (fuel oil) are used.

As of 31 December 2008, hedging transactions were in place for the second half of 2009 and the first half of 2010. A mix of options and swap transactions was concluded in order to secure participation in a possible improvement in the development of prices in addition to attractive fixed-price transactions.

Trade in all the aforementioned derivatives is solely OTC. Because of market transparency, forward exchange transactions are concluded directly with one bank after a comparison with interbank terms has been made. There is no such transparent market for trading in options. That is why quotations are obtained from several banks for all important option transactions. A transaction is then concluded with the bank providing the best quotation.

In the case of the forward exchange transactions, there is a market value risk on the respective reporting date: However, there are countervailing effects stemming from the currency-based measurement of receivables.

The market values computed correspond to the value upon premature hypothetical termination on the balance sheet date. The values are computed using recognised mathematical models generally used by market players. The computations were particularly based on the following parameters that applied on the balance sheet date:

- the spot exchange rates for the currencies concerned,
- the agreed hedging rates or exercise prices,
- the traded volatilities, i.e. the anticipated range of fluctuation for the exchange rates concerned, and
- the interest rates applicable to the currencies concerned.

Essentially, IAS 39 permits hedging relationships to be established between underlying business transactions and derivative financial instruments. However, this is dispensed with as much as possible because of the restrictive requirements imposed by the standard. Only in the case of the fertiva and COMPO business segments, hedging relationships with foreign exchange transactions are established when a claim arises to hedge currency risks, because the conditions contained in IAS 39 are regularly met in the case of these transactions. The market value changes of forward exchange transactions under hedging relationships are reported in EBIT I.

The effects of the exercise/fulfilment or of the reporting date valuation of the derivatives used that are not part of hedging relationship in accordance with IAS 39 are reported in two items in the income statement (please see the explanation on pages 163 et seqq.) The gains/losses realised on the forward exchange transactions, swaps and options are reported in EBIT I insofar as they matured in the year under review. This applies in the case of options irrespective of whether they were exercised or expired without being used because of better market prices. By contrast, market value changes affecting derivatives that had not yet matured in the reporting period are reported in the so-called EBIT II. The disclosure on two earnings levels makes it possible to present the commercial success of the business transactions hedged operationally in isolation from the market value changes.

The result arising from the exercise, sale or expiry of the double-knock-out options that still existed at the beginning of the financial year has been reported in full in EBIT II, as these options are no longer used to hedge the operational business following the change in the hedging strategy.

The following positions were open as of 31 December 2008:

in T€	2008		2007	
	Notional amounts [1]	Fair values	Notional amounts [1]	Fair values
GBP forward exchange transactions in 2009	900	8	–	–
USD / CLP forward exchange transactions in 2009	20,257	824	–	–
USD forward exchange transactions				
- of which maturing in 2008	–	–	27,059	582
- of which maturing in 2009	87,696	(857)	–	–
USD foreign currency options bought				
- of which maturing in 2008	–	–	577,598	15,003
- of which maturing in 2009	1,267,626	42,242	–	–
- of which maturing in 2010	300,000	17,638	–	–
USD foreign currency options sold which maturing in 2009 (commercially neutralised)	303,190	(8,810)	–	–
Bought knock-out USD currency options				
- of which maturing in 2008	–	–	642,097	76,683
- of which maturing in 2009	–	–	720,474	64,820
- of which maturing in 2010	–	–	719,345	33,469
Sold knock-out USD currency options				
- of which maturing in 2008	–	–	25,000	(670)
Foreign currency transactions in total	**1,979,669**	**51,045**	**2,711,573**	**189,887**

[1] Translated into euros using weighted hedging rates.

US dollar forward exchange transactions with a nominal value of T€83,403 (2007: T€ 27,059) and a fair value of T€ (834) (2007: T€ 582) were included in the hedging relationships with US dollar receivables.

How the aforementioned market values would have changed assuming a different exchange rate on the balance sheet date is shown below.

The simple options used to hedge operational USD receipts since December of last year would have changed as follows if the spot rate had changed by +/-10% on the balance sheet date:

At a rate of 1.2525 USD/EUR (-10%), the market value reported would have declined by T€ 42,100. At a rate of 1.5309 USD/EUR (+10%), the market value would have risen by T€ 68,133. At a rate of 1.3131 USD/EUR (-10%), the market value reported last year would have declined by T€ 13,603. At a rate of 1.6049 USD/EUR (+10%), the market value would have risen by T€ 40,813.

The particular form of the derivatives (with knock-out thresholds) used until the end of financial year 2007 did not permit sensitivity to be viewed in meaningful manner by applying a general exchange rate change of, for example, +/-10%. That is why sensitivity was determined by stating the change in market value that would have occurred if the exchange rate had been 2 USD cents before the respective knock-out thresholds. As for reason of risk spreading there are different knock-out thresholds – within respective calendar years too – market value changes were shown depending on particular exchange rate levels. The following table only shows the figures for the previous year, as the double-barrier options that remained at the beginning of the year were liquidated during the year and thus no longer existed on 31 December 2008.

in T€	2007
Rates before attainment of upper knock-outs	Change in market value
1.48 USD/EUR	(43,009)
1.50 USD/EUR	(111,050)
1.52 USD/EUR	(157,209)
1.54 USD/EUR	(178,692)
Rates before attainment of lower knock-outs	Change in market value
1.20 USD/EUR	(41,084)
1.15 USD/EUR	(84,411)
1.10 USD/EUR	(97,006)

In addition to derivatives for hedging operational foreign currency positions, derivative financial instruments are acquired in individual cases in order to hedge interest rate risks for particular securities. The market values of these derivatives are reported under other assets or other liabilities and changes in their market values are recorded in the financial result. To hedge interest rate risks, there are interest rate caps with a nominal value of T€ 15,000 (2007: T€ 65,000) as of the reporting date. The residual term of these instruments is about nine months, with the nominal value declining in line with the relevant financial liabilities. As of 31 December 2008, the market value of these instruments was T€ 0 (2007: T€ 320).

In addition, there was an interest rate derivative instrument in the previous year with a nominal value of T€ 10,000 and a residual term of six years; as of 31 December 2007, a negative market value of T€ 1,727 was recognised as a liability. This interest rate derivative was liquidated in financial year 2008. To view sensitivity, only the interest rate derivative concluded with the security was taken into account in the previous year. If interest rates had changed by +/-1 percentage point as of 31 December 2007, the market value change would have amounted to T€ (254) and T€ +266 respectively.

The swaps used to hedge freight costs had a notional amount of 720 charter days on the “Baltic Panamax Index” and a fair value of T€ (7,015). A change in price on the freight hedging benchmark of +/-10 % would have increased or reduced the market value by T€ 623.

The market values of the derivatives used to limit energy cost increases change depending on the oil price as well as the US dollar exchange rate. On the balance sheet date, there were energy derivatives with a notional amount of 300,000 tonnes of oil (basis: 1 % Fuel Oil FOB Barge) and a fair value of T€ (1,889). Had the oil price changed by +/-10 %, the market values reported would have changed by T€ 2,480 or T€ (2,530) respectively. In addition, a US dollar stronger or weaker by 10 % would have resulted in a market value change of T€ (210) or T€ 172.

The aforementioned market value changes would have resulted in a corresponding increase or reduction in unadjusted Group earnings before taxes.

(19) Securities

The securities reported as available for sale in the preceding period were contributed to the contractual trust arrangement in financial year 2008. As of 31 December 2007, T€ 37,133 was still reported in this category. A change in share prices of +/-10 % in 2007 would have resulted in a market value change of T€ +/-3,713 last year that would have been recorded in equity without recognition in profit or loss. Last year’s coverage overhang from the contractual trust arrangement reported as securities was reclassified as “Other assets” in financial year 2008.

(20) Equity

The development of individual equity items is shown separately on pages 144 et seq.

(21) Subscribed capital

The subscribed capital of K+S Aktiengesellschaft amounts to € 165.00 million and is divided into 165.00 million no-par value bearer shares. In financial year 2008, an average 164.95 million no-par value shares were outstanding.

By a resolution of the Annual General Meeting of 14 May 2008, the subscribed capital of the Company was increased, in accordance with the rules contained in the German Stock Corporate Act concerning capital increases from corporate funds (Sections 2007 et seqq. of the German Stock Corporation Act), by € 56.2 million from € 108.8 to € 165.0 million. This was executed by means of converting a sum of € 56.2 million from other revenue reserves to subscribed capital; no new shares were issued.

Following this, the subscribed capital of the Company totalling € 165.0 million and divided into 41.25 million no-par value bearer shares, was redivided by means of a share split in the ratio 1:4 into 165 million no-par value bearer shares. As a result of the share split, four no-par value bearer shares, each representing € 1.00 of the subscribed capital, replaced one no-par value share representing € 4.00 of the subscribed capital of the Company.

To maintain the hitherto authorisation volume, the authorised capital deriving from the resolution of the Annual General Meeting of 10 May 2006 was increased by a resolution of the Annual General Meeting of 14 May 2008 in proportion to the increase in the subscribed capital in relation to the hitherto subscribed capital. The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 82.5 million in the aggregate through the issuance of no more than 82.5 million new no-par value bearer shares (authorised capital). Existing shareholders essentially hold subscription rights in respect of such increases. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders in the following cases and in respect of an amount corresponding to € 41.25 million of the share capital (the equivalent of 41.25 million no-par value shares):

- in respect of fractional amounts arising from such subscription right;
- in the case of capital increases against cash contributions, if the capital increase does not exceed 10 % of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price, which is the weighted average of the exchange prices of the shares in the XETRA computerized trading system for the ten exchange trading days preceding the subscription of the new shares;
- in the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company.

The Board of Executive Directors is further authorised to determine further details pertaining to the carrying out of such authorised capital increase with the approval of the Supervisory Board. K+S Aktiengesellschaft did not make any use of the possibility of implementing a capital increase in financial year 2008.

In line with the resolution of the Annual General Meeting of 14 May 2008, the Board of Executive Directors was authorised to acquire own shares totalling up to 10 % of the share capital until 31 October 2009. Purchases may be made on a stock exchange or by means of a public purchase offer addressed to all shareholders. In the event of a purchase effected on a stock exchange, the purchase price (exclusive of ancillary purchase costs) paid by the Company per share may not exceed or undercut the relevant exchange price by more than 5 %. In the event of a public purchase offer addressed to all shareholders, the purchase price per share (exclusive of ancillary purchase costs) offered may not exceed or undercut the relevant exchange price by more than 10%. Shares purchased pursuant to the aforementioned authorisation or an authorisation previously granted by the Annual General Meeting in accordance with Section 71, Para. 1, Number 8 of the German Stock Corporation Act have to be used for the purposes specified in the AGM resolution granting such authorisation. With the authorisation of 14 May 2008, the authorisation to purchase own shares granted by the Annual General Meeting of 9 May 2007 was cancelled. K+S Aktiengesellschaft did not make any use of the authorisations in financial year 2008.

(22) Other reserves and profit retained

Other reserves and profit retained are reported in the consolidated balance sheet as a single caption in order to reflect the peculiarities of the consolidation. The development of the K+S Aktiengesellschaft individual reserves and profit retained is shown separately.

in T€	2008	2007
Other reserves and retained profits as of 1 January	814,512	1,007,015
Consolidation-related effects	632	(173)
Dividend payment for previous year	(82,500)	(82,500)
Group earnings after taxes and minority interests	870,886	(93,337)
Capital increase from corporate funds	(56,200)	–
Other neutral changes	153	(16,493)
Other reserves and retained profits as of 31 December	**1,547,483**	**814,512**

The other changes essentially comprise currency-related effects as well as changes in the revaluation reserve for available-for-sale securities.

The dividend distribution is based on the annual financial statements of K+S Aktiengesellschaft as prepared in accordance with German commercial law. The intention is to propose to the Annual General Meeting that a dividend of € 2.40 per share (2007: € 0.50), i.e. T€ 396,000 in total (2007: T€ 82,500), be distributed to the shareholders. As of the balance sheet date, the balance sheet profit of K+S Aktiengesellschaft was as follows:

in T€	2008	2007
K+S Aktiengesellschaft retained profits as of 1 January	82,500	82,500
Dividend payment for previous year	(82,500)	(82,500)
Net income of K+S Aktiengesellschaft	629,394	82,500
Allocations to other revenue reserves from net income	(230,000)	–
K+S Aktiengesellschaft retained profits as of 31 December	**399,394**	**82,500**

Other K+S Aktiengesellschaft revenue reserves developed as follows over financial year 2008:

in T€	2008	2007
Other K+S Aktiengesellschaft revenue reserves as of 1 January	109,180	109,180
Allocations from net income	230,000	–
Capital increase from corporate funds	(56,200)	–
Other K+S Aktiengesellschaft revenue reserves as of 31 December	**282,980**	**109,180**

(23) Information about capital management

in T€	2008	2007
Equity	1,718,281	931,808
Non-current debt	749,342	1,004,170
Current debt	1,006,132	1,028,824
Balance sheet total	**3,473,755**	**2,964,802**
- Equity ratio	49.5%	31.4%
- Borrowed capital quota	50.5%	68.6%

The increase in equity of T€ 786,473 compared with the previous year is mainly attributable to the positive result for the period (T€ 871,371), which greatly exceeded the dividend payment for the previous year (T€ 82,500). The decrease in debt primarily stemmed from the use of free cash flow to repay bank overdrafts. Consequently, the equity ratio rose from 31.4 % to 49.5 % compared with 2007 and the level of indebtedness declined from 1.2 to 0.

Potential measures to influence the capital structure can affect both equity (e. g. retention of profits, payment of dividends) and debt (e. g. the taking out and repayment of loans). The equity ratio value as of 31 December 2008 slightly exceeded our target corridor of about 35 % to 45 %.

(24) Provisions

The development of provisions is shown separately on pages 148 et seq.

(25) Provisions for pensions and similar obligations

The pension provisions concern various defined benefit pension plans. They mainly relate to unfunded direct undertakings on the part of domestic Group companies under pension plans that have been discontinued in the meantime. Most of the obligations apply to pensioners.

The level of the pension obligations is calculated as the actuarial present value of pension claims acquired (projected unit credit). A part of these pension claims is financed through external plan assets under a contractual trust arrangement (CTA). The following assumptions have been made in performing the calculations:

In %	2008	2007
Discount factor	5.3	4.6
Anticipated annual increase in earnings	1.8	1.8
Anticipated annual increase in benefits [1]	1.8	1.8
Anticipated yield on plan assets	6.7	5.9

[1] At a subsidiary, an increase of pension benefits of 0% (2007: 0%) is assumed.

The anticipated yield for plan assets is based on the anticipated income from the securities held as plan assets at the beginning of the financial year and with any new allocations taken into account. At the end of financial year 2008, plan assets comprised the following:

In T€	2008	2007
Fixed-interest securities	49,397	40,552
Variable-interest securities	14,198	19,960
Shares	16,121	17,076
Cash on hand and balances with banks	1,354	2,827
Plan assets as of 31 December	**81,070**	**80,415**

Further contributions to plan assets are being reviewed.

Actuarial gains and losses are only recorded in the income statement insofar as they exceed the 10% corridor (maximum of 10% of obligations and 10% of plan assets). The excess amount is spread over the average remaining working lives of active employees and recognised in profit or loss.

The following tables show the development of the projected unit credit and of the plan assets:

In T€	2008	2007
Projected unit credit as of 1 January	208,523	202,569
Changes in scope of consolidation	–	9
Service costs	2,105	2,267
Interest expenses	9,185	8,897
Plan adjustments/discharges	–	2,037
Reversal/Reclassification	(1,223)	(59)
Pension payments	(15,366)	(15,003)
Actuarial gains (-)/losses (+)	(7,087)	7,855
Exchange rate fluctuation	38	(49)
Projected unit credit as of 31 December	**196,175**	**208,523**

In T€	2008	2007
Plan assets as of 1 January	80,415	82,265
Anticipated income from plan assets	6,869	4,854
Differences between anticipated and actual income	(27,664)	(3,211)
Employer contributions	27,318	–
Pension payments	(5,868)	(3,493)
Plan assets as of 31 Dezember	**81,070**	**80,415**

The balance sheet carrying amounts correspond to the balance of plan assets and the projected unit credit adjusted for actuarial gains or losses not yet been recorded.

In T€	2008	2007
Projected unit credit as of 31 December	196,175	208,523
- of which fully covered by plan assets	32,503	35,965
- of which partially covered by plan assets	108,787	113,853
Plan assets as of 31 Dezember	81,070	80,415
Funded status	**115,105**	**128,108**
Unrecognised actuarial gains (+) / losses (-)	(26,598)	(6,049)
Carrying amounts as of 31 December	**88,507**	**122,059**
- of which pension provisions (+)	93,064	125,754
- of which assets (-)	(4,557)	(3,695)

Pension expenses for defined benefit pension obligations comprise the following:

In T€	2008	2007
Service costs	2,105	2,267
Interest expenses	9,185	8,897
Plan adjustments/discharges	–	2,037
Reversal	(22)	(59)
Repayment of actuarial losses	28	4
Anticipated income from plan assets	(6,869)	(4,854)
Pension expenses	**4,427**	**8,292**

The service costs and costs related to plan adjustments are reported under the following items of the income statement in accordance with the allocation of employees:

- Cost of sales
- Selling expenses
- General and administrative expenses
- Research and development costs
- Other operating expenses

Interest expenses, anticipated income arising from plan assets as well as the amortisation of unrecognised actuarial gains and losses are recorded under interest income, net. Reversals of provisions are disclosed under other operating income.

The development of pension obligations and plan assets over time is as follows:

In T€	2008	2007	2006	2005
Projected unit credit as of 31 December	196,175	208,523	202,569	208,241
Plan assets as of 31 Dezember	81,070	80,415	82,265	41,670
Short (+)/surplus coverage (-)	**115,105**	**128,108**	**120,304**	**166,571**
Experience-based gains (+)/losses (-) from obligations	(6,742)	(3,719)	1,677	2,264
Other gains (+)/losses (-) from obligations	13,829	(4,136)	–	–
Experience-based gains (+)/losses (-) from plan assets	(27,664)	(3,211)	(482)	–

In addition, there are further retirement pension plans for which no pension provisions have to be recognised.

Statutory pension insurance is an important component of retirement pension planning for most employees, especially in Germany. The employer contributions made to such insurance and recorded under personnel expenses amounted to T€ 68,639 (2007: T€ 61,761) during the period under review. The future level of such expenses largely depends on how the underlying pension insurance systems develop.

Employers and employees make contributions under the supplementary pension plan that has been concluded in the meantime and is operated through the BASF pension fund. The provision of such pensions is to be classified as a multi-employer plan within the meaning of IAS 19.29. The plan is essentially a defined benefit plan. As reliable information regarding plan assets and obligations are only available for the pension fund as a whole and not for those shares in it attributable to the K+S Group, no sufficient information is available for reporting the plan on the balance sheet. That is why the plan is treated as a defined contribution plan in accordance with IAS 19.30. The contributions made to the pension fund and recorded under personnel expenses amounted to T€ 2,506 in 2008 (2007: T€ 2,464).

A further defined benefit plan, which is to be treated as a defined contribution plan in accordance with IAS 19.30, exists at a Swiss subsidiary, the employee benefits unit of which is being linked to the Sammelstiftung der Rentenanstalt in Zurich. The expenses amounted to T€ 181 in 2008 (2007: T€ 185).

Under the K+S VorsorgePlus provident fund, which has been in operation since 2004, the basic benefit provision financed by the employer is used to build up retirement pension benefits by means of reinsured life insurance policies. As the claims acquired are fully covered by matching reinsurance with a fair value that equals the obligations, no provision needs to be recognised. The employer-financed contributions to the provident fund resulted in expenses of T€ 495 (2007: T€ 403) in 2008.

With effect from 1 August 2006, capital accumulation benefits were replaced by a new retirement benefit plan. This employer-financed benefit offers employees the possibility of using certain forms of retirement planning, such as the Chemical Industry Pension Plan, to acquire a company pension. The expenses amounted to T€ 718 in 2008 (2007: T€ 537). In addition, further premiums are provided if employees convert part of their remuneration into contributions to the company pension system. In 2008, expenses of T€ 242 (2007: T€ 212) were recorded in this connection.

(26) Provisions for mining obligations

In T€	2008	Of which short-term	2007	Of which short-term
Mine and shaft backfilling	218,431	7,986	186,339	6,499
Maintenance of stockpiles	96,497	–	100,765	–
Mine damages	34,120	–	37,801	–
Restoration	30,639	–	33,111	–
Other	6,605	–	6,048	–
Provisions for mining obligations	**386,292**	**7,986**	**364,064**	**6,499**

Provisions for mining obligations are recognised as a result of statutory and contractual requirements as well as conditions imposed by public agencies and essentially cover obligations to backfill mines and shafts as well as the obligation to maintain stockpiles. In addition, provisions also exist for mining damage risks and restoration obligations.

Mining obligations are based on provisions of statute as the Federal Mining Law (Bundesberggesetz) and are given concrete form primarily in plant plans and permit decisions issued under water law. These obligations, which are mainly of a public law type, require surface securing and recultivation measures. Mining damage can result from underground extraction and the related lowering of the land at surface level or as a result of damage connected with the production process in the form of dust or the excessive release of saline substances. The provisions take account of identifiable obligations connected with use restoration as well as obligations arising from mining damages that have already been caused or have already arisen.

The amount of the provisions to be recognised is based on expected expenditures or estimated compensation. Provisions for mining obligations mainly have a long-term character, and, on the basis of future anticipated expenditure, are carried at the discounted sum required to settle the obligation as of the balance sheet date. A future rate of price increases of 1.5 % and an interest rate of 5.6 % (2007: 5.0 %) as a discount factor are applied. The adjustment of the discount rate in financial year 2008 resulted in a reduction in mining provisions of T€ 42,453. The anticipated timing of the settlement of such obligations largely depends on the remaining economic useful life of the sites. With respect to mining damage, the obligations in part extend well beyond 2050.

The allocation to mining provisions during the year under review of T€ 43,858 (2007: T€ 29,849) mainly consisted in the recognition of additional provisions for mining risks as well as the revaluation of existing provisions; the reduction in provisions from the increase in the discount rate thus exceeded the level of the annual accumulations.

Mining provisions in the amount of T€ 8,874 (2007: T€ 9,216) were used to discharge the obligation to maintain disused sites. Further sums were spent on expenditure connected with mining damage risks.

The reversal of provisions in the amount of T€ 12,756 (2007: T€ 1,208) largely resulted from the reduction, without recognition in profit or loss, of obligations as a consequence of the change in the discount rate.

(27) Other provisions

The non-current obligations to employees mainly comprise:

- Provisions for semi-retirement T€ 32,735 (2007: T€ 45,289),
- Provisions for anniversary bonuses T€ 22,486 (2007: T€ 23,075) and
- Provisions for the stock option programme T€ 16,223 (2007: T€ 16,287).

The provisions for semi-retirement take account of obligations arising from concluded and potential semi-retirement contracts. Measurement encompasses both fulfilment shortfalls (difference between the value of full-time employment and semi-retirement remuneration plus related employer contributions to social insurance) as well as step-up contributions to semi-retirement remuneration and contributions to statutory pension insurance. They are stated at present value applying a discount factor of 5.3 % (2007: 4.6 %) with an anticipated annual increase in salaries and wages of 1.8 % (2007: 1.8 %). The semi-retirement obligations of T€ 59,471 (2007: T€ 64,674) as of the balance sheet date were balanced with plan assets of T€ 26,736 (2007: T€ 19,385). The plan assets take the form of a contractual trust arrangement (CTA) and serve to secure the benefits due to employees under semi-retirement agreements.

Provisions for anniversary bonuses are recognised for future payments in connection with 25-, 40- and 50-year length of service anniversaries. They are measured using the projected unit credit method and are computed applying a discount factor of 5.3 % (2007: 4.6 %) as well as an anticipated annual increase in salaries and wages of 1.8 % (2007: 1.8 %).

The provisions for the stock option programme relate to virtual stock options to be settled in cash. The composition of these options at the beginning of the reporting period was as follows:

Number of options	Exercisable for the first time	Expiry	Fair value in T€	Provision in T€
28,140	May 2005	May 2008	30	30
20,160	May 2006	May 2009	30	30
3,728,260	May 2008	May 2011	13,440	11,222
3,246,760	May 2009	May 2012	15,016	5,005
7,023,320			**28,516**	**16,287**

In 2008, eligible employees exercised 28,140 options that could be exercised for the first time in May 2005, 20,160 options that could be exercised for the first time in May 2006 and 3,712,520 options that could be exercised for the first time in May 2008. This resulted in provision utilisation of T€ 13,445.

In addition, employees acquired 1,452,240 options that can be exercised for the first time in May 2010. A total of 42,180 options expired in 2008. This resulted in total expenditure for allocation to provisions in 2008 of T€ 13,608.

As of 31 December 2008, the composition of virtual stock options was as follows:

Number of options	Exercisable for the first time	Expiry	Fair value in T€	Provision in T€
12,840	May 2008	May 2011	47	47
3,207,480	May 2009	May 2012	16,230	13,524
1,452,240	May 2010	May 2013	7,958	2,652
4,672,560			**24,235**	**16,223**

The intrinsic value (fair value) of the exercisable options was T€ 47 as of 31 December 2008. Intrinsic value was used as the fair value as the performance attained by these options is already well above the maximum settlement ceiling of 25 %. The fair value of the options that become exercisable for the first time in May 2009 as well as in May 2010 was determined on the basis of a multi-period binomial model. It relies on the price of the K+S share and the level of the DAX® on the valuation date as well as the historical volatility of the K+S share compared with the DAX® and MDAX®. The historic volatility of overperformance was determined using price data for the last 250 trading days, as this period corresponds to the average option term expected on the balance sheet date. The volatility computed in this way amounted to 64.00 % (2007: 33.81 %) for the option programme expiring in May 2012 and 64.60 % for the option programme expiring in May 2013. These calculations were performed using a base price for the K+S share of € 20.56 (expiry May 2012) and € 46.51 (expiry May 2013). A risk-free interest rate of 2.25 % was assumed. Anticipated fluctuation was not taken into account as it does not have any material impact on the value of the option. Anticipated dividends are also disregarded, as they are taken into account in the determination of the relevant performance of the K+S share in terms of the advantage to be gained from exercising the option. The provisions are distributed proportionately over the two-year lock-up period. For a general description of the stock option programme, see Note (10).

The obligations under sales transactions relate in particular to rebates and price concessions; the provisions for outstanding invoices result from purchase contracts.

(28) Liabilities

In T€	2008 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	266,404	159,288	107,116	–
Accounts payable - trade	465,357	465,142	116	99
Liabilities to affiliated companies	10,391	10,391	–	–
Other liabilities	72,308	57,775	14,533	–
- of which derivative financial instruments	24,224	24,224	–	–
Liabilities	**814,460**	**692,596**	**121,765**	**99**

In T€	2007 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	688,290	328,067	357,577	2,646
Accounts payable - trade	409,091	408,905	186	–
Liabilities to affiliated companies	8,105	8,105	–	–
Other liabilities	92,486	62,510	29,976	–
- of which derivative financial instruments	16,855	2,006	14,849	–
Liabilities	**1,197,972**	**807,587**	**387,739**	**2,646**

The financial liabilities as of the balance sheet date mainly relate to K+S Aktiengesellschaft, K+S KALI GmbH and subsidiaries in Brazil, Chile and the United States.

Most of the financial liabilities are denominated in US dollars and serve to finance assets that are stated in US dollar. In addition, there are financial liabilities denominated in euros, the Brazilian real and the Chilean peso.

Generally, the locking in of interest rates applies for a short period of time and amount to 12 months at most. To this extent, interest-related cash flow risks resulting from interest rate adjustments exist. The effective rates of interest are based on the interest rates for the currencies concerned (euro, US dollar, Brazilian real, Chilean peso) plus the customary market margins.

(29) Further information about financial instruments

The following table shows the carrying amounts and fair values of Group financial instruments:

in T€		2008		2007	
	Evaluation category under IAS 39	Book value	Fair value	Book value	Fair value
Financial assets		**22,270**	**22,270**	**17,815**	**17,815**
Investments in associated companies and equity interest	Available for sale	19,107	19,107	15,141	15,141
Loans	Loans and receivables	3,163	3,163	2,674	2,674
Accounts receivable - trade	Loans and receivables	**901,535**	**901,535**	**757,237**	**757,237**
Other receivables and assets		**188,479**	**188,479**	**321,834**	**321,834**
Remaining receivables and non-derivative financial assets	Loans and receivables	100,126	100,126	100,127	100,127
Derivatives without hedging relationship	Held for trade	64,883	64,883	204,648	204,648
Derivatives with hedging relationship	–	1,482	1,482	687	687
Other assets *	–	21,988	21,988	16,372	16,372
Securities		**–**	**–**	**37,133**	**37,133**
Shares and fixed-income securities	Available for sale	–	–	37,133	37,133
Cash on hand and balances with banks	Loans and receivables	**167,823**	**167,823**	**49,411**	**49,411**
Financial liabilities	Financial liabilities at amortised cost	**266,404**	**265,311**	**688,290**	**688,290**
Accounts payable - trade	Financial liabilities at amortised cost	**465,357**	**465,357**	**409,091**	**409,091**
Remaining and other liabilities		**82,699**	**82,699**	**100,591**	**100,591**
Other non-derivative financial liabilities	Financial liabilities at amortised cost	39,124	39,124	63,727	63,727
Derivatives without hedging relationship	Held for trade	21,907	21,907	16,750	16,750
Derivatives with hedging relationship	–	2,316	2,316	105	105
Liabilities from finance leases	–	1,442	1,442	1,777	1,777
Other liabilities	–	17,910	17,910	18,232	18,232

* This item mainly comprises other clearing accounts.

The carrying amounts of the financial instruments, aggregated according to the IAS 39 valuation categories, are as follows:

in T€	2008	2007
Financial assets available for sale	19,107	52,274
Loans and receivables	1,172,647	909,449
Financial assets held for trade	64,883	204,648
Financial liabilities at amortised cost	770,885	1,161,108
Financial liabilities held for trade	21,907	16,750

The fair values of the financial instruments are essentially determined on the basis of the market information available on the balance sheet date.

In the case of equity instruments measured at acquisition cost, it is not possible to determine fair values reliably because of the absence of active markets. They apply to shares in (non-consolidated) associated companies and to equity interests. It is assumed that the carrying amounts correspond to the fair values as of the balance sheet date.

In the case of trade receivables, other receivables and non-derivative assets as well as liquid assets, the carrying amounts correspond to the fair values for these instruments because the maturities are largely short.

In the case of securities for which no stock exchange prices are available, the balance sheet values are based on values provided by credit institutions.

In the case of financial liabilities, trade payables as well as other non-derivative and other liabilities, it is assumed that the carrying amounts correspond to the fair values for these instruments because the maturities are largely short. In the case of non-current financial liabilities, fair value was determined as the present value of future payment flows. Market interest rates, based on the corresponding maturity, are used for discounting purposes.

For borrowings and financial lease liabilities, it is assumed that the carrying amounts correspond to fair values because of insignificant deviations in market and computational interest rates.

The net results from financial instruments are shown in the following table:

in T€	2008	2007
Financial assets available for sale	13,723	5,143
Loans and receivables	9,187	(25,745)
Financial assets and liabilities held for trade	(142,193)	(367,870)
Financial liabilities at amortised cost	(8,884)	(387)

The net result from the sale of financial assets available for sale mainly comprises gains or losses on the disposal of investments and securities as well as the ineffective component of exchange rate hedging. In the year under review, an amount of T€ (9.842) (2007: T€ (5,227)) arising from measurement, without recognition in net profit or loss, was taken directly to the revaluation reserve. A total of T€ 10,454 (2007: T€ 0) were withdrawn from the revaluation reserve and recognised in profit or loss.

The net result for loans and receivables mainly includes the effects of currency translation and changes in allowances.

The net result for financial assets and liabilities held for trading mainly comprises changes in the market value of derivative financial instruments. It also includes interest income and interest expenses for these financial instruments.

The net result for liabilities measured at amortised cost mainly comprises the effects of foreign currency translation.

Total interest income and expenses for financial assets and liabilities that are not measured at fair value and recognised in profit or loss were as follows:

in T€	2008	2007
Interest income	3,862	3,867
Interest expenses	(26,423)	(23,991)

The following sensitivity can be determined for the interest income and expenses from financial instruments included in net interest income. Assuming a change in interest rates of +/-1 percentage point, net interest income would have deteriorated or improved by T€ +/-3,932 (2007: T€ +/-4,220).

In addition to receivables and liabilities in the Group currency, the euro, there are also items in foreign currencies. Had the euro appreciated or depreciated against the foreign currencies (mainly the US dollar) by 10%, the change in the fair value recognised in profit or loss after the offsetting of foreign currency receivables and liabilities would have amounted to +/- T€ 21,726 (2007: T€ +/-24,905).

(30) Contingent liabilities

in T€	2008	2007
Warranty agreements	767	767

(31) Other financial commitments

In T€	2008	2007
Commitments under uncompleted capital expenditure projects	73,877	66,450
Commitments under long-term rental and leasing contracts		
- due in following year	18,727	15,722
- due in 2 to 5 years	23,566	27,998
- due after 5 years	6,239	5,413
Other financial commitments	**122,409**	**115,583**

The leasing obligations relate to operating leases for items of factory and office equipment such as printers, photocopiers and IT peripherals. In addition, cars are also leased. Given the relevant contractual arrangements, these items are not to be carried under fixed assets.

Notes to the segment reporting

The segment reporting is presented on pages 148 et seq.

(32) Definition of segments

The segments are primarily defined by product types. This corresponds to the internal organisation and reporting structure of the K+S Group. The secondary reporting format is based on regions.

The Potash and Magnesium Products business segment combines the production and marketing of potash fertilizers and fertilizer specialities as well as potash and magnesium compounds for technical, industrial and pharmaceutical applications.

The COMPO business segment markets branded products for the consumer sector (garden and lawn fertilizers, plant care products, plant protection agents and potting soils) and speciality fertilizers for the professional sector (horticulture, special crops and agriculture).

The fertiva business segment bundles the marketing and sales activities for nitrogenous fertilizers, which are purchased from various manufacturers for resale.

The Salt business segment comprises the production and marketing of food grade salt, industrial salt and salt for chemical use, de-icing salt and sodium chloride brine.

On 1 January 2008, the Waste Management and Recycling business segment was grouped together with the service activities bundled in the Services and Trading business segment and the new entity was given the name "Complementary Business Segments". In addition, since the beginning of the year, the activities of K+S IT-Services GmbH have been presented in the reconciliation on account of the low share of third-party revenues; the previous year's figures were adjusted accordingly.

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

(33) Principles of allocation on assets and liabilities

Assets, provisions and liabilities are allocated to the segments in accordance with their utilisation or origin. If they are utilised by or originate in more than one segment, they are allocated on the basis of appropriate keys.

Financial assets (except for participating interests) and non-current financial liabilities are not allocated to the segments.

(34) Principles of allocation of segment earnings

The data for the determination of segment earnings is produced by internal accounting on the basis of income statements in accordance with the nature of costs method (internal reporting structure of the K+S Group). The income statements of the companies included are allocated to the segments under profit centre accounting.

EBIT I (operating earnings) is applied as the most important internal earnings value and as an indicator of earnings capacity. In addition to disregarding net interest income and the tax expense, changes in the market value of derivatives as well as other income and expenses affecting the financial result are also excluded.

The earnings of the business segments are presented on a consolidated basis. Intra-segment deliveries and services are consolidated.

(35) Principles of transfer prices between segments

Transfer prices are defined for deliveries and services between segments, which would have to be paid in the respective specific situation and under the same circumstances by a non-related third party. The nature and amount of the billing is determined in accordance with the value and extent of the delivery or service, taking into account the underlying legal relationship. The methods of determining the transfer prices are documented on a timely basis and retained without interruption. The price comparison method, the resale price method, the cost plus method or a combination of these methods can be applied in determining the transfer prices for deliveries. Thereby, the method is chosen that is closest to that under which arm's length prices are determined in comparable markets.

(36) Impairment charges

The impairment tests conducted at the end of financial year 2008 required recognition of a write-down totalling T€ 1,201 (2007: T€ 175) for the COMPO business segment which was disclosed under other operating expenses (T€ 1,194) and net income from investments (T€ 7). In the Potash and Magnesium Products business segment, a write-down of T€ 1,266 (2007: T€ 0) was recognised on property, plant and equipment and recorded in operating expenses. In 2007, the fertiva business segment had recognised an unscheduled investment write-down of T€ 207.

(37) Reconciliation

The reconciliation between the segment figures to the corresponding items in the consolidated financial statements of the K+S Group comprise items allocated to central functions as well as consolidation effects. The main items are:

In T€	2008	2007
Reconciliation of segment results		
Consolidation-related effects	(6,802)	(4,723)
Result for the central functions	(45,445)	(30,252)
	(52,247)	**(34,975)**
Reconciliation of segment assets		
Fixed assets	53,351	54,010
Deferred tax assets	46,299	70,053
Premiums for non-operational hedging instruments	–	453,421
Market values of derivatives (less premiums)	1,824	(265,819)
Tax refund claims from income taxes	31,398	37,498
Other receivables	30,618	21,047
Cash and cash equivalents	121,707	41,337
Consolidation-related effects	(1,289,131)	(268,809)
	(1,003,934)	**142,738**
Reconciliation of segment liabilities		
Provisions for pensions and suchlike	37,520	71,376
Other provisions	44,052	47,045
Deferred tax liabilities	58,677	21,662
Market values of derivatives	17,508	15,127
Financial liabilities	164,336	646,595
Other liabilities	9,540	15,051
Income tax liabilities	25,820	6,155
Consolidation-related effects	(125,874)	(65,799)
	231,579	**757,212**

(38) Geographical breakdown of revenues

The breakdown of revenues by geographical region is as follows:

In T€	2008	2007
Germany	891,544	654,071
Rest of Europe	2,372,302	1,575,687
Overseas	1,530,551	1,114,308
Total revenues	4,794,397	3,344,066

(39) Geographical breakdown of assets

The breakdown of the assets of the K+S Group, adjusted for income tax receivables and deferred tax assets, by geographical region is as follows:

In T€	2008	2007
Germany	2,023,871	1,855,034
Rest of Europe	590,798	396,545
Overseas	781,389	605,672
Total assets	3,396,058	2,857,251

(40) Geographical breakdown of capital expenditure

The breakdown of capital expenditure on intangible assets and property, plant and equipment by geographical region is as follows:

In T€	2008	2007
Germany	151,918	132,927
Rest of Europe	6,694	9,771
Overseas	38,854	28,876
Total capital expenditure	197,466	171,574

Notes to the cash flow statement

The cash flow statement is presented on page 143.

(41) Disbursements for the acquisition of consolidated companies

The item disbursements for the acquisition of consolidated companies relates to the expenditure on shares in companies acquired during the financial year:

In T€	2008	2007
Total acquisition price	9	923
Disbursements for acquisition of consolidated companies	9	923

(42) Net cash and cash equivalents

In T€	2008	2007
Cash on hand and balances with banks	167,823	49,411
Cash received from associated companies	(6,731)	(5,129)
Bank overdrafts	(532)	(195,682)
Net cash and cash equivalents	160,560	(151,400)

Other information

Auditor's fees

In 2008, auditor's fees totalling T€ 867 (2007: T€ 850) for the auditing of the consolidated financial statements and the annual financial statements of the consolidated domestic companies were recorded as an expense. Other audit services attracted charges totalling a further T€ 37 (2007: T€ 45).

Government assistance

In T€	2008	2007
Investment grants	3,363	(14)
Investment premiums	1,893	472
Performance-related assistance	5,586	9,925
Government assistance	**10,842**	**10,383**

The investment grants recorded relate to sums extended under the German Investment Grant Law for Development Area Investments (*Investitionszulagengesetz für Investitionen im Fördergebiet*). Investment premiums were granted for certain business location projects. Investment grants and premiums are deducted from the carrying amounts of the assets to which they relate.

The performance-related assistance concerns support that is provided by the Federal Labour Office *(Bundesagentur für Arbeit)* under the German Semi-retirement Act and is recognised as income. This income serves to offset the higher expenses associated with the refilling of employment positions in connection with semi-retirement.

Related companies and persons

In addition to the subsidiaries included in the consolidated financial statements, the K+S Group has relationships to further related companies; these include non-consolidated subsidiaries as well as companies on which the K+S Group can exercise decisive influence (associated companies). A complete overview of all related companies can be taken from the list of all equity holdings (list of shareholdings), which has been submitted to the electronic Federal Gazette (*Bundesanzeiger*) for publication. Interested persons can download it at www.k-plus-s.com or request it from K+S Aktiengesellschaft.

The following table shows the transactions of the K+S Group with non-consolidated subsidiaries that occurred in the period under review. The business was transacted on customary market terms.

in T€	2008	2007
Revenues from deliveries and services	45,874	37,737
Deliveries and services received	26,563	22,293
Income from dividend payments and profit distributions	2,276	1,289
Other income	797	1,020
Other expenses	1,436	773

The trade revenues mainly result from the sale of goods by consolidated companies to foreign distribution companies. Deliveries and services received mainly concern deliveries of explosives from a German subsidiary as well as commissions, which were billed by foreign distribution companies.

On 31 December 2008, the following outstanding balances with non-consolidated subsidiaries were disclosed:

in T€	2008	2007
Receivables from associated companies	8,518	11,803
Liabilities to affiliated companies	10,391	8,105
- of which from bank transactions	6,731	5,129

On the reporting date, there were write-downs on receivables totalling T€ 12 (2007: T€ 129); in the year under review, additions to the write-down account resulted in expenses of T€ 66 (2007: T€ 93). Failure insurances for receivables from subsidiaries do not exist. The receivables and liabilities from bank transactions result from the centralised taking-out and investment of cash at K+S Aktiengesellschaft (cash pooling). Loans to related companies amounted to T€ 390 (2007: T€ 74).

Related persons are defined as persons, who are responsible for the planning, management and monitoring of a company. They include the Board of Executive Directors and the Supervisory Board. The remuneration of related persons is presented in the following section as well as in the remuneration report. Further material transactions with related persons did not occur.

Total remuneration of the Supervisory Board and the Board of Executive Directors

In T€	2008	2007
Total remuneration of the Supervisory Board	**1,900**	**1,083**
- of which fixed	325	296
- of which performance-related	1,575	787
Total remuneration of the Board of Executive Directors	**8,077**	**6,557**
- of which fixed	1,369	1,566
- of which performance-related	4,615	1,988
- of which from exercise of rights under the stock option programme	2,093	3,003
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	**2,498**	**989**
Pension provisions for former members of the Board of Executive Directors and their surviving dependents [1)]	**4,191**	**8,241**

[1)] The pension provisions were offset with external plan assets (CTA).

The total remuneration of the Board of Executive Directors during the year under review was for four board members. In the preceding year, four board members were in office for twelve months and one member for six months.

The remuneration system for the Board of Executive Directors consists of the following elements:

- regular monthly payments (fixed salary) to which in-kind benefits are added;
- performance-related non-recurrent remuneration, with bonuses based on the return on total investment and on a individual performance-related component and paid in the following financial year (previous year's figures adjusted in accordance with actual bonus payment);
- granting of stock options (previous year's figures adjusted since they related to the payments from the exercise of options).

In 2008, for the members of the Board of Executive Directors active on 31 December 2008, the total expenditure resulting from share-based remuneration, which relates both to the virtual stock option programme granted in 2008 and to the programs still existing from previous years, was T€ 2,093 (2007: T€ 3,003). The emoluments received by the individual members of the Board of Executive Directors for financial year 2008 are set forth in the remuneration report included in the corporate governance report; the remuneration report also constitutes an integral part of the management report.

Shareholdings in K+S Aktiengesellschaft

The Bank of N.T. Butterfield and Son Limited, Bermuda, through MCC Holding Limited, Cyprus, and the OJSC MCC "EuroChem", Moscow, to be attributed to MMC Holding Limited, hold 15.001 % of K+S shares. MCC manages the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. Furthermore, with a 10.3 % share in the capital of K+S Aktiengesellschaft, BASF SE, Ludwigshafen, exceeds the 10 % threshold. In addition, The Bank of New York Mellon Corporation informed us that, through its subsidiary MBC Investments Corporation, on 9 February 2009, it had exceeded the 3 % reporting threshold and holds 3.03 % of the shares of K+S.

Exemptions pursuant to Section 264, Para. 3 and Section 264b of the German Commercial Code (HGB)

The following domestic companies, organised in the legal form of a corporation or partnership, have made use of the exemption rules contained in Section 264 Para. 3 and Section 264b of the German Commercial Code and dispensed with the publication of annual financial statements for 2008 as well as, to a large extent, the preparation of a management report and notes to the financial statements.

COMPO Gesellschaft mbH & Co. KG, Münster
K+S IT-Services GmbH, Kassel
esco – european salt company GmbH & Co. KG, Hanover
fertiva GmbH, Mannheim
German Bulk Chartering GmbH, Hamburg
K+S Baustoffrecycling GmbH, Sehnde
K+S Beteiligungs GmbH, Kassel
K+S Entsorgung GmbH, Kassel
K+S KALI GmbH, Kassel
K+S Projekt GmbH, Kassel
K+S Salz GmbH, Hanover
Kali-Transport Gesellschaft mbH, Hamburg
Kali-Union Verwaltungsgesellschaft mbH, Kassel
UBT See- und Hafen-Spedition GmbH Rostock, Rostock

Declaration on conformity concerning the German Corporate Governance Code

The declaration on conformity pursuant to Section 161 of the German Stock Corporation Act concerning the recommendations made by the "Government Commission on the German Corporate Governance Code" has been made by the Board of Executive Directors and the Supervisory Board for 2007/2008 and is available to shareholders in the 2007 financial report and can also be accessed on the K+S Group Internet homepage (www.k-plus-s.com). The conformity declaration in respect of 2008/2009 is also published on the K+S Internet homepage and on page 32 of this 2008 financial report.

Members of the Supervisory Board
(on 31 December 2008)

Dr. Ralf Bethke, Deidesheim, Chairman
Shareholder representative
Former chairman of the Board of Executive Directors of K+S Aktiengesellschaft

In office until the 2012 AGM; Supervisory Board chairman since 14 May 2008
First appointed: 1 July 2007

Further Supervisory Board appointments:	Benteler AG Südzucker AG Süddeutsche Zuckerrübenverwertungs-Genossenschaft eG
Other appointments to supervisory bodies:	Dr. Jens Ehrhardt Kapital AG (chairman)

Gerhard R. Wolf, Worms, Honorary chairman
Shareholder representative
Former member of the Board of Executive Directors of BASF SE

In office and chairman of the Supervisory Board until the AGM held on 14 May 2008

Further Supervisory Board appointments:	Hornbach Baumarkt AG (chairman) – until 10 July 2008 Hornbach Holding AG (chairman) – until 11 July 2008

Michael Vassiliadis, Hanover, Vice Chairman
Employee representative
Member of the Managing Board of the Mining, Chemicals and Energy Trade Union

In office until the 2013 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:	BASF SE Evonik STEAG GmbH (vice chairman) Henkel KGaA

Jella S. Benner-Heinacher, Meerbusch
Shareholder representative
Federal Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

In office until the 2013 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:	A.S. Création AG TUI AG

Dr. Uwe-Ernst Bufe, Königstein im Taunus
Shareholder representative
Former chairman of the Board of Executive Directors of Degussa/Hüls AG

In office until the 2013 AGM
First appointed: 14 May 2008

Further Supervisory Board appointments:	Air Liquide GmbH, Dusseldorf – until end of April 2008 Cognis GmbH, Monheim UBS Deutschland AG, Frankfurt am Main (vice chairman)
Other appointments to superivsory bodies:	Akzo Nobel NV, Amsterdam Solvay SA, Brussels SunPower, San José – since August 2008 Umicore SA, Brussels

Karl-Heinz Georgi, Haltern
Employee representative
Principal of the Haltern am See Education Centre of the Mining, Chemicals and Energy Trade Union

In office until the AGM on 14 May 2008

Dr. Rainer Gerling, Heringen/Werra
Employee representative
Manager of the Werra Plant of K+S KALI GmbH

In office until the 2013 AGM
First appointed: 14 May 2008

Rainer Grohe, Otterstadt
Shareholder representative
Instructor at the Bundeswehr University, Munich

In office until the 2013 AGM
First appointed: 6 May 1998

Further Supervisory Board appointments:	Graphit Kropfmühl AG – since 6 May 2008 Norddeutsche Affinerie AG PFW Aerospace AG

Dr. Karl Heidenreich, Mannheim
Shareholder representative
Former member of the Board of Managing Directors of Landesbank Baden-Württemberg

In office until the 2013 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:	MVV Energie AG – until 14 March 2008
Other appointments to superivsory bodies:	Stiftung Orthopädische Universitätsklinik Heidelberg

Rüdiger Kienitz, Geisa
Employee representative
Member of the Works Council of the Werra Plant of K+S KALI GmbH

In office until the 2013 AGM
First appointed: 26 March 1998

Klaus Krüger, Wolmirstedt
Employee representative
Chairman of the Group Works Council of the K+S Group

In office until the 2013 AGM
First appointed: 9 August 1999

Dieter Kuhn, Peißen
Employee representative
Vice Chairman of the Group Works Council of the K+S Group

In office until the 2013 AGM
First appointed: 7 May 2003

Heinz-Gerd Kunaschewski, Philippsthal
Employee representative
Chairman of the Works Council of K+S KALI GmbH's Werra plant

In office until the 2013 AGM
First appointed: 7 May 2003

Dr. Bernd Malmström, Berlin
Shareholder representative
Lawyer

In office until the 2013 AGM
First appointed: 7 May 2003

Further Supervisory Board appointments:	HHLA Intermodal GmbH & Co. KG IFCO-Systems B.V. (chairman) Lehnkering GmbH (chairman) SBB Schweizer Bundesbahnen AG, Administrative Board Stinnes Corporation, New York (chairman) VTG AG
Other appointments to superivsory bodies:	DAL – Deutsche-Afrika-Linien GmbH & Co. KG time:matters GmbH (chairman)

Dr. Rudolf Müller, Ochsenfurt
Shareholder representative
Former member of the Executive Board Südzucker AG

In office until the 2013 AGM
First appointed: 7 May 2003

Other appointments to superivsory bodies:	AGRANA BETEILIGUNGS-AG (vice chairman) AGRANA Zucker, Stärke und Frucht Holding AG, Austria (chairman) Bayerische Landesanstalt für Landwirtschaft Fachhochschulrat Fachhochschule Weihenstephan Universitätsrat der Universität Hohenheim, Stuttgart Z&S Zucker und Stärke Holding AG (vice chairman)

Friedrich Nothhelfer, Kassel
Employee representative
District manager of the Mining, Chemicals and Energy Trade Union

In office until the 2013 AGM
First appointed: 14 May 2008

Further Supervisory Board appointments:	EON-Avacon, Helmstedt

Renato De Salvo, Auhagen
Employee representative
Vice Chairman of the Works Council of the Sigmundshall Plant of K+S KALI GmbH

In office until the 2013 AGM
First appointed: 7 May 2003

Dr. Eckart Sünner, Neustadt a.d.W.
Shareholder representative
Chief Compliance Officer of BASF SE

In office until the 2013 AGM
First appointed: 28 April 1992

Further Supervisory Board appointments:	Infineon Technologies AG

Dr. Helmut Zentgraf, Burghaun
Employee representative
Former manager of the Werra Plant of K+S KALI GmbH

In office until the AGM on 14 May 2008

Members of the Board of Executive Directors

Norbert Steiner, Baunatal, Chairman
Finance and Accounting
Corporate Development and Controlling
Legal Affairs, Insurance, Compliance
Taxes
Audit
Investor Relations
Communications
Salt Business Segment

In office until 11 May 2010
First appointed: 12 May 2000

Further Supervisory Board appointments: E.ON Mitte AG

Joachim Felker, Birkenheide
Potash and Magnesium Products Business Segment
COMPO Business Segment
fertiva Business Segment

In office until 30 September 2010
First appointed: 24 August 2005

Gerd Grimmig, Söhrewald
Mining and Geology
Technology and Energy
Research and Development
Environmental Protection, Occupational Safety, Quality Management
Waste Management and Recycling
Animal Hygiene Products
Consulting

In office until 30 September 2010
First appointed: 1 October 2000

Dr. Thomas Nöcker, Kassel, Personnel Director
Personnel
IT Services
Purchasing, Materials Management and Warehousing
Property Management
Knowledge Management
Logistics (KTG)
Trading Business (CFK)

In office until 31 July 2011
First appointed: 1 August 2003

Appointments to supervisory bodies: Advisory Board of RAG Bildung GmbH

Kassel, 25 February 2009

K+S Aktiengesellschaft
The Board of Executive Directors

NOTES

GLOSSARY

Definitions of key financial indicators

Book value per share	=	$\frac{\text{Adjusted equity}^{1)}}{\text{Total number of shares as of 31 Dec.}}$
Enterprise Value	=	Market capitalisation + net indebtedness
Equity/assets ratio I	=	$\frac{\text{Adjusted equity}^{1)}}{\text{Operating assets}}$
Equity/assets ratio II	=	$\frac{\text{Adjusted equity}^{1)} + \text{non-current debt}}{\text{Operating assets}}$
Indebtedness I	=	$\frac{\text{Bank loans and overdrafts}}{\text{Equity}}$
Indebtedness II	=	$\frac{\text{Net indebtedness}}{\text{Equity}}$
Liquidity ratio I	=	$\frac{\text{Cash on hand and balances with banks + current securities}}{\text{Current debt}}$
Liquidity ratio II	=	$\frac{\text{Cash on hand and balances with banks + current securities + current receivables}}{\text{Current debt}}$
Liquidity ratio III	=	$\frac{\text{Current assets}}{\text{Current debt}}$
Net indebtedness	=	Financial liabilities + provisions for pensions and similar obligations + long-term provision for mining obligations – cash on hand and balances with banks – securities
Operating assets	=	Intangible assets + property, plant and equipment + shares in associated companies + participating interests
Return on capital employed (ROCE)	=	$\frac{\text{Operating earnings (EBIT I)}}{\text{Operating assets}^{2)} + \text{working capital}^{2)}}$
Return on capital invested (ROI)	=	$\frac{\text{Operating earnings (EBIT I)}}{\text{Disbursements for acquisition of consolidated companies}}$
Return on equity	=	$\frac{\text{Adjusted Group earnings after taxes}^{1)}}{\text{Adjusted equity}^{1), 2)}}$
Return on revenues	=	$\frac{\text{Adjusted Group earnings}^{1)}}{\text{Revenues}}$
Return on total investment	=	$\frac{\text{Adjusted earnings before taxes}^{1)} + \text{interest expenses}}{\text{Adjusted balance sheet total}^{1), 2)}}$
Value Added	=	(ROCE – weighted average costs of capital before taxes) x (operating assets [2] + working capital [2])
Working capital	=	Inventories + receivables and other assets [3] – current provisions – accounts payable trade – other payables [3]

[1] Adjusted for the effect of market value changes in hedging transactions; for adjusted Group earnings, the resulting tax effects were also eliminated.
[2] Annual average
[3] Without market value of derivatives but including premiums paid for derivates used in operations; without receivables and liabilities relating to funds invested

Financial and economic terms

Cash flow	Net balance of incoming and outgoing payments during a reporting period.
Dividend	Part of retained profit distributed to shareholders.
EBIT I	Refers to the operating earnings of the K+S Group. It is free of the effects of market value changes from hedging transactions and only include the hedging gains actually achieved during the period under review. The effects of the exercise, sale or expiry of the derivatives that still existed at the beginning of the year but are no longer in operation are not included in the operating earnings either.
EBIT II	Under IFRSs, changes in market value from hedging transactions have to be reported in the income statement. While the cash gains from derivatives already exercised are included in operating earnings EBIT I, we report non-cash changes in the market value of derivatives that are still outstanding by reconciliation to EBIT II. Following the reorganisation of our US dollar hedging system at the end of 2007/beginning of 2008, the double-barrier options that existed at the beginning of the financial year no longer served to secure core business operations so that the earnings effects arising from the exercise, sale or expiry of the options are also reported in full in EBIT II.
Enterprise Value	Is an indicator of the value of a company frequently used by financial analysts. Enterprise value is frequently compared with other figures (e.g. revenues, EBITDA, EBIT), which produces enterprise value multiples, for example.
Free float	The number of shares not held by investors owning more than 5 % of the shares of a company (with the exception of shares held by investment companies and asset managers).
Gross domestic product	Value of the economic performance that comprises all the goods and services produced in a country within a reporting period.
Liquidity ratios	Provide information about the extent to which current payment obligations are covered by cash and cash equivalents, current receivables and current assets.
Value Added	This figure is based on the assumption that a company creates added value for the investor when the return on the average capital employed exceeds the underlying cost of capital. This excess return is multiplied by the average capital employed (annual average for operating assets + working capital) to give the company's added value for the year under review.

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FINANCIAL CALENDAR

Dates	2009/2010
Annual General Meeting, Kassel	13 May 2009
Quarterly Financial Report, 31 March 2009	13 May 2009
Dividend payment	14 May 2009
Half-yearly Financial Report, 30 June 2009	13 August 2009
Quarterly Financial Report, 30 September 2009	12 November 2009
Report on business in 2009	11 March 2010
Press and analyst conference, Frankfurt am Main	11 March 2010

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