

Annual Financial Statement 2009

K+S Aktiengesellschaft
Kassel, Germany



Experience growth.

Content

Management Report	1
Income Statement	45
Balance Sheet	46
Development of Non-current Assets	46
Notes	48
List of Shareholdings	64
Auditor's Report	67

MANAGEMENT REPORT OF THE K+S AKTIENGESELLSCHAFT

Group structure and business operations

Group legal structure

K+S AG acts as the holding company for the K+S Group. The economic development of the K+S Group and therefore also of K+S Aktiengesellschaft is influenced to a substantial degree by direct and indirect subsidiaries located in Germany and abroad. In its capacity as a holding company, K+S Aktiengesellschaft provides a wide variety of services for its subsidiaries. Additionally, the business activities of K+S Aktiengesellschaft include the granulation of the animal hygiene product CATSAN® for the partner Mars. The activities of the K+S Group are divided into four business segments that are closely interlinked in terms of strategic, technical and economic aspects. The management of the business segments is identical to the management of the important operationally active subsidiaries.

Business segments of the K+S Group

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

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

The Nitrogen Fertilizers business segment consists chiefly of the two companies K+S Nitrogen GmbH ("K+S Nitrogen") as well as its subsidiary COMPO GmbH & Co. KG ("COMPO"). The former business segments COMPO and fertiva were grouped in the reporting for the Nitrogen Fertilizers business segment on 1 January 2009. Since 1 July 2009, the nitrogenous products previously distributed by fertiva have been managed together with part of the fertilizers formerly marketed by COMPO under the umbrella of the new company K+S Nitrogen, in order to utilise efficient sales structures to achieve a stronger orientation towards bulk customers in agriculture and special crops such as fruit, vegetables and grapes. The head office of the company is in Mannheim. In addition to the fertilizers pro-

duced exclusively for it by BASF SE, K+S Nitrogen to a limited extent markets the goods of other reputable European fertilizer producers. COMPO's head office is in Münster; it has production sites in Germany and Western Europe. Additionally, COMPO has some of its products manufactured by BASF SE. COMPO sells its products in the Consumer and Experts segments directly and via subsidiaries in Germany and abroad. The Nitrogen Fertilizers business segment shares overseas sales distribution platforms with the Potash and Magnesium Products business segment.

In the Salt business segment, the K+S Group markets food grade salt, industrial salt, salt for chemical use and de-icing salt. The Salt business segment comprises the sub-units esco – european salt company GmbH & Co. KG (“esco”), Hanover, whose activities are mainly focused on Europe, the Chilean Sociedad Punta de Lobos S. A. (“SPL”), Santiago de Chile, as well as, since 1 October 2009, the salt activities of Morton International, Inc., Chicago. esco operates three rock salt mines, three brine plants, as well as several plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, and has numerous distribution sites in Europe. The annual production capacity of esco in Europe is about 8.0 million tonnes of crystallised salt and 1.7 million tonnes of salt in brine. The Chilean SPL extracts rock salt in Salar Grande de Tarapacá through cost-effective open-cast mining. The production capacity there amounts to approximately 6.5 million tonnes per annum. Moreover, Salinas Diamante Branco, which belongs to the SPL Group, operates a sea salt facility with an annual capacity of 0.5 million tonnes in the north-eastern part of Brazil. In the United States, SPL distributes its salt products via the International Salt Company (ISCO). The Chilean shipping company, Empreemar, with its 232 employees and a fleet of six ships of its own as well as chartered ships providing maritime logistics for the SPL Group, also forms part of the Salt business segment. Since 1 October 2009, Morton Salt, the largest salt producer in North America, has also been part of the Salt business segment. Morton Salt operates six rock salt mines, seven brine plants and ten plants processing evaporated salt. The annual production capacity totals about 13 million tonnes of salt. The Salt business segment is represented in Europe as well as North America and South America with its own distribution units and via platform companies of the K+S Group.

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

Legal and economic influencing factors

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

In the case of economic influencing factors relevant to the K+S Group, collective wage bargaining agreements in Germany and North America are particularly important. As about 67% of our workforce is employed in Germany and, since the takeover of Morton Salt, about 20% work in North America, personnel expenses constitute a main cost item for the K+S Group. Over the past few years, we have been able to enhance our capacity to react to earnings developments both by means of flexible working hours models and variable salary components. The latter are, for example, linked to business segment and company success. Transport, energy and raw material costs as well as the development of the US dollar exchange rate also have a great impact on the success of the K+S Group.

Declaration of Compliance

Declaration on conformity 2009/2010

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

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

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

2009

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

2010

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

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

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

Compliance

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

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

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

Corporate bodies

The corporate bodies are the Annual General Meeting, the Board of Executive Directors and the Supervisory Board. The powers vested in these bodies are governed by the German Stock Corporation Act (AktG), the Articles of Association and the respective bylaws of the Board of Executive Directors and the Supervisory Board.

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

Shareholders and the Annual General Meeting

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

You can find the bylaws of the Board of Executive Directors on our website in the Corporate Governance section.

Operations of the Board of Executive Directors

The Board of Executive Directors is responsible for managing the Company in accordance with the law, the Articles of Association and its bylaws, taking into account the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. The K+S Group is managed through regular strategic consultations at the Board of Executive Directors level as well as with the heads of the business segments, in order to then systematically and in a timely manner implement the appropriate results in the form of annual and medium-term plans as well as agreed targets. The Board of Executive Directors and the heads of the business segments are informed about the development of essential financial indicators as well as of operational early indicators of the Group and its business segments on a monthly basis – the commentaries on developments and divergences from targets with respect to production, sales volume, revenues, costs, earnings, personnel, capital expenditure and other financial indicators focus on this. More information on enterprise management can be found on page 19. The Board of Executive Directors is required to take appropriate measures, particularly establishing a monitoring system, to ensure the timely identification of developments that might place the continued existence of the Company at risk. This system is being continually developed and adjusted to take account of changed conditions. Details about risk management can be found in the risk report on page 23 et seqq.

More information on the distribution of divisional responsibilities of the members of the Board of Executive Directors can be found on page 62 et seq.

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

resolution should always be passed concerning important personnel and structural organisational measures as well as business transactions and measures requiring the consent of the Supervisory Board.

Operations of the Supervisory Board

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

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

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

- The audit committee has the tasks arising from Sec. 107 Para. 3 Sent. 2 AktG as well as Item 5.3.2 of the German Corporate Governance Code. It is particularly involved in monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance system and the audit of the financial statements. It also discusses the half-yearly and quarterly financial reports with the Board of Executive Directors prior to publication. On the basis of his professional experience as head of the Central Department Legal Affairs, Tax and Insurance (until the end of 2007) and as Chief Compliance Officer of BASF SE, Dr. Sünner, chairman of the audit

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

committee, possesses comprehensive knowledge and experience with respect to the application of accounting principles and internal control procedures.

- The personnel committee is responsible for preparing the appointment of members of the Board of Executive Directors, including long-term succession planning. With regard to determining the total remuneration of the various members of the Board of Executive Directors, the committee submits proposals for resolutions to the plenary meeting of the Supervisory Board. The chairman of the Supervisory Board is simultaneously the chairman of this committee.
- The nomination committee, consisting exclusively of representatives of the shareholders, recommends suitable Supervisory Board candidates for the Supervisory Board to propose to the Annual General Meeting. The chairman of the Supervisory Board is simultaneously the chairman of this committee.
- The mediation committee performs the tasks set forth in Sec. 31 Para. 3 Sent. 1 of the German Co-Determination Act. The chairman of the Supervisory Board is simultaneously the chairman of this committee.

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

Board of Executive Directors and Supervisory Board cooperation

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

Conflicts of interests

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

D&O insurance

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

whose employment contracts have until now provided for a deductible of € 10,000, a similar rule is planned.

Share transactions of members of the corporate bodies

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

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

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS*

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

MEMBERS OF THE SUPERVISORY BOARD*

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

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

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

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

Accounting and audit policies

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

Transparency

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

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

Remuneration report

With the following remuneration report, the Board of Executive Directors meets its reporting obligations under Sec. 289 Para. 2 No. 5 of the German Commercial Code (HGB) and under Items 4.2.4, 4.2.5 and 5.4.6 Para. 3 of the German Corporate Governance Code:

Remuneration of the Board of Executive Directors

Remuneration structure

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

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

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

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

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

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

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

¹⁾ Return on investment \triangleq minimum return; personal achievement of target \triangleq 100%

²⁾ Return on investment \triangleq 0%; personal achievement of target \triangleq 0%

³⁾ Return on investment \geq minimum return + 21 percentage points; personal achievement of target \triangleq 150%

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

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

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

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

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

Amount of remuneration

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

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

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

¹⁾ at the date of grant; exercise of the options is possible no earlier than two years after they have been granted

²⁾ since 1 June 2009.

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

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

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

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

SHARE-BASED REMUNERATION WITH LONG-TERM INCENTIVE CHARACTER

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

Pension commitments

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

If a Board of Executive Directors mandate ends, the retirement pension starts on completion of the 65th year of life, unless it is to be paid on the basis of an occupational or a general disability or as a survivor’s pension in the case of death. In the case of occupational or general disability of a member of the Board of Executive Directors before pensionable age has been reached, that member receives a disability pension in the amount of the pension modules created by the time that such disability occurs. If the disability occurs before the 55th year of life has been reached, modules are fictitiously created on the basis of a minimum value for the years that are missing before the 55th year of life. In the event of death of an active or a former member of the Board of Executive Directors, the surviving spouse receives 60%, each half-orphan 15% and each orphan 30% of the benefit. The maximum amount for the benefit for surviving dependents must not exceed 100% of the benefit. If this amount is reached, the benefit is reduced proportionately. If a member of the Board

of Executive Directors departs after completing his 60th year of life, this is regarded as insured event within the meaning of the benefit commitment. For members of the Board of Executive Directors, the following amounts were allocated to the pension provisions in 2009; the respective figures for the previous year are stated in italics:

PENSIONS

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

¹⁾ On the basis of a change in determining pensionable income.

²⁾ since 1 June 2009.

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

Early termination of Board of Executive Directors' contracts

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

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

Miscellaneous

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

the service contracts mentioned, no service contracts were concluded between the members of the Board of Executive Directors, or persons closely related to them on the one hand, and the Company or its subsidiaries on the other.

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

Remuneration of the Supervisory Board

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

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

REMUNERATION OF THE SUPERVISORY BOARD ¹⁾

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

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

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

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

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

Information under Sec. 289 Para. 4 German Commercial Code (HGB)

Item 1: Composition of subscribed capital

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

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

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

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

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

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

There are no shares with special rights conferring control powers.

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

No voting right controls apply.

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

The appointment and recall of the Board of Executive Directors are governed by Sec. 84 AktG. Accordingly, the members of the Board of Executive Directors are appointed by the Supervisory Board for a maximum term of five years. In accordance with Sec. 5 of the Articles of Association, the Board of Executive Directors of K+S Aktiengesellschaft comprises at least two members. The number of members is determined by the Supervisory Board. The Supervisory Board can appoint a member of the Board of Executive Directors chairman of the Board of Executive Directors. The Supervisory Board can rescind the appointment of a member of the Board of Executive Directors or the appointment of the chairman of the Board of Executive Directors for good cause.

Amendments to the Articles of Association can be resolved by the Annual General Meeting by a simple majority of the capital represented (Sec. 179 Para. 2 AktG in conjunction with Sec. 17 Para. 2 of the Articles of Association) unless the provisions of statute impose larger majority requirements.

Item 7: Board of Executive Directors' authorisations concerning the possibility of issuing or buying back 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 € 56,100,000.00 in the aggregate through the issuance of no more than 56,100,000 new no-par value bearer shares (Authorised Capital). Existing shareholders essentially hold subscription rights in respect of such capital increases. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude statutory subscription rights in the case of capital increases against cash contributions, if the capital increase does not exceed 10% of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price. In the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company, the Board of Executive Directors can exclude the statutory subscription rights of shareholders by a total of up to 25% of the share capital. Furthermore, the Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders with respect to fractional amounts arising from the subscription rights.

Purchase, disposal and cancellation of own shares

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

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

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

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

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

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

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

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

Agreements of this type exist with the members of the Board of Executive Directors of K+S Aktiengesellschaft and are explained in detail in the Remuneration Report on page 14. Additionally, the rules governing the virtual stock option programme for the Board of Executive Directors and the senior management provide for a special time window for the exercise of all still outstanding options in the event of a change of control. The exact form of this programme, which is identical for the Board of Executive Directors and for senior management, is also explained in the Remuneration Report (see pages 10 et seqq.).

Enterprise management

K+S Aktiengesellschaft acts as the parent company for the K+S Group. Key issues concerning the K+S Group therefore also have an indirect impact on K+S Aktiengesellschaft. Against this backdrop, the enterprise management of the K+S Group is presented below.

Internal corporate management system

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

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

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

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

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

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

Research and Development

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. 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.

Employees

As of 31 December 2009, the K+S Aktiengesellschaft employed a total of 530 people compared with 563 employees as of 31 December 2008). 16 of these (previous year: 16) were trainees.

Earnings Position, Financial Positions, Asset Position

Earnings Position

At € 64.5 million, the revenues of K+S Aktiengesellschaft were € 5.1 million (+9 %) higher than in the previous year. This was the result of higher internal allocation of services provided for Group companies as well as positive changes in relation to the granulation of CATSAN® due to price factors.

At € 44.5 million, earnings before taxes were significantly down on the previous year's € 875.9 million (€ (831.3) million). At € 228.1 million, this resulted from a significantly lower net income from investments (previous year: € 1,154.7 million). The net income from investments was especially affected by the transfer of profits totalling € 223.9 million arising from the profit and loss transfer agreement with K+S KALI GmbH. In the previous year, the earnings contribution of K+S KALI GmbH had been € 1,094.4 million. At € 59.4 million, the income from the transfer of profits of K+S Salz GmbH was clearly above the previous year's

level (€ 0.5 million). Moreover, Kali-Transport Gesellschaft mbH at € 7.4 million (previous year: € 12.8 million), and K+S Entsorgung GmbH at € 6.5 million (previous year: € 7.0 million) made contributions to earnings. On the other hand, there were expenses arising from the absorption of losses of K+S Nitrogen GmbH of € 112.1 million. In the previous year, € 42.5 million had resulted from the profit and loss transfer of fertiva GmbH. The earnings after taxes of our Company fell to € 42.8 million and are thus € (586.6) million less than the figure for the previous year (€ 629.4 million). The decline in interest income, net, from € (41.5) million to € (52.3) million is mainly attributable to one-off effects of a corporate bond and a syndicated loan as well as to higher interest expenses from a corporate bond. Lower interest rates and fewer funds invested by Group companies in the cash pool of K+S AG were insufficient to compensate for this effect.

Asset Position

At € 2,280 million, the non-current assets almost doubled in comparison to the previous year

(€ 1,152 million) and accounted for 69% of the balance sheet total, which increased by € 650 million (previous year: 44%).

Financial Position

As at 31 December 2009, we report € 300.0 million (previous year: € 113.7 million) of liabilities to banks in aggregate. This corresponds to a change of € 186.3 million and relates to the utilisation of a credit line. Almost all the liabilities have a term of more than one year. The equity ratio is now 37% (previous year: 33%). The other provisions are predominantly long-term in character. The financing of our Company is thus to a considerable extent by means of funds that are available in the long term.

Bond

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

2009 capital increase

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

rose to € 191.4 million. The gross issue proceeds were € 688.8 million. The capital increase was intended primarily to improve the capital base of the K+S Group, also in relation to the target capital structure that it has set itself. In connection with this, the proceeds from the capital increase of the K+S Group created the option of paying off the bank loans taken out to finance the acquisition of Morton Salt and make possible financial and strategic flexibility for further growth in the future.

Key events

- In 2009, the international fertilizer market was characterised by a sharp decline in demand. In the course of the year, potassium chloride prices dropped worldwide after nitrogen and phosphate fertilizer prices had already fallen significantly in the first half of the year.
- Sales volumes of de-icing salt largely depend on winter weather conditions during the first and fourth quarters. Against this backdrop, the positive de-icing salt business described in “Industry environment” resulted, in the first quarter and at the end of the year, in a significant increase in revenues and earnings in the Salt business segment.
- On 2 April 2009, K+S signed an agreement to acquire Morton International Inc. (Morton Salt). Closing took place on 1 October 2009. The enterprise value is US\$ 1.675 billion; deducting currently ascertained debts and the usual adjustments, this left a net payment of US\$ 1.576 billion in cash.

Risk Report

The relevant risks of K+S Aktiengesellschaft do not result from operating activities. However, on the other hand, risks may arise from holding equity interests. A potential loss event in the equity interests of K+S Aktiengesellschaft could have a direct or indirect effect on the financial position, net assets and results of operations of K+S Aktiengesellschaft.

Risk policy

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

Opportunity management

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

Risk management system

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

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

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

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

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

Pages 28 et seqq. 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 (three years). The assessment of the materialisation of a risk is based on the criteria "unlikely", "possible", "likely", and the assessment of the "possible" effect is based on the qualitative criteria "moderate", "significant" and "jeopardising the continued existence of the Company". A change in the framework conditions may result in a reassessment of our estimates in the course of time.

Risk management system in relation to financial instruments

Central tasks in risk management include the limitation of risks arising from changes in market prices. Our international activities can give rise to currency-related risks, which we counteract under our currency management system by hedging transactions. The Board of Executive Directors has specified the permitted hedging instruments in a currency guideline which also regulates hedging strategies, responsibilities, processes and control mechanisms. Other market price risks may arise from raw material prices (e.g. energy) and transport costs (e.g. sea freight). To the extent that derivatives are used selectively for this, analogous rules apply. The hedging instruments are used exclusively to secure hedged items, and not for trading or speculation. Financial transactions are only concluded with banks that have a high credit rating. In this connection, in order to limit the risk of default, the guideline stipulates, among other things, that derivatives should be distributed across various banking institutions. Hedging transactions are entered into either in the case of already existing hedged items or future hedged items, which can be anticipated with a high level of probability on the basis of empirically reliable findings (anticipatory hedging transactions). A more detailed explanation of hedging transactions can be found in the presentation of risks arising from exchange rate fluctuations on page 40 et seq.

Description of the main features of the internal control and risk management systems in relation to the accounting process (Sec. 289 Para. 5 German Commercial Code).

The internal control system operating in K+S Aktiengesellschaft comprises principles, procedures and measures intended to ensure the effectiveness, economic efficiency and correctness of accounting as well as compliance with the relevant regulations.

The accounting and valuation methods for the individual financial statements of K+S Aktiengesellschaft and its domestic subsidiaries in accordance with commercial law and supplementary provisions are documented in guidelines and accounting instructions.

The effects of new regulations and amendments to existing ones in relation to accounting are analysed promptly and, if relevant to us, reflected in the guidelines and accounting processes.

We have a largely uniform IT system, a standard chart of accounts and automatically standardised accounting processes.

This standardisation ensures the uniform, proper and timely recognition of material business transactions. Binding regulations apply to the additional manual recognition of accounting transactions.

Balance sheet valuations, such as the calculation of mining obligations or the impairment test of carrying amounts of equity interests, are carried out by internal experts. Only in exceptional cases, such as the valuation of pension obligations, is valuation carried out by external assessors.

Process-integrated and process-independent monitoring measures are the building blocks of the internal monitoring system. Automatic IT process controls are a key component of the process-integrated measures. Additional control functions in addition to manual process controls, such as the principle of double checking, are guaranteed by the organisational separation of administrative, executive, accounting and approval functions. Further monitoring duties are performed by specific corporate functions.

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

The annual financial statements are audited by independent auditors and constitute the main process-independent monitoring measure in relation to the accounting process.

The risks that may affect K+S AG via the subsidiaries are presented below:

Overview of corporate risks

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

External and sector-specific risks

Effects of macroeconomic trends

The behaviour of demand for fertilizers of the K+S Group is considerably influenced by general economic growth as well as economic trends and the associated improving living standards in the relevant markets. Greater prosperity, mainly in the emerging market countries, results in changes in eating habits, which are particularly reflected in the

greater consumption of meat. As the production of meat requires many times more cereals, soy beans and other products used as animal feed, this results in a greater need for agricultural raw materials (soft commodities), which in turn creates a higher demand for fertilizers.

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

Fluctuations in demand and price

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

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

The entry of new competitors into the international potash market could result in a tangible shift in the structure of the sector. Mining groups with a strong capital base, such as BHP Billiton and Vale, have announced that they will invest in new potash projects in the medium to long term. While the takeover of an existing potash producer would leave the structure of the sector unchanged, an aggressive expansion of new potash capacities by producers that have, until now, operated outside the sector might bring about an increase of competitive pressure if the markets are not able to absorb these additional volumes com-

pletely or if the new competitor attempts to establish himself on the market by means of an attractive pricing policy. As the expansion of new potash capacities is very capital intensive and time consuming, such a squeezing-out policy, due to the resultant high costs of capital, might only be economically viable to a limited extent, if at all. In the medium term, no significant change in the structure of the sector is expected, since notable additionally available potash capacities from greenfield projects are to be anticipated starting from 2013 at the earliest.

Seasonal fluctuations in demand

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

Furthermore, the filling and destocking of inventories by our customers, depending on their expectations regarding future market price trends, the weather or their liquidity management, partially results in high fluctuations in demand. This can lead to an inefficient utilisation of production capacity and thus to rising unit costs. For example, the readiness of the trade sector to early stock up large amounts of fertilizers for increased demand in the spring and autumn seasons depends to a large extent on their expectations of the agricultural sector in terms of sales volumes and prices. K+S offers financial incentives in order to promote readiness to stock up. Nevertheless, it cannot be ruled out that the trade sector will choose not to early stock up in times of high market volatility. As a result of this, during the fertilizer season we might be faced with such high volume requirements focused on a short period that, on the one hand, the availability of goods in our depots might not be sufficient or, on the other, the volume requirements might not be able

to be covered due to restrictions on logistics. The same is true if towns and cities, communities and road maintenance depots – also in view of public authorities - build up insufficient de-icing salt inventories. Such possible effects may have a moderate impact on the net assets, financial position and results of operations of the K+S Group and thus also indirectly of the K+S Aktiengesellschaft as well as generally make it more difficult to compare the quarterly financial statements.

Effects of political and social changes

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

Energy costs and energy supply risks

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

Changes in the legal environment

Risks arising from the change in workplace limits

The EU initiative on setting indicative workplace limits for nitrogen monoxide (NO), nitrogen dioxide (NO₂) and carbon monoxide (CO) could pose a risk to our mining activities, since such thresholds can be of considerable importance in the granting of permits for mining activities and thus for underground production. It should be possible to achieve realistic limits meaningful over the long term through intensive cooperation between the EU Commission and national governments as well as the companies concerned and their pressure groups. If thresholds were lowered significantly, substantial capital expenditure needed for us to comply with the thresholds could become necessary. If the workplace limits become so stringent that production at the sites concerned in compliance with these limits were no longer possible at justifiable expense or overall technically, this might even compel us to close these sites. In the medium term, adverse effects are possible, but we currently consider them to be moderate.

Risks arising from the reduction in anti-dumping protection

In the fertilizer business, the K+S Group also competes with producers from Russia and Belarus, which are either state-owned, receive considerable subsidies such as cheaper supplies of gas or subsidised rail transport or otherwise, directly or indirectly, enjoy the benefits of state financial support. These competitors can therefore offer their products on better terms than those manufacturers that do not receive comparable state support. In financial year 2006, the regulations on anti-dumping protection against unfair competition with potash fertilizers from Russia and Belarus for the European market were updated until the middle of 2011. After the competitive pressure in the EU in the years up to 2008 was limited as a result of the high demand for potash on the global potash market and of the significant price increases that occurred in the meantime, the change in the market situation in financial year 2009 resulted in an increase in competitive pressure in Europe, including from the countries mentioned. A further intensification of competitive pressure could result in us having to market a greater proportion of our products overseas. However, there can be no guarantee that the declines in sales volumes in Europe can be compensated for by increases in overseas sales volumes. The possible damage potential of future weakened anti-dumping measures depends on our success in overseas sales volumes and the respective cost and price situation. Against the backdrop of the current price level on the global markets, the risk that the European anti-dumping regulation is being softened or ceases to apply is regarded as moderate. At the moment, the occurrence of a loss is classified as possible.

Tax law risks

In the area of energy taxes, in Germany, the K+S Group can currently make use of so-called compensation for peak load. The relevant regulations were approved by the EU Commission and grant companies in the manufacturing sector energy and power tax relief for certain energy products and electricity, which they use for commercial purposes. These limit the net burden on the K+S Group from these excise duties. The benefits expire at the end of 2012 and assume that the German economy will have reached the targets that it committed itself to under a climate protection agreement. If the climate targets are not achieved, the energy and power tax burden may increase. A follow-on regulation for this

benefit starting from 2013 is currently being discussed at the political level. The outcome of these political discussions is not yet certain, so that it cannot be ruled out that no follow-on regulation, or no follow-on regulation that is comparably advantageous, will be arrived at. Starting from this point in time, additional energy tax burdens are possible, but we regard the risk of this as moderate.

Operational and strategic risks

Risks arising from acquisitions and investments

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

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

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

Risks arising from loss of suppliers and supply bottlenecks

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

Risks arising from ammonia becoming more expensive

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

Risks arising from freight costs and availability of transport capacity

The production costs of the K+S Group are influenced by freight costs to a not inconsiderable degree. While a significant part of our production predominantly occurs in Germany, we generate a material part of our sales volumes abroad. A characteristic feature of this business activity is the, in some cases, large transport distance that our products have to cover with simultaneously high transport volumes. A reduced availability of freight capacity could result in higher costs for transportation. Furthermore, considerable additional costs arise in the event of increases in mineral oil prices. There can be no assurance that increasing transport costs can always be passed onto customers. By means of the long-term securing of freight capacity with a high proportion of fixed prices and use of low-cost container transport, we counteract such developments; in addition, hedging transactions

are also employed selectively to limit the effects of price fluctuations. The high level of transport intensity of our business operations moreover makes us highly dependent on infrastructure facilities such as ports, roads and loading stations. A failure or a bottleneck could restrict the production and sales possibilities. We consider corresponding adverse effects from rising freight costs or the limited availability of transport capacity to be possible, but we regard the effect in relation to the expected results as moderate.

Production risks

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

Risks arising from changes to or non-granting of official approvals

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

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

Between March 2008 and February 2010, at the Round Table on “Water Protection Werra/Weser and Potash Production”, on the initiative of the states of Hesse and Thuringia and of K+S, Werra residents, representatives from business, politics and administration as well as professional associations discussed long-term solutions for improving water quality. The task faced by participants in the Round Table: Proposing solutions which at the same time further improve the ecological condition of the Werra and Weser, make a contribution to securing jobs in the potash industry and strengthen economic structures in the regions concerned.

The participants in the Round Table have in total met 16 times and examined a large number of measures for dealing with saline waste water. Moreover, external proposals were assessed and a series of expert opinions commissioned.

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

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

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

Risks arising from environmental damage due to rock bursts

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

Risks arising from carbon dioxide pockets in deposits

Carbon dioxide pockets in certain mines constitute a latent potential danger. If carbon dioxide from these pockets were to escape suddenly, the K+S Group could be held liable for damage or injuries associated with this, suffer damage to its own equipment and be exposed to cuts in or losses of production. To keep any impact on people, machinery and deposits as low as possible, extraction operations underground are always conducted in compliance with the special safety guidelines applicable to potential CO₂ leaks. We regard the possible damage potential as moderate.

Risks arising from saline solution access

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

Research and development

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

Personnel risks

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

employees of the Group, and in particular its employees in Germany and North America, are traditionally largely organised in trade unions.

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

Compliance risks

Compliance with applicable laws, corporate guidelines and regulatory standards recognised by the Company is an integral part of the corporate culture and thus a responsibility and duty of every employee. In order to ensure behaviour that complies with these regulations, we have established a groupwide compliance programme, which, for example, provides for employee training on the risk areas antitrust / competition law and anticorruption. We regard serious violations by individual employees, which could have a significant impact on the net assets, financial position and results of operations, as unlikely. A detailed presentation of our compliance system can be found in the Declaration of Compliance on page 3 et seq.

IT risks

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

Financial risks

Risks due to exchange rate fluctuations

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

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

Risks arising from a change in the Company rating

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

Risks arising from an increase in the general interest rate level

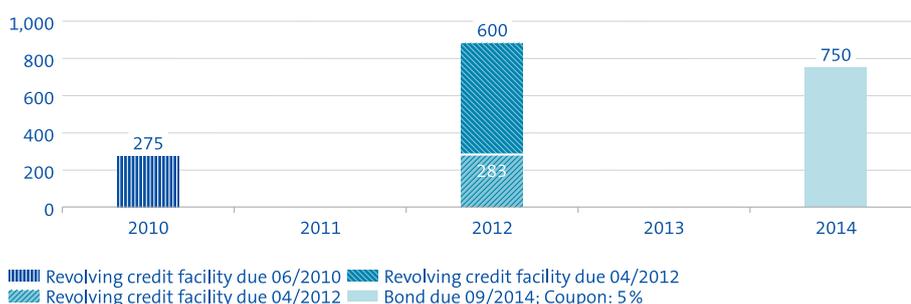
As of 31 December 2009, a good half of the financial liabilities are hedged against a rise in interest rates by means of fixed-rate financing. The financial liabilities with a short-term interest rate lock-down period were matched by investments with a short-term interest rate lock-down period of almost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

Liquidity risks

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

of € 750 million and a term of five years is not subject to the obligation to maintain certain key financial figures. With regard to the maturity structure of our liabilities, we classify a material liquidity or financing risk for the K+S Group as unlikely.

MATURITY PROFILE OF FINANCIAL DEBT (in € million)



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

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

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

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

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

Assessment of overall risk situation

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

Subsequent Events

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

Forecast Report

The earnings development of K+S Aktiengesellschaft depends largely on the development of the subsidiaries. The following development is forecast for the K+S Group:

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

In view of the agricultural land which is only available to a limited extent globally, a fertilizing intensity which was slight in the past year across all nutrients and which will still be insufficient in the years to come, and probably a more normal and therefore less favourable overall weather situation in important producing regions of the world as compared with the previous year, the future cereal supply should not keep pace with the demand; a positive price impulse would be the logical consequence and should additionally support the pent-up demand for fertilizers. In 2011, we therefore expect to see a further increase in the

sales volumes of the mineral fertilizers we offer, so that there are good opportunities for both revenues and earnings of the K+S Group to increase further in relation to the expected values for 2010.

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

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

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

Guarantee of the legal representatives of K+S Aktiengesellschaft

To the best of our knowledge, and in accordance with the applicable principles for financial reporting, the financial statements give a true and fair view of the asset, liabilities, financial position and profit or loss of K+S Aktiengesellschaft, and the management report includes a fair review of the development and performance of the business and the position of K+S AG, together with a description of the principal opportunities and risks associated with the expected development of K+S AG.

Kassel, 23 February 2010

K+S Aktiengesellschaft
The Board of Executive Directors

FORWARD-LOOKING STATEMENTS

THIS MANAGEMENT REPORT CONTAINS FACTS AND FORECASTS THAT RELATE TO THE FUTURE DEVELOPMENT OF THE K+S AG AND ITS COMPANIES. THE FORECASTS ARE ESTIMATES THAT WE HAVE MADE ON THE BASIS OF ALL THE INFORMATION AVAILABLE TO US AT THIS MOMENT IN TIME. SHOULD THE ASSUMPTIONS UNDERLYING THESE FORECASTS PROVE NOT TO BE CORRECT OR RISKS ARISE – EXAMPLES OF WHICH ARE MENTIONED IN THE RISK REPORT – ACTUAL DEVELOPMENTS AND EVENTS MAY DEVIATE FROM CURRENT EXPECTATIONS.

Income Statement

T€	2009	2008
Revenues	64,497	59,430
Cost of Sales	65,822	63,748
Gross profit	(1,325)	(4,318)
Selling expenses	1,738	2,410
General and administrative expenses	25,628	24,319
Research costs	4,589	4,416
Other operating income	42,172	30,058
Other operating expenses	140,171	204,644
Income from investments, net	228,124	1,154,730
Write-downs of securities classified as current assets	10	27,349
Interest income, net	(52,300)	(41,481)
Result from ordinary activities/ Earnings before income taxes	44,535	875,851
Taxes on income	1,779	246,457
Net income for the year	42,756	629,394
Profit carried forward	3,394	0
Allocation to revenue reserves	0	230,000
Profit retained	46,150	399,394

Balance Sheet

T€	31.12.2009	31.12.2008
Intangible assets	142	249
Tangible assets	17,102	16,627
Long-term financial assets	2,262,749	1,135,015
Non-current assets	2,279,993	1,151,891
Inventories	3,840	10,617
Receivables and other assets	533,751	1,326,114
Securities	151,995	42,147
Cash and bank balances	312,073	116,338
Current assets	1,001,659	1,495,216
Prepaid expenses	14,890	72
ASSETS	3,296,542	2,647,179

Development of Non-current Assets

T€	Gross carrying amounts				Balance as of 31.12.2009
	Balance as of 01.01.2009	Additions	Disposals	Reclassifications	
Intangible assets					
Concessions, industrial and similar rights and assets, and licences in such rights and assets	6,209	46	58	-	6,197
Prepayments	16	-	-	-	16
	6,225	46	58	-	6,213
Tangible assets					
Land, land rights and buildings including buildings on third-party land	57,451	525	968	-	57,008
Technical equipment and machinery	28,671	1,571	1,023	725	29,944
Other equipment, operating and office equipment	14,693	1,578	357	32	15,946
Prepayments and assets under construction	758	27	-	(757)	28
	101,573	3,701	2,348	-	102,926
Long-term financial assets					
Shares in affiliated companies	1,094,481	1,166,137	-	-	2,260,618
Loans to affiliated companies	65,993	705	38,819	-	27,879
Other long-term equity investments	66	-	-	-	66
Loans to other long-term equity investments	800	-	200	-	600
Other loans and other long-term financial assets	223	23	102	-	144
	1,161,563	1,166,865	39,121	-	2,289,307
Non-current assets	1,269,361	1,170,612	41,527	-	2,398,446

T€	31.12.2009	31.12.2008
Subscribed capital	191,400	165,000
Capital reserve	701,609	39,140
Revenue reserves	282,980	282,980
Profit retained	46,150	399,394
Equity	1,222,139	886,514
Provisions for pensions and similar obligations	86,311	90,828
Provisions for taxes	1,280	8
Other provisions	140,052	138,808
Provisions	227,643	229,644
Liabilities	1,846,760	1,531,021
EQUITY AND LIABILITIES	3,296,542	2,647,179

Depreciation, amortisation and write-downs

Balance as of 01.01.2009	Additions	Disposals	Reclassifications	Balance as of 31.12.2009	Balance as of 31.12.2009	Balance as of 31.12.2008
5,976	153	58	-	6,071	126	233
-	-	-	-	-	16	16
5,976	153	58	-	6,071	142	249
47,000	803	822	-	46,981	10,027	10,451
26,552	715	1,002	-	26,265	3,679	2,119
11,394	1,537	353	-	12,578	3,368	3,299
-	-	-	-	-	28	758
84,946	3,055	2,177	-	85,824	17,102	16,627
26,537	-	-	-	26,537	2,234,081	1,067,944
-	10	-	-	10	27,869	65,993
-	-	-	-	-	66	66
-	-	-	-	-	600	800
11	-	-	-	11	133	212
26,548	10	-	-	26,558	2,262,749	1,135,015
117,470	3,218	2,235	-	118,453	2,279,993	1,151,891

Notes

Accounting and valuation principles

Intangible assets

Acquired intangible assets are recognised at acquisition cost and systematically amortised on a straight-line basis over their expected useful lives. Software is reported as a disposal after it has completely been amortised. Special write-downs are recorded in the event of a probable permanent impairment in value.

Property, plant and equipment

Property, plant and equipment is measured at acquisition or manufacturing cost less depreciation. Besides directly attributable costs, the manufacturing costs of internally manufactured assets also include a pro rata share of overheads, including depreciation.

Movable assets are mainly depreciated by using the declining balance method while immovable assets are depreciated by using the straight-line method. The possibility of a transition from declining balance to straight-line depreciation is taken advantage of as soon as this leads to higher annual depreciation.

Depreciation rates depend on customary useful lives. For buildings these usually are 14 to 33 years, for technical equipment and machinery 3 to 25 years, and for other equipment, operating and office equipment 3 to 10 years. Low-value assets are completely written off in the year of purchase and reported as disposals after five years.

In the event of a probable permanent impairment in value, special write-downs are carried out. If the reasons for a special write-down cease to exist, the original value is reinstated. Write-downs which are permitted under German tax law are performed. Gallery and excavation work is not capitalised.

Financial assets

Shares in affiliated companies and participations are measured at acquisition cost or, in the case of an expected permanent impairment in value, at the lower fair value as of the balance sheet date.

Loans are recognised at acquisition cost or, in the case of non-interest-bearing or low-interest loans, at present value. Foreseeable risks are reflected by special write-downs.

Inventories

Inventories are recognised at acquisition or manufacturing cost, observing the lower of cost or market principle, or at a lower value permitted under German tax law. Manufacturing costs include appropriate portions of the necessary material and factory overheads as well as the depreciation of the non-current assets.

Receivables and other assets

Receivables are recognised at nominal or present value, depending on their maturity term. Individual risks are reflected by write-downs and general credit risk is by a flat-rate value adjustment.

Other assets are recognised at the lower of cost and fair value.

Securities

Securities are measured at the lower of cost and the stock exchange or market price. If the reasons for a write-down cease to exist, the original value is reinstated.

Provisions for pensions and similar obligations

Provisions for pensions are determined using actuarial principles, according to the discount value method, with a discount rate of 6%. The valuation of provisions for pensions is based on the 2005 G actuarial tables.

Sundry provisions

Provisions for taxes and other provisions are recorded at the amounts expected to be required. Provisions for mining obligations related to mine and shaft backfilling are aggregated in instalments in accordance with the duration of the project and fully disclosed when operations are discontinued. Mining provisions also include restoration obligations. Provisions for mining damage risks are determined on the basis of past instances of damage, in order to make allowance for the actual risk. The provisions for length-of-service bonuses are determined for periods of service according to the discount value method.

Liabilities

Liabilities are recognised according to the amount to be repaid.

Tax law effects on accounting

Tax law effects arise due to write-downs permitted under German tax law. Taking advantage of these tax opportunities produces the following effects on earnings:

T€	2009
Net income	42,756
Tax effects	(281)
Adjusted net income	42,475

Tax effects on valuation result in an anticipated total future tax burden of approximately € 6 million for subsequent years.

Foreign currency conversion

The acquisition costs of assets purchased in a foreign currency and proceeds from sales in foreign currencies are recorded according to the exchange rate prevailing at the transaction date.

Receivables in a foreign currency are measured according to the reference rate at the transaction date or the lower fair value as of the balance sheet date. Liabilities in a foreign currency are disclosed according to the reference rate at the transaction date or the amount to be repaid as of the balance sheet date, if higher.

Notes to the balance sheet

Non-current assets

Changes in gross carrying amounts and depreciation, amortisation and write-downs of individual items of non-current assets are presented separately.

Financial assets

The statement of shareholdings under Sec. 285 No. 11 of the German Commercial Code has been submitted to the electronic German Federal Gazette (*Bundesanzeiger*) for publication.

The Company has the following interests in major joint-stock companies exceeding 5% of the voting rights:

- Kali-Transport Gesellschaft mbH, Hamburg
- K+S KALI GmbH, Kassel
- K+S Nitrogen GmbH, Mannheim

INVENTORIES

T€	2009	2008
Raw materials, consumables and supplies	946	610
Work in progress	2,894	10,007
	3,840	10,617

RECEIVABLES AND OTHER ASSETS

T€	2009	2008
Trade receivables	18,710	15,190
Receivables from affiliated companies	478,689	1,266,147
Other assets	36,352	44,777
	533,751	1,326,114

Of the receivables from affiliated companies, T€ 116,958 (previous year: T€ 104,494) were receivables from payment transactions within the Group, T€ 302,106 (previous year: T€ 1,157,910) were receivables from profit and loss transfer and T€ 38,082 (previous year: T€ 5) were collected income from investments. The remainder primarily consist of trade receivables.

Trade receivables amounting to T€ 7,115 (previous year: T€ 6,861) and other assets amounting to T€ 6,083 (previous year: T€ 5,130) have a remaining maturity term exceeding one year.

Securities

Securities totalling T€ 51,620 are subject to a Contractual Trust Arrangement to secure pension obligations. Securities are also held to secure semi-retirement obligations amounting to T€ 371.

In the previous year, own shares worth T€ 2 were recognised under short-term securities.

Prepaid expenses and accrued income

The prepaid expenses and accrued income consist of a discount of T€ 2,869 under Sec. 250 Para. 3 of the German Commercial Code.

Subscribed capital

The subscribed capital of K+S Aktiengesellschaft amounts to € 191.4 million and is divided into 191.4 million no-par value bearer shares. In the financial year 2009, there was an increase in the share capital in connection with an issue of new shares worth € 26.4 million. Altogether, 26.4 million new no-par value ordinary bearer shares were issued, representing the partial use of authorised capital, for an issue price of € 26.00 per share.

In accordance with a resolution of the Annual General Meeting, the Board of Executive Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 9 May 2011 against cash or in-kind contributions and by a maximum of € 82.5 million in total, through the issuance of no more than 82.5 million new no-par value bearer shares (authorised capital). In connection with the capital increase, € 26.4 million was taken up in 2009, so that as of the balance sheet date, authorised capital amounted to € 56.1 million. Existing shareholders essentially hold subscription rights in respect of an capital increase.

The Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders in the following cases and in respect of up to € 41.25 million of the share capital (the equivalent of 41.25 million no-par value shares):

- in respect of fractional amounts that arise from such a 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 authorised, with the approval of the Supervisory Board, to determine further details pertaining to a capital increase from authorised capital.

RESERVE FOR OWN SHARES

T€	2009	2008
Reserve for own shares	0	2

CAPITAL RESERVE

T€	2009	2008
Balance as of 1 January	39,140	39,140
Allocation under capital increase	662,469	0
Balance as of 31 December	701,609	39,140

OTHER REVENUE RESERVES

T€	2009	2008
Balance as of 1 January	282,978	109,180
Withdrawal for capital increase in connection with share split	0	56,200
Allocation from net income	0	230,000
Reserve for own shares	2	(2)
Balance as of 31 December	282,980	282,978

PROFIT RETAINED

T€	2009	2008
Balance as of 1 January	399,394	82,500
Dividend payment	(396,000)	(82,500)
Net income	42,756	629,394
Allocations to other revenue reserves from net income	0	230,000
Balance as of 31 December	46,150	399,394

Provisions

There are no deficits in the provisions for pensions and similar obligations. The amounts of the pension provisions are based on the 2005 G actuarial tables.

The other provisions take all identifiable risks into account, as appropriate. They mainly arise from mining obligations. Additionally, the primary provisions are for personnel obligations.

LIABILITIES

T€	2009	2008
Bond	750,000	0
Liabilities to banks	300,008	113,704
Trade payables	11,926	6,744
Liabilities to affiliated companies	770,508	1,408,883
Other liabilities	14,318	1,690
1,846,760	1,531,021	

Of liabilities to affiliated companies, liabilities from payment transactions within the Group account for T€ 604,990 (previous year: T€ 1,354,307).

On 24 September 2009, for the first time, K+S issued a bond worth € 750 million. The proceeds from the bond issue were used to refinance a part of the credit lines from the syndicated loan for the takeover of the North American salt producer Morton Salt. Additionally, they serve general business purposes.

The liabilities with a remaining maturity term of up to one year consist of:

T€	2009	2008
Liabilities to banks	8	37.107
Trade payables	11.926	6.744
Liabilities to affiliated companies	733.508	1.371.883
Other liabilities	13.479	1.460
	758.921	1.417.194

Liabilities to banks amounting to T€ 300,000 (previous year: T€ 76,597) have a remaining maturity term exceeding one year.

Liabilities to affiliated companies amounting to T€ 37,000 (previous year: T€ 37,000) and other liabilities amounting to T€ 839 (previous year: T€ 230) have a remaining maturity term of more than five years.

Other liabilities consist of:

T€	2009	2008
Taxes	561	1,150
Liabilities relating to social security	10	1

CONTINGENT LIABILITIES

T€	2009	2008
Letter of comfort	767	767

TRANSACTIONS NOT DISCLOSED IN THE BALANCE SHEET AND OTHER FINANCIAL COMMITMENTS

T€	2009	2008
Commitments from uncompleted capital expenditure projects	584	967
Commitments from long-term rental, leasing and service contracts		
due in following year	5,593	4,853
- of which to affiliated companies	4,802	4,311
due in years 2 to 5	20,084	17,873
- of which to affiliated companies	19,209	17,242
	26,261	23,693

There are profit and loss transfer agreements with affiliated companies which also include a loss transfer.

Notes to the income statement

REVENUES BY PRODUCT AREA

T€	2009	2008
Animal hygiene products	32,906	31,594
Miscellaneous	31,591	27,836
	64,497	59,430

REVENUES BY REGION

T€	2009	2008
Germany	64,266	59,149
Rest of Europe	194	281
Overseas	37	0
	64,497	59,430

OTHER OPERATING INCOME

T€	2009	2008
Income from the reversal of provisions	8,128	4,147
Income from letting and leasing	2,829	2,860
Income from disposals of tangible assets	659	328
Income from disposals of financial assets	5	0
Income from internal charging of services to Group companies	659	1,068
Income from the sale of securities and subscription rights	1	357
Income from the reimbursement of taxes from previous years	13	20
Exchange rate gains	9,300	10,828
Write-ups	9,846	0
Sundry income	10,732	10,450
	42,172	30,058

Income from write-ups mostly refers to other securities.

Income of T€ 9,327 (previous year: T€ 4,747) is attributable to other financial years and mostly results from the reversal of provisions.

OTHER OPERATING EXPENSES

T€	2009	2008
Expenses from acquisitions	7,149	0
Expenses from exchange rate hedging transactions	64,011	0
Pension expenses	2,675	5,961
Expenses for real estate	1,041	1,771
Expenses for closed plants	21,077	13,122
Tax-related accelerated depreciation on assets in accordance with Sec. 6b of the German Income Tax Act	512	321
Exchange rate losses	3,947	157,342
Ancillary costs from capital increase	22,687	0
Expenses for syndicated loan	926	0
Miscellaneous	16,246	26,127
	140,171	204,644

Expenses of T€ 303 (previous year: T€ 66) are attributable to other financial years.

INCOME FROM INVESTMENTS, NET

T€	2009	2008
Income from transfer of profits	302,106	1,157,910
Income from investments	38,082	5
- of which from affiliated companies	38,079	3
Expenses from transfer of losses	112,064	3,185
- of which from affiliated companies	112,064	3,185
	228,124	1,154,730

The income from the transfer of profits mainly consists of the profit transfer of K+S KALI GmbH, K+S Salz GmbH and Kali-Transport Gesellschaft mbH.

Expenses from the transfer of losses relate to the net loss for the year of K+S Nitrogen GmbH.

INTEREST INCOME, NET

T€	2009	2008
Other interest and similar income	3,418	7,246
- of which from affiliated companies	1,165	2,879
Income from other securities, lending and other financial assets	2,456	2,283
- of which from affiliated companies	2,401	2,269
Interest expenses in allocations to pension provisions	(5,056)	(5,003)
Sundry interest and similar expenses	(53,118)	(46,007)
- of which to affiliated companies	(6,893)	(27,095)
	(52,300)	(41,481)

TAXES

T€	2009	2008
Taxes on income	1,779	246,457
Other taxes	383	368
	2,162	246,825

Taxes on income in the amount of T€ 1,779 (previous year: T€ 1,613) refer to previous years.

The other taxes are allocated to the operating functional areas.

COST OF MATERIALS

T€	2009	2008
Cost of raw materials, consumables and supplies, and of purchased merchandised	19,328	19,240
Cost of purchased services	23,648	23,296
	42,976	42,536

PERSONNEL EXPENSES

T€	2009	2008
Wages and salaries	43,823	46,051
Social security	5,997	5,633
Post-employment expenses	3,498	5,972
Other employee benefit costs	22	25
	53,340	57,681

The post-employment 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.

EMPLOYEES

(average number)	2009	2008
Wage earners	109	103
Salaried employees	430	389
Trainees	16	14
	555	506

Other information

Derivatives

Some of the securities held at the balance sheet date include so-called embedded derivatives. Besides the relevant market interest rate, the interest on these securities depends on the development of other underlying instruments, which include share indices, certain baskets of shares or interest structures. As of 31 December 2009, embedded derivatives consisted of the following items:

T€	Acquisition costs	Fair value	Carrying amount
Other securities	1,125	1,070	1,070

The fair values were determined on the basis of market prices as of 31 December 2009.

In the case of the forward exchange transactions, there is a market value risk as of 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 at the balance sheet date. The values are computed using recognised mathematical models generally used by market players. These 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 and exercise prices;
- the traded volatilities, i.e. the expected variation range of the exchange rates in question; and

- the interest level of the relevant currencies.

The following currency derivative positions were open as of 31 December 2009:

T€	Nominal value ¹⁾	Fair value	Carrying amount ²⁾
USD forward exchange transactions maturing in 2010	32,318	(623)	(623)
Purchased simple USD currency options maturing in 2010	60,607	1,270	1,270
Sold simple USD currency options maturing in 2010	67,155	(828)	(828)

¹⁾ translated into euros using weighted hedging rates

²⁾ reported under the items Other provisions, Other liabilities and Other assets

Other securities

With regard to other securities, a write-up of T€ 9,846 was carried out on 31 December 2009.

Annual auditor's fees

For the audit of financial statements, fees of T€ 209 were recognised in 2009 as an expense. Of that amount, T€ 148 was attributed to the consolidated financial statements and T€ 61 to the non-consolidated financial statements. Expenses on other confirming services, in the amount of T€ 725 were also incurred.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS

T€	2009
Total remuneration of the Supervisory Board	1,133
Total remuneration of the Board of Executive Directors	7,044
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	2,289
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	9,363

The individual remuneration of the Board of Executive Directors and the Supervisory Board is published in a remuneration report.

Declaration on conformity with the German Corporate Governance Code

In December 2009, the Company made a declaration on conformity with the recommendations of the Government Committee for the German Corporate Governance Code, under Sec. 161 of the German Stock Corporation Act, which it has published on its website (www.k-plus-s.com).

Members of the Supervisory Board

(on 31 December 2009)

Dr. Ralf Bethke, Deidesheim, Chairman

Shareholder representative

Former chairman of the Board of Executive Directors of K+S Aktiengesellschaft

Further Supervisory Board appointments: Benteler AG
K+S KALI GmbH (until 31 July 2009)
Südzucker AG

Süddeutsche Zuckerrübenverwertungs-
Genossenschaft eG

Other appointments to supervisory bodies: Dr. Jens Ehrhardt Kapital AG
(chairman)

Michael Vassiliadis, Hanover, Vice Chairman

Employee representative

Chairman of the Mining, Chemicals and Energy Trade Union

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.

Further Supervisory Board appointments: A.S. Création Tapeten AG
TUI AG

Ralf Becker, Lindwedel (since 1 August 2009)

Employee representative

State District Manager North of the Mining, Chemicals and Energy Trade Union

Further Supervisory Board appointments: Continental Reifen Deutschland GmbH

Dr. Uwe-Ernst Bufe, Königstein im Taunus (until 31 August 2009)

Shareholder representative

Former chairman of the Board of Executive Directors of Degussa/Hüls AG

George Cardona, Monaco (since 9 October 2009)

Shareholder representative

Member of the Board of Directors of OJSC EuroChem Mineral and Chemical Co., Russia

Other appointments to supervisory bodies: Board of CLL Hedge Portfolio Ltd., Guernsey
Board of CLL Management Ltd., Guernsey
Board of Diversified Macro Solutions plc, Ireland – since December 2009
Board of Donalink Ltd., Cyprus
Board of Erglis Ltd., Cyprus
Board of Hamilton Art Ltd., Bermuda
Board of Hamilton Jets Ltd., Bermuda
Board of Linea Ltd., Bermuda (vice chairman)
Board of Linetrust PTC Ltd., Bermuda (vice chairman)
Board of MCC Holding plc, Cyprus
Board of Directors of OJSC Siberian Coal Energy Co., Russia
Board of Valise Ltd., Bermuda (vice chairman)

Harald Döll, Philippsthal (since 1 August 2009)

Employee representative

Member of the Works Council of K+S Kali GmbH's Werra plant

Dr. Rainer Gerling, Heringen/Werra

Employee representative

Head of K+S KALI GmbH's Werra plant

Rainer Grohe, Otterstadt

Shareholder representative

Assistant Professor at the Bundeswehr University, Munich

Further Supervisory Board appointments: Aurubis AG
Graphit Kropfmühl AG (vice chairman)
PFW Aerospace AG

Other appointments to supervisory bodies: Advisory Board of VRD GmbH and VRD GbR

Dr. Karl Heidenreich, Mannheim

Shareholder representative

Former member of the Board of Executive Directors of Landesbank Baden-Württemberg

Other appointments to supervisory bodies: Stiftung Orthopädische Universitätsklinik Heidelberg – until 31 December 2009

Rüdiger Kienitz, Geisa

Employee representative

Member of the Works Council of K+S KALI GmbH's Werra plant

Klaus Krüger, Wolmirstedt

Employee representative

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

Dieter Kuhn, Peißen

Employee representative

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

Heinz-Gerd Kunaschewski, Philippsthal (until 1 August 2009)

Employee representative

Chairman of the Works Council of K+S KALI GmbH's Werra plant

Dr. Bernd Malmström, Berlin

Shareholder representative

Lawyer

Further Supervisory Board appointments: HHLA Intermodal GmbH & Co. KG
IFCO-Systems N.V. (chairman)
Lehnkering GmbH (chairman)
SBB Schweizer Bundesbahnen AG
(Administrative Board)
Stinnes Corporation (chairman)
VTG AG

Other appointments to supervisory bodies: DAL - Deutsche-Afrika-Linien GmbH & Co. KG
time:matters GmbH (chairman)

Dr. Rudolf Müller, Ochsenfurt

Shareholder representative

Former member of the Board of Executive Directors of Südzucker AG

Other appointments to supervisory bodies: Bayerische Landesanstalt für Landwirtschaft
Fachhochschulrat Fachhochschule Weihen-
stephan
Universitätsrat der Universität Hohenheim

Friedrich Nothhelfer, Kassel (until 1 August 2009)

Employee representative

District Manager of the Mining, Chemicals and Energy Trade Union – District of Kassel

Further Supervisory Board appointments: EON-Avacon
K+S KALI GmbH (since 1 August 2009)
(vice chairman)

Renato De Salvo, Auhagen

Employee representative

Member of the Works Council of K+S KALI GmbH's Sigmundshall plant

Dr. Eckart Sünner, Neustadt a.d. Weinstraße

Shareholder representative

Chief Compliance Officer of BASF SE

Further Supervisory Board appointments: Infineon Technologies AG

Members of the Board of Executive Directors

Norbert Steiner, Baunatal, Chairman

Corporate Development and Controlling

Legal Affairs, Compliance

Investor Relations

Communications

International HR Coordination

Salt Business Segment

Further Supervisory Board appointments: E.ON Mitte AG
K+S KALI GmbH (Chairman)

Joachim Felker, Birkenheide

Potash and Magnesium Products Business Segment

Nitrogen Fertilizers Business Segment

Further Supervisory Board appointments: K+S KALI GmbH
Kali-Importen A/S, Copenhagen, Denmark

Gerd Grimmig, Söhrewald

Mining and Geology

Technology and Energy

Research and Development

Environmental Protection, Occupational Safety, Quality Management

Inactive plants

Waste Management and Recycling

Animal Hygiene Products

Consulting

Further Supervisory Board appointments: K+S KALI GmbH

Dr. Thomas Nöcker, Kassel, Personnel Director

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

Further Supervisory Board appointments: K+S KALI GmbH

Other appointments to supervisory bodies: Advisory Board of RAG Bildung GmbH

Jan Peter Nonnenkamp, Munich (since 1 June 2009)

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

Shareholders

The Bank of N. T. Butterfield and Son Limited, Bermuda, holds, via MCC Holding Public Company Limited and its subsidiaries attributed to it, approximately 15% of K+S' shares. MCC holds the industrial shareholdings of Andrei Melnichenko on a fiduciary basis. In addition, BASF SE, Ludwigshafen, exceeds the 10% threshold with a share of about 10% share in K+S AG's capital. Apart from this, BlackRock Inc. reported that through its subsidiaries it had crossed the reporting threshold of 3% on 8 December 2009 and holds 3.24% of K+S' shares.

Proposal on the use of profits

The Board of Executive Directors intends to propose that a dividend of € 0.20 per non-par value share be paid and the residual amount of T€ 7,870 be carried forward.

Kassel, 23 February 2010

K+S Aktiengesellschaft
The Board of Executive Directors

List of shareholdings K+S Aktiengesellschaft

as of 31 December 2009

List of shareholdings in accordance with Section 285 No. 11 of the German Commercial Code (HGB)

consecutive numbers	company name	place of business		amount of holding	parent company	Equity	Net income/ net loss for the year
						(in 1,000 of national currency)	
1	K+S Aktiengesellschaft	Kassel	Germany			1,222,139 €	42,756 €
2	K+S Kali GmbH	Kassel	Germany	100.00%	1	433,761 €	223,906 € ¹⁾
3	3. K+S Verwaltungs GmbH	Kassel	Germany	100.00%	2	27 €	0 €
4	3. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00%	2	3 €	0 €
				0.00%	3		
5	Kali-Union Verwaltungsgesellschaft mbH	Kassel	Germany	100.00%	2	10,669 €	1,762 € ¹⁾
6	Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00%	2	21,429 CNY	853 CNY
7	K+S CZ a.s.	Prague	Czech Repub	100.00%	5	32,347 CZK	5,646 CZK ²⁾
8	K+S Polska Sp. z o.o.	Poznan	Poland	100.00%	5	2,333 PLN	-590 PLN
9	K+S North America Corporation	New York	USA	100.00%	5	6,620 USD	217 USD
10	Kali-Importen A/S	Copenhagen	Denmark	100.00%	5	404 DKK	-96 DKK ²⁾
11	Kali AG	Frauenkappeln	Switzerland	100.00%	5	1,249 CHF	799 CHF ²⁾
12	K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00%	5	2,093 SGD	1,255 SGD
13	K+S Benelux B.V.	Breda	Netherlands	100.00%	5	251 €	52 € ²⁾
14	Potash S.A. (Pty) Ltd.	Johannesburg	South Africa	100.00%	5	116 ZAR	-2 ZAR ³⁾
15	Verlagsgesellschaft für Ackerbau mbH	Kassel	Germany	100.00%	5	26 €	1 €
16	K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	Sao Paulo	Brazil	100.00%	5	4,027 BRL	2,361 BRL ²⁾
17	K+S Italia S. r. L.	Verona	Italy	98.30%	5	939 €	466 € ²⁾
				1.70%	13		
18	K+S UK & Eire Ltd.	Hertford	Great Britain	100.00%	5	£514	-£27
19	Kali (U.K.) Ltd.	Hertford	Great Britain	100.00%	18	./.	./. ⁴⁾
20	K+S Kali France S.A.S.	Reims	France	100.00%	5	8,055 €	372 €
21	K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00%	20	2,442 €	-584 €
22	K+S KALI Du Roure S.A.S.	Le Teil	France	100.00%	20	2,296 €	243 €
23	K+S KALI Atlantique S.A.S.	Pre en Pail	France	100.00%	20	-1,545 €	-2,698 €
24	K+S KALI Rodez S.A.S.	Onet le Château	France	97.45%	20	1,601 €	-200 €
25	Société des Engrais de Berry au Bac S.A.	Reims	France	34.00%	20	3,062 €	324 € ²⁾
26	K+S Salz GmbH	Hanover	Germany	100.00%	1	316,679 €	59,383 € ¹⁾
27	esco Verwaltungen GmbH	Hanover	Germany	100.00%	26	41 €	3 €
28	esco - european salt company GmbH & Co. KG	Hanover	Germany	100.00%	26	110,057 €	40,144 € ¹⁾
				0.00%	27		
29	Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00%	28	60 €	3,223 € ¹⁾
30	esco international GmbH	Hanover	Germany	100.00%	28	40,903 €	-1,139 € ¹⁾
31	Ickenroth GmbH	Staudt	Germany	100.00%	28	1,790 €	689 € ¹⁾
32	Frisia Zout B.V.	Harlingen	Netherlands	100.00%	30	8,212 €	-2,388 €
33	esco benelux N.V.	Brussels	Belgium	100.00%	30	11,209 €	1,471 €
34	VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00%	30	1,264 €	-185 €
35	esco Nordic AB	Göteborg	Sweden	100.00%	30	4846 SEK	3,179 SEK ²⁾
36	esco Spain S.L.	Barcelona	Spain	100.00%	30	2,184 €	-1,239 €
37	esco Holding France S. A. S.	Dombasle sur Meurthe	France	100.00%	30	11,573 €	-44 €
38	Salines Cérébros et de Bayonne S.A.S.	Levallois-Perret	France	100.00%	37	9,145 €	904 €
39	esco france S.A.S.	Levallois-Perret	France	100.00%	37	16,782 €	1,656 €
40	K+S Salt of the Americas Holding B.V.	Harlingen	Netherlands	100.00%	26	168,315 €	13,249 €
41	S.P.L.-USA, Corp.	Clarks Summit	USA	100.00%	40	8,658 USD	13,452 USD
42	International Salt Company LLC	Clarks Summit	USA	100.00%	41	-6,447 USD	22,598 USD
43	Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	100.00%	40	20,020 BRL	11,432 BRL
				0.00%	55		
44	Inversiones K+S Sal de Chile Ltda.	Santiago de Chile	Chile	99.99%	40	81,621,032 CLP	-337,478 CLP
				0.01%	55		
45	Inversiones y Prospecciones Mineras Tarapacá Ltda.	Santiago de Chile	Chile	99.99%	44	-141,172 CLP	-59,382 CLP
				0.01%	55		
46	Sociedad Punta de Lobos S.A.	Santiago de Chile	Chile	99.60%	44	270,082 USD	43,583 USD
				0.09%	55		
47	Inversiones Columbus Ltda.	Santiago de Chile	Chile	2.00%	44	6,553,000 CLP	1,128,474 CLP
48	Inversiones Empremar Ltda.	Santiago de Chile	Chile	48.00%	46	22,504,637 CLP	267,858 CLP
				52.00%	47		
49	Empresa Maritima S.A.	Santiago de Chile	Chile	99.44%	48	39,608 USD	2,843 USD
50	Transporte por Containers S.A.	Santiago de Chile	Chile	98.71%	49	2,091,328 CLP	252,552 CLP
51	Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.74%	46	42,075 USD	438 USD
				0.26%	53		
52	Compania Minera Punta de Lobos S.A.	Santiago de Chile	Chile	99.00%	46	14,843 USD	4,736 USD
				1.00%	53		
53	Empresa de Servicios Ltda.	Santiago de Chile	Chile	99.00%	46	458,258 CLP	-66,727 CLP
				1.00%	44		
54	Servicios Marítimos Patillos S.A.	Santiago de Chile	Chile	50.00%	46	650,615 CLP	546,009 CLP
55	K+S Beteiligungs GmbH	Kassel	Germany	100.00%	1	210,511 €	1,835 €
56	K+S Mining Argentina SA	Buenos Aires	Argentina	11.00%	55	33,956 ARS	-2,101 ARS
				89.00%	40		
57	K+S Gübre ve Endüstri Ürünleri San. ve Tic. Ltd. Sti.	Istanbul	Turkey	99.99%	55	312 TRL	12 TRL
				0.01%	75		

List of shareholdings K+S Aktiengesellschaft

as of 31 December 2009

List of shareholdings in accordance with Section 285 No. 11 of the German Commercial Code (HGB)

consecutive numbers	company name	place of business		amount of holding	parent company	Equity	Net income/ net loss for the year
(in 1,000 of national currency)							
58	K+S Argentina S.R.L.	Buenos Aires	Argentina	95.00%	55	5,198 ARS	-517 ARS
59	Fertilizantes COMPO Agro Chile Ltda.	Santiago de Chile	Chile	99.90%	55	490,434 CLP	281,369 CLP
60	K plus S Española S.L.	Barcelona	Spain	100.00%	55	4,409 €	909 €
61	Saleable - Importacao e Exportacao Ltda.	Lisbon	Portugal	100.00%	60	498 €	626 €
62	COMPO Austria GmbH	Vienna	Austria	100.00%	55	520 €	461 €
63	COMPO do Brasil S.A.	Guaratingueta	Brazil	100.00%	55	23,598,000 BRL	-26,674,000 BRL
64	K+S Agro México S.A. de C.V.	Mexico-City	Mexico	100.00%	55	18,388 MXN	-6,981 MXN
65	COMPO Benelux N.V.	Deinze	Belgium	100.00%	55	6,191 €	2,104 €
66	K+S Hellas S.A.	Marousi	Greece	100.00%	55	10,664 €	-1,349 €
67	K+S Agricoltura Spa.	Cesano Maderno	Italy	100.00%	55	17,225 €	188 €
68	COMPO Jardin AG	Altschwill	Switzerland	100.00%	55	3,367 CHF	666 CHF
69	SIA Livanu Kudras Fabrika.	Livani	Latvia	28.72%	55	1,555 LVL	275 LVL ²⁾
70	COMPO Horticulture et Jardin S.A.S.	Roche-lez-Beaupré	France	100.00%	55	35,800 €	-7,865 €
71	K+S France S.A.S.	Roche-lez-Beaupré	France	100.00%	70	10,112 €	-15,874 €
72	Algoflash Kabushiki Kaisha	Tokio	Japan	100.00%	71	5,069 JPY	1,006 JPY ²⁾
73	Florentaise S.A.	Saint Mars du Désert	France	32.82%	71	4,134 €	-203 € ⁵⁾
74	Aquiland S.A.S.	Landiras	France	5.00%	71	881 €	29 € ⁷⁾
75	K+S Nitrogen GmbH	Mannheim	Germany	100.00%	1	167,557 €	-112,064 € ¹⁾
76	fertiva GmbH	Mannheim	Germany	100.00%	75	1,500 €	-4,941 € ¹⁾
77	Algoflash GmbH Düngemittel	Kassel	Germany	100.00%	75	310 €	1 €
78	COMPO Verwaltungsgesellschaft mbH	Münster	Germany	100.00%	75	61 €	4 €
79	COMPO Gesellschaft mbH & Co. KG	Münster	Germany	100.00%	75	66,858 €	-48,672 €
80	park GmbH	Recklinghausen	Germany	100.00%	79	25 €	2,713 € ¹⁾
81	Torf- und Humuswerke Uchte GmbH	Uchte	Germany	100.00%	79	1,600 €	243 € ¹⁾
82	Torf- und Humuswerk Gnarrenburg	Gnarrenburg	Germany	100.00%	79	4,970 €	440 € ¹⁾
83	Serveis de Mexico S.A. de C.V.	Mexico City	Mexico	99.90%	81	404 MXN	253 MXN ²⁾
84	K+S Finance Belgium BVBA	Brussels	Belgium	100.00%	1	1,681,666 USD	16,631 USD
85	Montana US Parent Inc.	Delaware	USA	100.00%	84	0 USD	0 USD
86	K+S Montana Holding LLC	Delaware	USA	100.00%	84	581,587 USD	-18,413 USD
87	K+S North Americas Salt Holdings	Delaware	USA	100.00%	86	1,606,258 USD	6,258 USD
88	Morton International, Inc.	Chicago	USA	100.00%	87	517,751 USD	17,751 USD
89	Canadian Salt Finance Company		Canada	100.00%	88	517,003 CAD	0 CAD
90	Canadian Salt Holding Company		Canada	100.00%	89	517,031 CAD	0 CAD
91	The Canadian Salt Company Limited		Canada	100.00%	90	134,186 CAD	24,252 CAD
92	Navigation Sonamar Inc.		Canada	100.00%	91	1,273 CAD	0 CAD
93	Canadian Brine, Ltd.		Canada	100.00%	91	453 CAD	1 CAD
94	Glendale Salt Development LLC		USA	100.00%	88	359 USD	22 USD
95	GLC Trucking Co, Inc.		USA	100.00%	88	376 USD	-19 USD
96	Imperial Thermal Products, Inc.		USA	100.00%	88	inaktiv	inaktiv
97	Ecuatoriana de Sal y Productos Quimicos C.A.		Ecuador	50.00%	88		
98	Morton Bahamas Ltd.		Bahamas	100.00%	88	3,291 USD	358 USD
99	Inagua Transports Inc.		Liberia	100.00%	98	808 USD	240 USD
100	Inagua General Store, Ltd.		Bahamas	100.00%	98	-972 USD	-138 USD
101	K+S Entsorgung GmbH	Kassel	Germany	100.00%	1	7,506 €	6,531 € ¹⁾
102	K+S Baustoffrecycling GmbH	Sehnde	Germany	100.00%	101	60 €	1,560 € ¹⁾
103	Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.80%	101	9,534 €	913 € ²⁾
104	K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00%	101	291 CHF	-197 CHF ²⁾
105	Kali-Transport Gesellschaft m.b.H.	Hamburg	Germany	100.00%	1	2,521 €	7,358 € ¹⁾
106	Börde Container Feeder GmbH	Haldensleben	Germany	33.30%	105	295 €	47 € ²⁾
107	German Bulk Chartering GmbH	Hamburg	Germany	100.00%	105	60 €	1,713 € ¹⁾
108	UBT See- und Hafen-Spedition GmbH Rostock	Rostock	Germany	100.00%	105	803 €	484 € ¹⁾
109	PHH Personen Dienstleistung GmbH	Hamburg	Germany	2.60%	105		
110	Zoll Pool Hamburg AG	Hamburg	Germany	2.40%	105		
111	Werra Kombi Terminal Betriebsgesellschaft mbH	Philippsthal	Germany	50.00%	105	25 €	0 €
112	K+S Consulting GmbH	Kassel	Germany	100.00%	1	810 €	66 € ¹⁾
113	1. K+S Verwaltungs GmbH	Kassel	Germany	100.00%	1	27 €	0 €
114	1. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00%	1	3 €	0 €
115	Beienrode Bergwerks-GmbH	Kassel	Germany	89.80%	113	1,166 €	7 €
116	Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00%	1	9,700 €	836 €
117	K+S IT-Services GmbH	Kassel	Germany	100.00%	1	5,050 €	2,662 € ¹⁾
118	MSW -Chemie GmbH	Langelshheim	Germany	68.50%	1	692 €	-28 €
119	Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00%	1	1,820 €	8 € ¹⁾

List of shareholdings K+S Aktiengesellschaft

as of 31 December 2009

List of shareholdings in accordance with Section 285 No. 11 of the German Commercial Code (HGB)

consecutive numbers	company name	place of business	amount of holding	parent company	Equity	Net income/ net loss for the year	
					(in 1,000 of national currency)		
120	K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00%	1	25 €	356 € ¹⁾
121	Potash Company of Canada (1998) Ltd.	Toronto	Canada	100.00%	1	0 CAD	0 CAD
122	OOO K+S Rus	Moscow	Russia	100.00%	1		
123	Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.70%	1	12,177 €	396 €
124	Hubwoo.com S.A.	Paris	France	0.07%	1	45,567 €	-10,047 € ²⁾
125	Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40%	1	192 €	2 € ⁶⁾
126	K+S Investments Ltd.	St. Julians	Malta	99.999994558%	1	427,527 €	14,395 € ¹⁾
				0.000005442%	55		
127	K+S Finance Ltd.	St. Julians	Malta	99.999995306%	126	426,097 €	15,115 € ¹⁾
				0.000004694%	55		
128	K+S Denmark Holding ApS		Denmark	100.00%	126		
129	Morton China National Salt (Shanghai) Salt Co., Ltd.	Shanghai	China	45.00%	128		

¹⁾ Profit and loss transfer agreement with K+S Aktiengesellschaft (net income/loss before profit and loss transfer)

²⁾ Annual financial statements as of 31 December 2008

³⁾ Annual financial statements as of 31 December 2007

⁴⁾ Exempted from annual financial statements

⁵⁾ Financial year from 1 July to 30 June - Annual financial statements as of 30 June 2008

⁶⁾ Financial year from 1 August to 30 July - Annual financial statements as of 30 July 2009

⁷⁾ Financial year from 1 July to 30 June - Annual financial statements as of 30 June 2007

Auditors' Report

We have audited the annual financial statements – consisting of the balance sheet, income statement and notes – including the accounting and the management report of K+S Aktiengesellschaft, Kassel, for the financial year from 1 January to 31 December 2009. The accounting as well as the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Board of Executive Directors. Our responsibility is to express an opinion of the annual financial statements, including the accounting, and the management report, on the basis of our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (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 annual financial statements in accordance with the German Accepted Accounting Principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 accounting, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the annual financial statements and the 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 annual financial statements of K+S Aktiengesellschaft, Kassel, comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the German Accepted Accounting Principles. The management report is consistent with the annual financial statements, provides a suitable understanding of the position of the Company and suitably presents the opportunities and risks of future development.

Hanover, 24 February 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Beine
Auditor

Römgens
Auditor