Q3/2010

JULY – SEPTEMBER

QUARTERLY FINANCIAL REPORT

Fertilizer and salt markets in good shape

Quarterly revenues up by 52 % to just under € 1.1 billion

Operating earnings reach € 108.5 million (Q3/09: € 9.4 million)

Adjusted earnings per share at € 0.21 (Q3/09: € (0.01))

In first nine months, free cash flow reaches € 616.4 million (9M/09: € 211.6 million)

Adjusted earnings per share for 2010 expected to be between € 1.95 and € 2.10 (2009: € 0.56)

Attractive perspectives for the coming year

K+S

Experience growth.

KEY DATA BUSINESS DEVELOPMENT

Key Figures (IFRS)

€ million	Q3/10	Q3/09	%	9M/10	9M/09	%
Revenues	1,061.2	698.1	+ 52.0	3,653.3	2,512.5	+ 45.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	164.3	45.3	+ 262.7	714.4	307.5	+ 132.3
EBITDA margin in %	15.5	6.5	–	19.6	12.2	–
Operating earnings (EBIT I)	108.5	9.4	+ 1,054.3	531.7	201.5	+ 163.9
Operating EBIT margin in %	10.2	1.3	–	14.6	8.0	–
Result after operating hedges (EBIT II)	158.9	17.4	+ 813.2	547.9	208.0	+ 163.4
Earnings before income taxes	106.2	5.7	+ 1,763.2	443.5	111.3	+ 298.5
Earnings before income taxes, adjusted [1]	55.8	(2.3)	–	427.3	104.8	+ 307.7
Group earnings	76.8	3.7	+ 1,975.7	325.4	80.8	+ 302.7
Group earnings, adjusted [1]	40.4	(2.1)	–	313.7	76.1	+ 312.2
Return on Capital Employed (LTM) in % [2]	–	–	–	16.5	21.9	–
Gross cash flow	81.1	19.0	+ 326.8	583.9	232.7	+ 150.9
Net indebtedness as of 30 Sept.	–	–	–	789.1	833.1	(5.3)
Capital expenditure [3]	45.5	43.5	+ 4.6	107.2	114.1	(6.0)
Depreciation and amortisation [3]	55.7	35.9	+ 55.2	182.6	106.0	+ 72.3
Working capital as of 30 Sept.	–	–	–	897.9	828.8	+ 8.3
Earnings per share, adjusted (€) [1]	0.21	(0.01)	–	1.64	0.46	+ 256.5
Gross cash flow per share (€)	0.42	0.11	+ 281.8	3.05	1.41	+ 116.3
Book value per share as of 30 Sept. (€)	–	–	–	12.94	8.16	+ 58.6
Total number of shares as of 30 Sept. (million)	–	–	–	191.40	165.00	+ 16.0
Outstanding shares as of 30 Sept. (million) [4]	–	–	–	191.40	165.00	+ 16.0
Average number of shares (million) [5]	191.40	165.00	+ 16.0	191.31	164.91	+ 16.0
Employees as of 30 Sept. (number) [6]	–	–	–	15,255	12,378	+ 23.2
Average number of employees [6]	15,154	12,303	+ 23.2	15,141	12,305	+ 23.0
Personnel expenses	239.2	165.5	+ 44.5	749.6	549.8	+ 36.3
Closing price (XETRA) as of 30 Sept. (€) [7]	–	–	–	43.92	37.29	+ 17.8
Market capitalisation as of 30 Sept. (€ billion)	–	–	–	8.4	6.2	+ 35.5
Enterprise value as of 30 Sept. (€ billion)	–	–	–	9.2	7.0	+ 31.4

[1] The adjusted key figures only contain the earnings actually realised on operating forecast hedges for the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account. Any resulting effects on deferred and cash taxes are also eliminated; tax rate 2010: 28.0% (2009: 27.9%).
[2] Return on capital employed of the last twelve months as of 30 September.
[3] Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.
[4] Total number of shares less the number of own shares held by K+S as of the balance sheet date.
[5] Total number of shares less the average number of own shares held by K+S.
[6] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.
[7] Since the capital increase in December 2009, the price of the K+S share has been traded ex subscription right. Historical values were not adjusted.

MANAGEMENT REPORT

Business Environment

Macroeconomic environment

The global economic recovery also continued in Q3/2010. While the pace of expansion in the United States and Japan slowed, the economic upturn in Europe gathered momentum.

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT
(real in %)

Year	Germany	EU-25/ EU-27	World
2010e	**+ 3.4**	**+ 1.7**	**+ 4.6**
2009	(4.7)	(4.2)	(0.8)
2008	+ 1.3	+ 1.2	+ 3.1
2007	+ 2.5	+ 3.1	+ 4.8
2006	+ 2.9	+ 3.3	+ 5.3

Source: Deka Bank

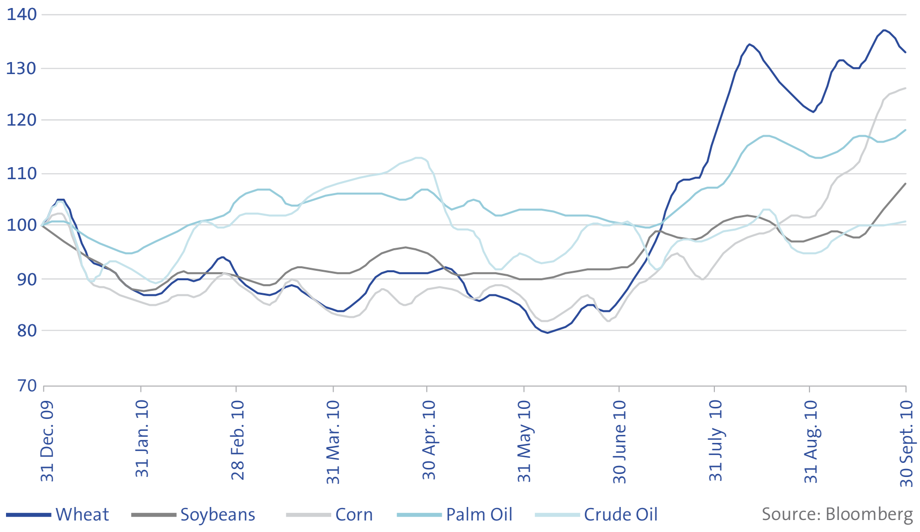
In the eurozone, the economy was robust in the third quarter and was boosted especially by the powerful increase in production in particular in Germany, but also in Finland, Slovakia and the Netherlands, while Spain, Portugal and Greece continued to be adversely affected by the debt crisis. The eurozone benefited overall from high investment, expanding consumer spending and a stable employment market.

The economic recovery in the United States slowed down significantly during the past few months. While high levels of investment in equipment and software were seen, there was a negative foreign trade balance and faltering consumer spending. The last of these continues to be impacted by high unemployment, which is again increasing, as well as by the fact that private households are paying off their debts.

In the emerging market countries too, a downturn in economic activity could be observed, after various economic stimulus programmes were cut drastically and exports to industrialised countries weakened. In Asia and Latin America, additional monetary policy streamlining measures were introduced or continued.

In the third quarter, an expansionary monetary policy continued to be pursued in Europe and the USA.

DEVELOPMENT OF PRICES FOR AGRICULTURAL PRODUCTS AND CRUDE OIL
Index: 31 December 2009, in %



Source: Bloomberg

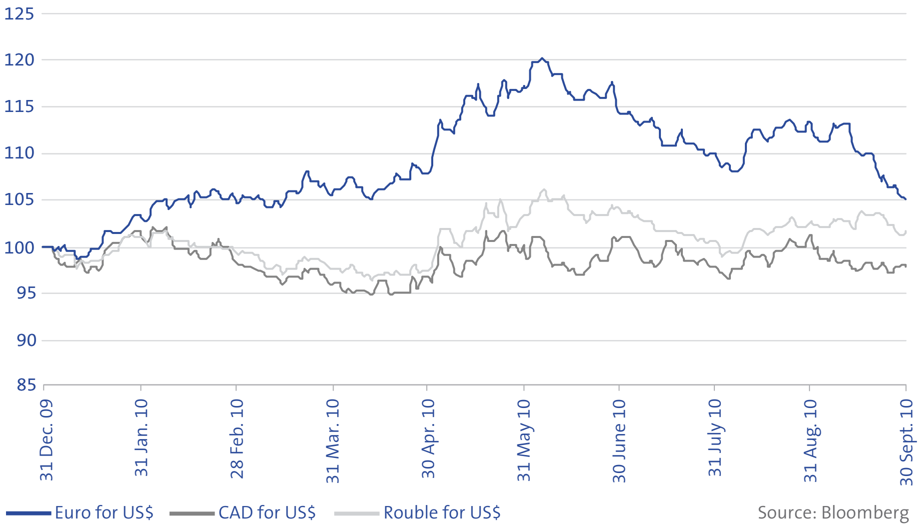
In the third quarter, prices for agricultural raw materials rose considerably. In particular, the wheat price increased significantly as a result of anticipated crop losses due to very high temperatures in Russia and dry weather conditions in North America. The prices of corn and palm oil followed this trend. The soy bean price also managed to gain slightly. On 30 September 2010, crude oil was priced at US$ 79 and was thus at about the same level as at the end of 2009.

The temporary strength of the US dollar in relation to the euro declined again during the course of the third quarter. In comparison to the end of 2009 (1.44 USD/EUR), at 1.36 USD/EUR as of 30 September 2010, the increase was only moderate. In addition to the USD/EUR relationship, also a relative comparison of the euro and the currencies of our competitors (Canadian dollar, Russian rouble) each in relation to the US dollar is of importance for us. A strong US dollar has a positive impact on the earnings capacity of most of the world's potash producers in their respective local currencies; this is due to the fact that the major part of the global potash production lies outside the US dollar zone whereas almost all sales, with the exception of the European market, are invoiced in US dollar.

The following diagram shows that in particularly the first half of the year, the K+S Group profited from the strength of the US dollar against the euro in its fertilizer business. The advantage was greater in comparison to competitors from Canada and Russia, but diminished significantly from its highs at the start of June.

Development of EUR/USD versus CAD/USD and RUB/USD

Index: 31 December 2009; in %



Source: Bloomberg

Impact on K+S

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

- In comparison to the same quarter a year ago, for the Potash and Magnesium Products business segment, an average of 1.33 USD/EUR incl. hedging costs meant the exchange rate was far more favourable than it had been last year (Q3/09: 1.53 USD/EUR). If the US dollar exchange rate continues to weaken during the course of the year, the worst case scenario for 2010 as a whole will be about 1.35 USD/EUR incl. hedging costs due to the options used for the fourth quarter.
- Our production costs are affected by energy costs to a not inconsiderable extent, in particular for natural gas. As a result of the energy purchase clauses agreed with our suppliers, changes in energy prices will only be reflected in our costs with a delay of six to nine months in the Potash and Magnesium business segment. Against this backdrop, the higher level of energy prices at the turn of 2009/2010 resulted in a slight price-related increase in energy costs in the third quarter of 2010.

Industry-specific framework and conditions

The important sales markets and competitive positions of the individual business segments described in the Financial Report 2009 in the section Group structure and business operations on page 58 et seqq. essentially remain valid.

Fertilizer business sector

Compared with the previous year, the third quarter of 2010 was also characterised by higher, normalising demand for fertilizers. The potash fertilizers ordered in the summer months by the trade sector in the northern hemisphere were used by farmers for autumn fertilizing at the almost normal level again. As for straight nitrogen and complex fertilizers, the positive trend in demand also persisted in the third quarter. With significantly declining stocks, the utilisation of capacity at most potash producers reached a relatively high level, so that at the end of August, the Russian-Belarusian export organisation BPC announced prices for the Asian market of US$/t 405 for potassium chloride standard and of US$/t 420 for granulated potassium chloride, and for the Brazilian market prices between US$/t 410 and US$/t 420 for granulated potassium chloride. In mid-September, K+S announced a price increase by €/t 12 to €/t 317 for granulated potassium chloride in Europe. As far as nitrogen fertilizers are concerned, prices rose significantly in the third quarter against the backdrop of higher input costs. The European production facilities for nitrogen fertilizers operated at full capacity.

Salt business sector

For de-icing salt, in the third quarter, it proved possible for the European tenders to be predominantly concluded at tangibly higher prices after the persistent wintry weather conditions at the start of the year and the still hesitant early stocking-up in the second quarter. The short and intensive early stocking-up phase that commenced at that point resulted in all European production facilities operating at full capacity. In the United States, by contrast, life was made more difficult for suppliers in relation to the tenders there by still relatively high stocks as a result of the previous winter having been comparatively mild in some regions and increased competitive pressure on the East Coast. This resulted in moderate price declines and lower contract volumes. While demand for food grade salts largely remained stable, in the area of industrial salt reluctance to purchase on the part of North American consumers due to the difficult economic environment resulted in lower consumption of water softening salts. As for salt for chemical use, demand in Europe normalised thanks to a sustaining economic recovery. However, this was not yet the case in the North American market.

Group structure and business operations

As already discussed in the Half-yearly Financial Report, on 9 June 2010, we announced that a sale of COMPO is being examined within one year, since K+S Aktiengesellschaft, in line with its growth strategy, in future would like to focus its management and financial resources in particular on the areas of potash and magnesium products as well as salt. Apart from that, there were no changes in the Group structure or business operations in the third quarter. For a detailed description of the Group structure and business operations, please see the relevant passages in our Financial Report 2009 on page 58 et seqq.

Corporate strategy and enterprise management

There were no changes in the strategy of the Company or its enterprise management in the third quarter. For a detailed description of the corporate structure and enterprise management, please see the relevant passages in our Financial Report 2009 on page 71 et seqq.

Products and services

For a comprehensive overview of our Business Segments' products and services, please see the relevant passages on page 59 et seqq. of the Financial Report 2009.

Research and development

Research costs for the quarter under review came to € 3.1 million and were thus below the level of the same quarter in the previous year (Q3/09: € 5.6 million). The majority of research costs were incurred by the optimisation of production processes in potash production. As of 30 September 2010, there was a total of 81 R&D employees in the K+S Group. Compared with the previous year, the number thus increased mainly as a result of consolidation factors (30 September 2009: 71).

For a comprehensive description of the research and development activities, please see the relevant passages in our Financial Report 2009 on page 80 et seqq. and page 142 et seq.

Employees

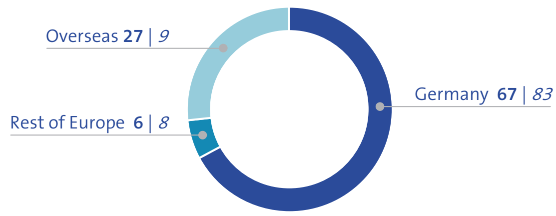
Number of employees increased due to the acquisition of Morton Salt

As of 30 September 2010, the K+S Group employed a total of 15,255 people. Compared with 30 September 2009 (12,378 employees), the number thus increased by 2,877 employees or 23 %. The increase is exclusively attributable to the acquisition of Morton Salt. Adjusted for this consolidation-related effect, the number of employees of the K+S Group would have declined by 25 employees particularly as a result of personnel reductions in the Potash and Magnesium Products and the Nitrogen Fertilizers business segments.

As a result of the internationalisation of the K+S Group which has been intensifying since 2006, one third of the employees are now located outside Germany and more than one quarter outside Europe. The number of trainees at the end of the third quarter was 645 and thus at about the high level seen in the previous year (30 September 2009: 648).

EMPLOYEES BY REGION

in %; previous year's figures in italics



Personnel expenses

Third quarter personnel expenses totalled € 239.2 million and were thus up € 73.7 million or about 45 % on the same period in the previous year (Q3/09: € 165.5 million). The increase is particularly attributable to the consolidation of Morton Salt; this accounts for € 49.5 million. Additionally, there were effects from renewed higher utilisation of capacity and the end of short-time working in the Potash and Magnesium Products business segment and from higher accruals for performance-related remuneration in the light of positive earnings prospects for all business segments. Correspondingly, personnel expenses in the first nine months also rose by 36 % to € 749.6 million (9M/09: € 549.8 million).

K+S on the capital market

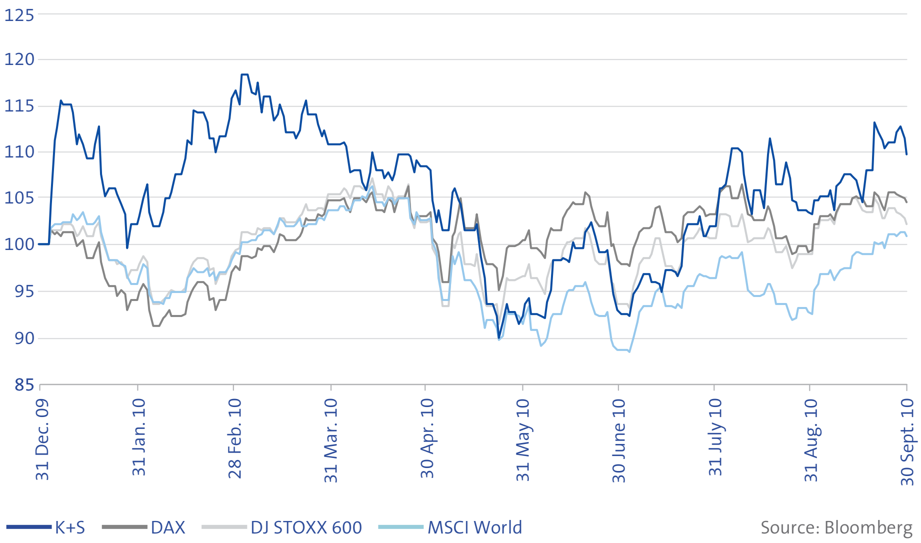
Course of the K+S share price in the third quarter

- Starting from a level of about € 37 at the beginning of the third quarter, until the start of August, the K+S share enjoyed a sharp upwards trend and profited primarily from higher prices for agricultural products.
- Within the framework of the publication of figures for the second quarter, the K+S Group again raised its previous sales volume forecast for potash and magnesium products from a good 6.5 million tonnes of goods to between 6.5 million and 7.0 million tonnes, and issued a quantitative revenues and earnings forecast. The assumption of a slightly lower average price for the potash and magnesium product portfolio in comparison to the first six months of the year resulted in the adjustment of some analysts' estimates. In this environment, the K+S share price temporarily came under slight pressure.

- The takeover bid of the Anglo-Australian mining group BHP Billiton for the Canadian potash producer PotashCorp published on 17 August drew the attention of market participants to the sustainable attractiveness of the potash market and fed speculation regarding possible further takeovers in the fertilizer sector. Against this background, the share price rose to about € 45 in the middle of August.
- Against the backdrop of an overall favourable equity market environment, the K+S share closed at € 43.92 on 30 September. The share price was thus just under 10% higher than the year-end closing price of 2009, while the DAX gained 5% during the same period, the DJ STOXX 600 2% and the MSCI World 1%.

PERFORMANCE OF THE K+S SHARE IN RELATION TO DAX, DJ STOXX 600 AND MSCI WORLD

Index: 31 December 2009; in %

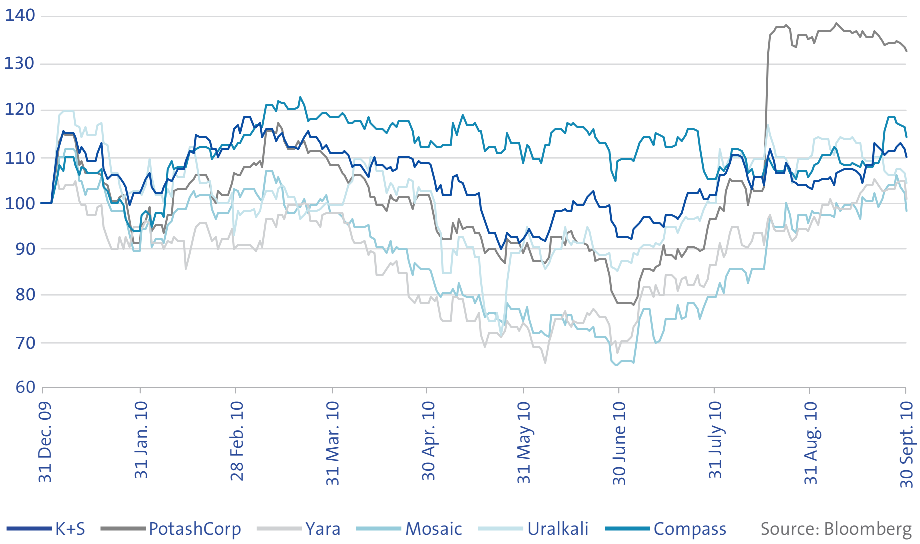


Source: Bloomberg

The positive price trend of shares of international fertilizer producers, which already commenced in the first quarter due to an improving market environment, was dampened in the second quarter by declining prices for agricultural raw materials. In the third quarter, however, the share prices of the whole peer group benefited from sharp increases in raw material prices together with speculations regarding takeovers in the fertilizer sector. The stock of our competitor PotashCorp gained 33% due to the hostile takeover bid by BHP Billiton on 17 August. In this environment, the K+S share managed to maintain its position very well and closed up 10% on 30 September 2010. In addition to PotashCorp, only the stock of the salt producer Compass performed better than the stock of K+S in the first nine months, gaining about 14%.

Performance of the K+S Share in relation to Peers

Index: 31 December 2009; calculation on the basis of local currencies; in %



Source: Bloomberg

In the last (1 November 2010) of the research surveys that we carry out regularly, twelve banks gave us a "buy/accumulate" recommendation, three a "hold/neutral", and five a "reduce/sell" recommendation.

Shareholder structure

At the end of the third quarter of 2010, our shareholder structure was as follows: After BlackRock Inc. had notified us on 2 September 2010 initially that it had fallen below the threshold of 3%, on 13 September, the company announced that it had again exceeded this threshold and reached 3.63%. Moreover, Meritus Trust Company Limited, Bermuda, by means of a disclosure pursuant to Section 21 of the German Securities Trading Act (WpHG) announced that it had taken over the voting rights previously to be attributed to Bank of N.T. Butterfield and Son Limited, Bermuda, and held via the EuroChem Group SE (previous name: MCC Holding Public Company Limited), and had therefore exceeded the threshold of 10% and as of 22 September 2010 held 14.86% of the stock. Meritus manages the industrial shareholdings of Andrey Melnichenko on a fiduciary basis. BASF SE continues to hold about 10% of our shares. Under the free float definition applied by Deutsche Börse AG, the free float is unchanged and amounts to just under 75%.

The K+S Bond

Continued low risk premiums for corporate bonds contributed to the K+S bond (issuing volume: € 750 million; cupon: 5.00% p.a.; maturity: September 2014) being quoted at 108.436% on 30 September 2010. This corresponds to an increase of 3.130 percentage points since the end of 2009. This means that the yield as of 30 September 2010 was 2.718% p.a.

Earnings, Financial and Asset Position

Development of orders

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

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

Revenues and earnings position

Variance analysis in %	Q3/10	9M/10
Change in revenues	+ 52.0	+ 45.4
- volume	+ 9.8	+ 34.0
- structure	+ 18.6	(2.4)
- prices	(4.5)	(10.9)
- exchange rates	+ 5.2	+ 1.5
- consolidation	+ 22.9	+ 23.2

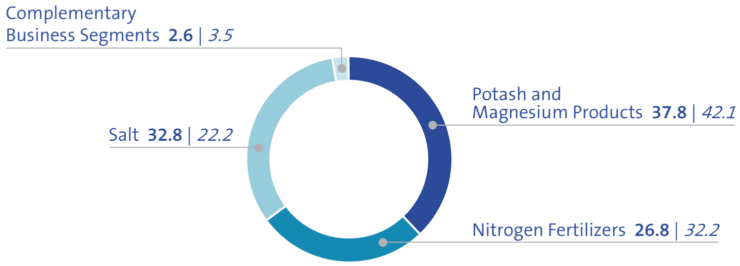
The key revenues and earnings position data for Morton International Inc. (Morton Salt), which was acquired on 1 October 2009, for the third quarter and for the first nine months of 2010 are presented in the Notes on page 41.

Third quarter revenues strongly up once again

At € 1,061.2 million, revenues for the third quarter were up € 363.1 million or 52% on the figure for the same period last year. The increase was attributable to volume-, structure- and consolidation-related growth and able to more than make up for decreases in revenues attributable to price factors. The Salt business segment significantly increased its revenues in particular due to the consolidation of Morton Salt. The Nitrogen Fertilizers and Potash and Magnesium Products business segments also achieved considerable revenue growth after the demand for fertilizers increased significantly again. Revenues in the first nine months of the year also rose by 45% due to volume and consolidation effects and reached € 3,653.3 million.

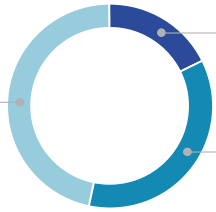
REVENUES BY BUSINESS SEGMENT JAN. – SEPT. 2010

in %; previous year's figures in italics



In the first nine months of the year, 38% of revenues were generated in the Potash and Magnesium Products business segment, followed by Salt (33%) and Nitrogen Fertilizers (27%). The acquisition of Morton Salt has contributed to the regional distribution of revenues now being very balanced between Europe and overseas: Thus, about 53% of total revenues were generated in Europe and 47% overseas.

REVENUES BY REGION JAN. – SEPT. 2010
in %; previous year's figures in italics



Development of selected cost items

Increased production output and the consolidation of Morton Salt resulted in an increase in revenues of 52 % in comparison to the third quarter of 2009. The two effects also had a significant impact on the development of total costs. The most important cost types developed as follows: Personnel expenses in the third quarter totalled € 239.2 million or just under 25 % of revenues. They were thus € 73.7 million higher against the same period of the previous year, of which € 49.5 million is attributable to the consolidation of Morton Salt. Material, freight and energy costs, in terms of revenues about 30 %, 10 % and 5 % respectively, increased somewhat stronger than revenues due to consolidation and volume factors as well as a result of higher input costs and freight rates. In the third quarter, depreciation totalled € 55.7 million and were € 19.8 million higher than a year ago. Of this increase, € 20.3 million was accounted for by Morton Salt, including depreciation of € 11.1 million on valuations made within the framework of purchase price allocation.

Operating earnings more than ten times higher in comparison to low basis of previous year

In the third quarter of 2010, operating earnings (EBIT I) of the K+S Group reached € 108.5 million and thus, seen against the low basis of the previous year (Q3/09: € 9.4 million) improved very strongly. While the Potash and Magnesium Products and Nitrogen Fertilizers business segments improved their earnings as a result of the persistent considerably higher demand for fertilizers from the start of the year, the pleasant earnings in the Salt business segment can be attributed to a positive consolidation effect (€ 18.3 million) and to an increased early stocking-up business for de-icing salt. In the first nine months of 2010, operating earnings of € 531.7 million were achieved. This exceeded the previous year's figure (9M/09: € 201.5 million) by about 164 %.

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

Result after operating hedges (EBIT II)

At € 158.9 million in the third quarter (Q3/09: € 17.4 million), earnings after operating hedges (EBIT II) were also very significantly higher than in the corresponding period of the previous year. In the third quarter, the EBIT II benefited from earnings effects resulting from operating forecast hedges of € 50.4 million (Q3/09: € 8.0 million). The figure of € 50.4 million represents the unrealised part of the operating forecast hedges. EBIT II achieved € 547.9 million during the first nine months of the year, having been € 208.0 million in the same period of the previous year (+163 %).

Under IFRSs, changes in the market value from hedging transactions have to be reported in the income statement. EBIT II includes all earnings arising from operating hedging transactions, i.e. both valuation effects as at the reporting date and earnings from realised operating hedging derivatives. Hedging transactions of the financial sector are shown in the financial result.

EBITDA reaches € 164.3 million in the third quarter (previous year: € 45.3 million)

During the third quarter of 2010, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by € 119.0 million to € 164.3 million. Depreciation and amortisation amounted to € 55.7 million and were € 19.8 million higher in comparison to the previous year. Of this increase, € 20.3 million was accounted for by the consolidation of Morton Salt. This in turn includes deprecation of € 11.1 million on valuations made within the framework of purchase price allocation. In the first nine months, the EBITDA was € 714.4 million (9M/09: € 307.5 million). Morton Salt accounted for € 135.1 million of this. Depreciation and amortisation were € 182.6 million (9M/09: € 106.0 million) and include depreciation of € 39.6 million on valuations made within the framework of the purchase price allocation of Morton Salt. Against this backdrop, greater importance will be assigned to the EBITDA in the future when assessing earnings capacity, especially in the Salt business segment.

Third quarter financial result affected by non-recurrent effect

In the third quarter, the financial result was € (52.7) million after having been € (11.7) million in the same period of the previous year. In addition to higher interest expenses resulting from the financing of the Morton Salt acquisition, this was principally due to a non-cash extraordinary interest expense (€ 23.1 million) for provisions for mining obligations. This results from a necessary lowering of the weighted average discount factor for provisions for mining obligations of the K+S Group of 5.6 % to 4.7 % in line with the significant decrease of the long-term interest level in recent months. Under IFRSs, in addition to the interest expenses for pension provisions (Q3/10: € (1.6) million), the financial result includes the interest expenses for other long-term provisions, mainly related to provisions for mining obligations (Q3/10: € (27.8) million); both are non-cash. The financial result was € (104.4) million in the first nine months of the year, having been € (96.7) million in the same period of the previous year. Further details of the financial result can be found in the Notes on page 41.

(Adjusted) earnings before income taxes improve strongly

In the quarter under review, earnings before income taxes totalled € 106.2 million (Q3/09: € 5.7 million). If the earnings are adjusted for the effects from operating forecast hedges, which were not yet recorded as realised earnings in EBIT I (€ 50.4 million), this results in adjusted earnings before income taxes of € 55.8 million. It thus proved possible to increase this by € 58.1 million in comparison to the same period in the previous year. Due to seasonal factors, only € 2.2 million of this is attributable to the consolidation effect of Morton Salt. In the first nine months of the year, the earnings before income taxes were € 443.5 million after having been € 111.3 million in the same period of the previous year and the adjusted earnings before income taxes were € 427.3 million after having been € 104.8 million in the same period of the previous year. The earnings contribution of Morton Salt to the adjusted earnings before income taxes of the first nine months of the year amounted to € 19.2 million.

(Adjusted) Group earnings after taxes significantly exceed figures for previous year

Group earnings after taxes and minority interests in the third quarter reached € 76.8 million (Q3/09: € 3.7 million). In the third quarter, tax expenses totalling € 29.2 million were incurred. These include a deferred, i. e. non-cash tax expense in the amount of € 0.6 million (Q3/09: tax expense of € 1.9 million, of which € 13.0 million was deferred). In the first nine months of the year, Group earnings after taxes and minority interests of € 325.4 million (9M/09: € 80.8 million) were achieved. In the first nine months, tax expense was € 117.5 million. There was a deferred tax income of € 8.1 million (income tax expense 9M/09: € 30.2 million, of which € 6.2 million was deferred).

It proved possible to increase adjusted Group earnings after taxes by € 42.5 million to € 40.4 million during the third quarter (Q3/09: € (2.1) million). The consolidation effect as a result of the inclusion of Morton Salt was again positive and amounted to € 3.4 million. In the first nine months, adjusted Group earnings after taxes of € 313.7 million (9M/09: € 76.1 million) were achieved. The effect of Morton Salt amounted to € 18.5 million.

The domestic Group tax rate to be applied in accordance with IFRSs was 28.0%. The adjusted Group tax rate in the third quarter was 27.6% and in the first nine months 26.6%.

Adjusted earnings per share in the third quarter at € 0.21 (Q3/09: € (0.01) per share)

For the quarter under review, adjusted earnings per share amounted to € 0.21 and were thus significantly higher than the previous year's value of € (0.01). The consolidation of Morton Salt accounted for € 0.02 of this. It was computed on the basis of 191.40 million no-par value shares, being the average number of shares outstanding (previous year: 165.00 million no-par value shares). Adjusted earnings per share in the first nine months of the year reached € 1.64 compared to the figure for the same period of the previous year of € 0.46. This corresponds to an increase of € 1.18 to which Morton Salt – despite a below-average winter, depreciation arising from purchase price allocation and further one-off effects – contributed a total of € 0.10 after financing costs. Thus, Morton Salt, since the first day of its inclusion in the K+S Group (1 October 2009) has, despite all acquisition-related special and customary seasonal effects and taking financing costs into consideration, thus far positively contributed to the operating success in every quarter.

We held no shares of our own as of 30 September 2010. At the end of September, the total number of shares outstanding of the K+S Group was 191.40 million no-par value shares.

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

Financial position and capital expenditure

Free cash flow in the first nine months almost tripled at € 616.4 million

€ million	9M/10	9M/09
Gross cash flow	583.9	232.7
Cash flow from operating activities	723.7	324.4
Cash flow for investing activities *	(107.3)	(200.7)
Free cash flow before acquisitions/divestitures	616.4	211.6
Cash flow for financing activities	(437.1)	783.6

* including acquisitions /divestitures (9M/10: € 0 million; 9M/09: € (87.9) million)

Gross cash flow for the first nine months reached € 583.9 million and was thus € 351.2 million higher than the figure for the same period last year (9M/09: € 232.7 million); a particular reason for this are the higher operating earnings.

Cash flow from operating activities reached € 723.7 million after having been € 324.4 million in the previous year. At € 399.3 million, the increase was significantly higher than that for the gross cash flow due to a greater release of working capital. There were, on the one hand, increasing liabilities and current provisions, and on the other, a less pronounced decrease in receivables as well as slightly increasing inventories. All in all, this resulted in a stronger reduction in working capital than in the corresponding period of the previous year.

In the first nine months of 2010, cash flow for investing activities came to € (107.3) million and was thus significantly below the level of the previous year (9M/09: € (200.7) million). The period in the previous year, however, had included € 87.9 million disbursements for acquisitions, so that the difference following adjustment for these disbursements was reduced to only about 5 %.

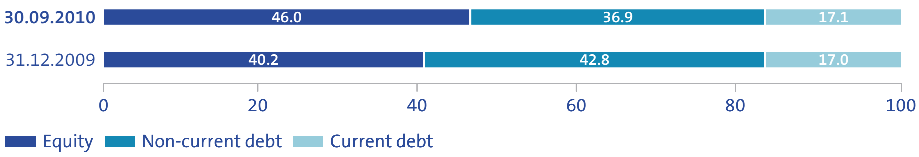
Free cash flow before acquisitions/divestitures reached € 616.4 million in the period under review, after having been € 211.6 million in the previous year. After taking into consideration the cash flow for financing activities of € (437.1) million, which was primarily used for the settlement of financial liabilities in the amount of € 395.9 million, as of 30 September 2010, we report net indebtedness, including provisions for pensions and mining obligations, totalling € 789.1 million. It thus proved possible to reduce net indebtedness by € 549.8 million in comparison with 31 December 2009. Further information about net indebtedness can be found in the Notes on page 43.

Solid financing structure

Compared with the end of 2009, the financing structure of the K+S Group has improved further: Equity has increased mainly due to earnings-related effects and the equity ratio has risen from 40.2 % to 46.0 % of the balance sheet total. At 36.9 %, the proportion of non-current debt, including non-current provisions, has declined (31 December 2009: 42.8 % of the balance sheet total). The proportion of current debt remained stable at 17.1 %. Further details of the change in individual balance sheet items can be found in the Notes on page 42 et seq.

Equity and liabilities

in %



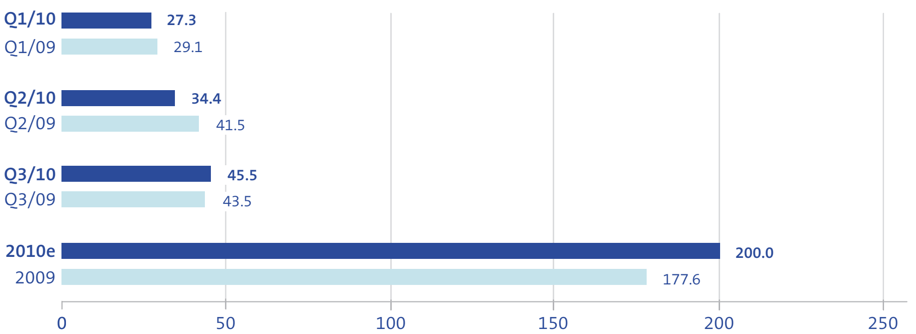
As of 30 September 2010, almost 28 % of the K+S Group's debt consisted of financial liabilities, about 44 % of provisions and approximately 14 % of accounts payable trade. The main provisions of the K+S Group as of 30 September 2010 concern provisions for mining obligations (€ 512.7 million) as well as for pensions and similar obligations (€ 187.3 million). As of 30 September 2010, financial liabilities amounted to € 802.2 million; of this, only € 33.7 million could be classified as current.

Third quarter capital expenditure adjusted for consolidation-related effects below the level of the previous year

In the third quarter of 2010, the K+S Group invested a total of € 45.5 million, of which € 6.5 million was accounted for by Morton Salt. Adjusted for this consolidation-related effect, the investment volume declined by € 4.5 million due to delays in investment projects. A major part of capital expenditure was made in the Potash and Magnesium Products business segment; energy projects at the Zielitz site, projects for the reduction of solid and liquid production residues at the Neuhof-Ellers site as well as for increasing raw material exploitation and process optimisation were again the main focus. In the Nitrogen Fertilizers business segment, the construction of the third facility for coated fertilizers in Krefeld was continued. In the Salt business segment, the replacement of the de-icing salt loading facility at the Braunschweig-Lüneburg site, the renovation of a loading terminal on the Bahamas and the installation of higher-performance crystallisation facilities at the Grand Saline site in Texas were among the most important projects. About three quarters of the capital expenditure were made in measures relating to replacement and ensuring production; this share was thus less than the depreciation of € 55.7 million.

Capital Expenditure *

€ million



* Cash-effective capital expenditure on property, plant and equipment.

In the first nine months of the year, a total of € 107.2 million was invested; € 24.8 million of this was accounted for by Morton Salt. About three quarters of the volume of capital expenditure was used for measures relating to replacement and ensuring production. This share was thus, in the first nine months of the year too, less than the depreciation of € 182.6 million.

Off-balance sheet financing instruments/Off-balance sheet assets

Off-balance sheet financing instruments in the sense of sale of receivables, asset-backed securities, sale and leaseback transactions or contingent liabilities towards special purpose entities not consolidated only exist to a negligible extent. We primarily have operating leases in respect of, for example, IT equipment and company vehicles and the extent of them has no material bearing on the economic position of the Group. Due to the chosen contractual structures, these items are not to be carried under non-current assets on the balance sheet.

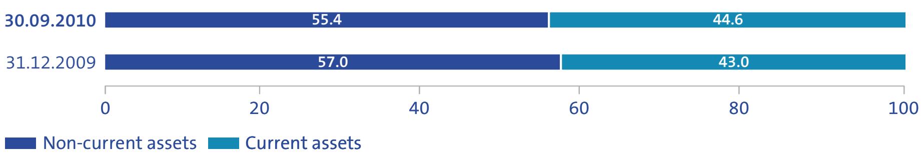
Asset position

Asset structure

K+S Group's balance sheet total rose by a good 3 % to € 5,380.8 million as of 30 September 2010 in comparison to the year-end 2009. At 55:45, the ratio of non-current to current assets continues to be balanced. Property, plant and equipment increased to € 1,771.4 million (31 December 2009: € 1,728.3 million) and financial assets to € 26.1 million (31 December 2009: € 22.4 million). Inventories rose slightly to € 712.5 million (31 December 2009: € 680.4 million). At the end of the third quarter, cash and cash equivalents and current securities totalled € 713.1 million (31 December 2009: € 529.1 million). Further details of material changes in individual balance sheet items can be found in the Notes on page 42 et seq.

Including cash and cash equivalents, provisions for pension and mining obligations (€ 187.3 million and € 512.7 million respectively) as well as financial liabilities (€ 802.2 million), net indebtedness of the K+S Group as of 30 September 2010 amounted to € 789.1 million (31 December 2009: € 1,338.9 million).

Assets
in %



Subsequent Events

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

Risk Report

For a comprehensive description of our risk and opportunity management system as well as possible risks, please see the relevant passages in our Financial Report 2009 on page 122 et seqq. The statements concerning the risks described in the Financial Report essentially remain without change. The risks to which the K+S Group is exposed, both in isolation or in conjunction with other risks, are limited and do not, according to current estimates, jeopardise the continued existence of the Company.

Opportunity Report

For a comprehensive description of possible opportunities, please see the relevant passages in our Financial Report 2009 on page 156 et seqq. There is no offsetting of opportunities and risks as well as their positive and negative changes.

Forecast Report

Future business environment

Future macroeconomic situation

The following discussion about the future macroeconomic situation is essentially based on forecasts of the Kiel Institute for the World Economy (Kieler Diskussionsbeiträge: Weltkonjunktur und deutsche Konjunktur im Herbst 2010, September 2010) as well as those of Deka Bank (Makro Research, Volkswirtschaft Prognosen, 8 October 2010).

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT
(real in %)

Year	Germany	EU-25/ EU-27	World
2011e	+ 1.8	+ 1.6	+ 4.0
2010e	+ 3.4	+ 1.7	+ 4.6
2009	(4.7)	(4.2)	(0.8)
2008	+ 1.3	+ 1.2	+ 3.1
2007	+ 2.5	+ 3.1	+ 4.8
2006	+ 2.9	+ 3.3	+ 5.3

Source: Deka Bank

The upturn in the global economy will, in the opinion of leading economic research institutes, continue more mutedly during the further course of 2010, although a “double dip” is not regarded as being likely. Macroeconomic production should develop positively. The forecasts of Deka Bank for the global economy assume growth in the gross domestic product of 4.6 % for 2010 (previously: 4.5 %) and 4.0 % for 2011.

Financial policy that is increasingly restrictive in its impact together with a declining foreign demand will, according to expectations of the Institute for the World Economy Kiel, result in a slowdown of the economic development in the eurozone. While a recession cannot be ruled out in Greece, Spain and Portugal due to the high level of national debt, the German economy and those of the other countries in the eurozone should grow further. For 2010 and 2011, Deka Bank expects a moderate GDP increase in Europe of 1.7 % and 1.6 % respectively.

In the United States, the slowdown in economic expansion should further continue in 2010. The Institute for the World Economy Kiel, however, weakens fears of a “double dip”. While favourable refinancing conditions should go on supporting investments in equipment and software, production and consumer spending are liable to increase only moderately over the coming months. Against this backdrop, Deka Bank is assuming a growth rate for the gross domestic product of 2.7 % for 2010 and for 2011.

As regards the emerging market countries, leading economic institutes predict a slight decline in the momentum of growth. This is primarily attributable to a tightening of local economic policy and to lower demand on the part of the industrialised nations.

The expansionary monetary policy of the central banks should continue further, against the backdrop of further high unemployment and deteriorating economic prospects. It is expected that a move on interest rates will only be made by the European Central Bank towards the end of 2011, and also the Federal Reserve Bank will probably leave its interest rate policy unchanged till then. Our expectations regarding the USD/EUR exchange rate, which underlie our corporate planning, are on average about 1.33 USD/EUR and 1.40 USD/EUR respectively for 2010 and 2011, while we assume an oil price level of a good US$ 75 per barrel and just under US$ 80 per barrel respectively.

The effects on the course of business of the K+S Group described on page 5 also hold under the forecast macroeconomic framework conditions. In addition, the prosperity in the emerging market countries will tend to increase further. This should result in higher dietary expectations on the part of the populations in this region. Moreover, the growth in the world's population remains unchanged. As could already be observed during earlier periods of crisis, demand for agricultural products should therefore grow largely independently of economic conditions. In the case of salt products, the impact of the general economic situation on demand is of minor importance, since the business is essentially stable and thus largely independent of economic conditions.

Future industry situation

The important sales markets and competitive positions of the individual business segments described in the Financial Report 2009 in the section Group structure and business operations on pages 58 et seqq. essentially remain valid.

Fertilizer Business Sector

The medium- and long-term trends described in the Financial Report 2009 on page 146 et seqq., which positively influence the demand for our products in the Fertilizer business sector, retain their validity and have rather tended to accelerate during recent months.

In 2010, demand for fertilizers, and in particular for potash fertilizers, will again increase significantly due to the low stocks of straight fertilizers in the trade sector at the start of the year and due to the lower potash content of the soil following two very good harvests and the reduced application of fertilizers since autumn 2008. Agricultural consumption has increased sharply and, in the first nine months, was again approaching its normal level. Since the middle of the year, this development was boosted by significantly higher agricultural prices, which result in strongly improved earnings potential for the global agricultural sector. Against this background, we are now assuming global potash sales volumes of between 52 and 53 million tonnes for 2010 as a whole (previous forecast: about 50 million tonnes; 2009: 31 million tonnes).

As a result of the drastic cuts in production that were necessary last year, most potash producers have not yet returned to their theoretically possible utilisation of capacity. Against this backdrop, many potash producers almost reached the limits of their actually available capacities in the third quarter; in addition, stocks declined significantly. Announcements such as that of the Russian-Belarusian export organisation BPC at the end of August to increase the prices for the Asian market to US$/t 405 for potassium chloride standard and US$/t 420 for granulated potassium chloride respectively, and for the Brazilian market to between US$/t 410 and US$/t 420 for granulated potassium chloride were the consequences. In mid-September, K+S announced a further price increase by €/t 12 to €/t 317 for granulated potassium chloride in Europe.

With reference to our previous forecast of a further increase in global demand for potash fertilizers in 2011, we now assume global potash sales volumes of between 55 and 60 million tonnes (previous forecast: 53 to 57 million tonnes). This higher estimate is primarily based on the probably not only temporary positive price trend for agricultural raw materials and the resultantly more attractive earnings prospects of the agricultural sector. This should provide sufficient incentive to increase yields per hectare through the increased use of fertilizers. In the case of straight nitrogen fertilizers and complex fertilizers too, the positive trend in demand should continue in the coming year.

Salt Business Sector

The future industry situation in the Salt business sector described in the Financial Report 2009 remains valid. The fourth quarter's de-icing salt business will be influenced decisively by wintry weather conditions in Europe and North America. In this respect, we are assuming that sales volumes will be at their multi-year average level in the case of both the European and North American markets. While demand for food grade and industrial salt in Europe and North America should be stable, the South American industrial and food grade salt market will probably grow further in line with the regional population trend. As far as salt for chemical use is concerned, demand on the part of the chemical industry primarily in Europe should continue to normalise in the context of a persistent economic recovery.

Assuming average weather conditions, demand for de-icing salt in Europe should decline to a normal level again at the start of 2011 and see a corresponding increase in North America. Consumption of food grade and industrial salts in Europe and North America should be stable in 2011 too, the South American industrial and food grade salt market should grow further in line with the regional population trend. Demand on the part of the chemical industry for salt for chemical use should again increase moderately in light of the emerging economic recovery.

Future reasearch and development

€ million	2010e	2009
Research costs	15.8	18.7
Capital expenditure in development	3.5	1.8
Employees as of 31 December (number)	83	78

In the future too, we will consistently pursue our research and development goals defined in close consultation with marketing and production. With the first-time inclusion of Morton Salt for the entire year, research expenditure in the current year, 2010, should be just under € 16 million and thus somewhat lower than in 2009. Our forecast capital expenditure in development is € 3.5 million. At the end of 2010, as already on 30 September 2010, somewhat more than 80 employees should be employed in research for the K+S Group.

In 2011, the number of employees should further increase due to the increase of research capacities at Morton Salt in the United States and the filling of new posts at the Institute of Applied Plant Nutrition founded at the start of November 2010 at the University of Göttingen, Germany. As a consequence of this, research expenditure should also again rise significantly. Our forecast development-related capital expenditure is about € 3 million for 2011. In 2011, the focus of our R&D activities will be on efforts to implement and optimise production processes for minimising solid and liquid production residues in potash production, on work at the new Institute of Applied Plant Nutrition as well as on the development of new products for the industrial sector. Further focal points will be new developments in the area of stabilised fertilizers and partially coated fertilizers for green area application as well as energy optimisation at saline plants. At Morton Salt, in addition to process optimisation, the further development of product alternatives for the reduction of sodium content in food and product innovations in the areas of water softening salt and de-icing salt will be the focus.

Future number of employees, future personnel expenses

Compared with the end of 2009 (15,208 employees), we are assuming about the same number of employees at the end of 2010. We expect the average number to be 15,180 employees (2009: 13,044); this increase is mainly due to the full-year inclusion of the employees of Morton Salt, which was integrated into the K+S Group on 1 October 2009. Against this backdrop, personnel expenses should also increase significantly in 2010.

In the coming year, the average number of employees overall will be slightly higher due primarily to a further increase in the need for personnel in the Potash and Magnesium Products business segment. As a consequence of this and due to the additional costs arising from the most recent pay settlements under collective bargaining agreements, personnel expenses should increase moderately in the coming year.

K+S continues to regard vocational training an important investment in the future. For our German companies, our objective continues to be a trainee ratio of about 6%.

Future earnings position

Significant increase in revenues expected

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

Following up the estimates in the Forecast Report of the Financial Report 2009 and against the backdrop of the given demand and price tendencies, revenues of the K+S Group should rise significantly in financial year 2010 against the previous year. A figure of between € 4.8 billion and € 5.0 billion seems realistic from today's perspective (previously: € 4.6 billion to € 5.0 billion; previous year: € 3.6 billion). In particular the Salt business segment, which will grow very significantly due to the first-time inclusion of Morton Salt for the whole year, but also the Potash and Magnesium Products and Nitrogen Fertilizers business segments should experience significant revenue growth.

Costs expected to rise less than proportionally

The effect of both the Morton Salt consolidation and the increase in sales volumes of potash and magnesium fertilizers will result in a significant increase in the main cost items of our income statement. The forecast increase in costs will, however, be less pronounced than the expected revenue growth.

Without the consolidation-related effect of Morton Salt, which impacts all cost types, the following picture emerges from the analysis: As regards personnel expenses, in light of the expected higher utilisation of capacity, the end of short-time working, the salary and wage increases resulting from collective bargaining agreements and higher variable remuneration as a result of the positive earnings development, we expect a significant increase. As a result of the forecast higher sales volumes, we furthermore expect a sharp increase in freight costs as well as a significant increase in the costs of materials and energy. We expect depreciation and amortisation charges – without the inclusion of Morton Salt – only to increase moderately.

Forecast for operating earnings raised to between € 630 million and € 670 million

For financial year 2010, we are forecasting significantly higher operating earnings EBIT I compared with the figure for the previous year. This is attributable to the earnings increase in the Potash and Magnesium Products business segment, the turnaround in earnings in the Nitrogen Fertilizers business segment and the already described consolidation effect in the Salt business segment. We expect operating earnings EBIT I for the K+S Group to be between € 630 million and € 670 million this year (previously: € 550 million to € 600 million; previous year: € 238.0 million). Our forecast is based on the following assumptions:

- Stable average prices in the Potash and Magnesium Products business segment in the fourth quarter;
- Sales volumes in the Potash and Magnesium Products business segment of 6.7 to 6.9 million tonnes;
- Sales volumes in the Salt business segment of about 22 million tonnes, of which about 13 million tonnes should be accounted for by de-icing salt. For the fourth quarter, this, as customary, assumes normal de-icing salt sales volumes at their multi-year average level;
- An average US dollar exchange rate of 1.33 USD/EUR for 2010 as a whole and 1.37 USD/EUR for the fourth quarter and as of the reporting date 31 December 2010 (average exchange rate for 2009: 1.39 USD/EUR; closing rate as of 31 December 2009: 1.44 USD/EUR);
- Stable energy prices in the fourth quarter on the basis of the energy agreement clauses relevant for us.

Assuming expected depreciation of about € 250 million for 2010 including depreciation of just under € 55 million on valuations at Morton Salt within the framework of purchase price allocation, we expect an EBITDA of between € 880 million and € 920 million in this year (previously: € 800 million to € 850 million; previous year: € 411.8 million).

Earnings per share expected to be between € 1.95 and € 2.10 (previous year: € 0.56 per share)
The adjusted Group earnings after taxes should also be significantly higher in 2010, in line with the development of operating earnings. Here we expect a value between € 375 million and € 405 million (previously: € 330 million to € 370 million; previous year: € 93.6 million). This would correspond to adjusted earnings per share of about € 1.95 to € 2.10 per share (previously: € 1.75 to € 1.95 per share; previous year: € 0.56 per share).

Our projection is based not only on the assumptions described for revenues and operating earnings, but also on the following facts expected from today's perspective:

- A somewhat weaker financial result in comparison to the previous year due to non-recurrent effects;
- A domestic Group tax rate to be applied in accordance with IFRSs of 28.0 % and an overall adjusted Group tax rate derived from this of 26 % to 27 % (2009: 23.7 %).

Development of forecasts for 2010 as a whole

	Unit	ACTUAL 2009 [1]	Outlook Financial Report FR/09 + Q1/10	Outlook H1/10	Outlook 9M/10
K+S Group					
Revenues	€ billion	3.6	significant increase	4.6 to 5.0	4.8 to 5.0
EBITDA	€ million	411.8	significant increase	800 to 850	880 to 920
Operating earnings (EBIT I)	€ million	238.0	significant increase	550 to 600	630 to 670
Group earnings, adjusted	€ million	93.6	significant increase	330 to 370	375 to 405
Earnings per share, adjusted	€	0.56	significant increase	1.75 to 1.95	1.95 to 2.10
Capital expenditure [2]	€ million	177.6	260	210	200
Depreciation and amortisation [2]	€ million	173.8	230	250	250
Energy costs [3]	€ million	210.7	moderate increase	significant increase	significant increase
Personnel expenses [3]	€ million	756.4	moderate increase	significant increase	significant increase
Freight costs [3]	€ million	385.8	significant increase	strong increase	strong increase
Potash and Magnesium Products Business Segment					
Sales volume	t million	4.3	FR/09: just under 6 Q1/10: good 6.5	6.5 to 7	6.7 to 6.9
Salt Business Segment					
Sales volume crystallised salt	t million	14.8	n/a	21 to 22	22
- thereof de-icing salt	t million	9.0	n/a	12 to 13	13

[1] Starting from Q4/2009 including Morton Salt.
[2] Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.
[3] Without taking into consideration the consolidation effects of Morton Salt.

In the Financial Report 2009, we forecast good opportunities for 2011 for both revenues and earnings of the K+S Group to further increase in comparison to the figures then expected for 2010. This estimate retains its validity at the higher level seen today. In concrete terms, this means for 2011: Revenues should increase moderately overall, while we regard it as likely that operating earnings will increase significantly. This and an improved financial result should also cause a significant increase in adjusted Group earnings after taxes. Our outlook for the coming year is based on a number of factors including the following:

- Continued attractive agricultural prices;
- Higher average prices and moderate increases in sales volumes (expected sales volume: just over 7 million tonnes) in the Potash and Magnesium Products business segment;
- Average sales volumes of crystallised salt of about 21 million tonnes, somewhat lower in comparison to the previous year;
- A US dollar exchange rate of 1.40 USD/EUR;
- Stable energy prices on the basis of the energy agreement clauses relevant for us;
- A stable adjusted Group tax rate of 26 % to 27 %.

Future dividend policy

We pursue a dividend policy that is in principle earnings-based. According to this, a distribution level of between 40 % and 50 % of adjusted Group earnings forms the basis for the amount of future dividend recommendations to be determined by the Board of Executive Directors and the Supervisory Board. The increase in adjusted Group earnings after taxes expected for 2010 and 2011 should also have a correspondingly positive effect on future dividend payments.

Expected financial position

Significant reduction of net indebtedness expected

With net indebtedness (including provisions for pensions and mining obligations) as of 30 September 2010 of € 789.1 million and thus a gearing ratio of 32 % as well as due to a high free cash flow, the K+S Group has a strong financial base. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities. In view of the expected earnings development and without taking into account possible acquisitions, share repurchase transactions or CTA allocations, the level of our financial debt should significantly decline compared with the previous year. With an equity ratio of more than 40 %, a level of indebtedness of under 40 % and a ratio of net debt to EBITDA of about 1.0 in 2010 and subject to the aformentioned conditions, we will, in all likelihood, regain our unchanged capital structure targets, as defined in the Financial Report 2009. In 2011 too, a positive free cash flow should result in a further reduction in net indebtedness, so that in the coming year we should also achieve our capital structure targets.

Planned capital expenditure

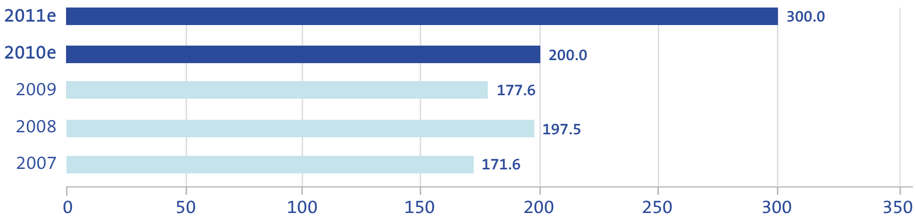
For 2010, in the Half-yearly Financial Report H1/2010, we reduced the capital expenditure forecast of the Financial Report 2009 and the Quarterly Financial Report Q1/2010 due to delays with investment projects, including the implementation of the package of measures on water protection, initially by about € 50 million and now by a further € 10 million to about € 200 million. The remaining increase over the figure for the previous year (2009: € 177.6 million) is mainly attributable to the first-time inclusion of Morton Salt for the whole year. Probably about three quarters of the total volume of capital expenditure will be accounted for by investments relating to replacement and securing production. This share should thus also be under the expected depreciation of about € 250 million (including expected PPA write-downs of just under € 55 million) for the year as a whole.

In the Potash and Magnesium Products business segment, energy projects at the Zielitz site as well as projects aimed at increasing raw material exploitation, process optimisation and reducing solid and liquid production residues will be the main focus in the fourth quarter 2010. In the Nitrogen Fertilizers business segment, we will continue to invest in the construction of a third facility for coated fertilizers in Krefeld. In the Salt business segment, the modernisation of a shaft winding engine at the Borth site in Germany, the extension of the useful life of some of Empremar's ships, the expansion of storage areas at SPL in Brazil, the modernisation of a loading terminal on the Bahamas and the installation of a higher-performance crystallisation plant at the Grand Saline site in Texas will number among the most important projects.

As forecast in the Financial Report 2009, about € 300 million is to be invested in 2011. Probably about three quarters of the total volume of capital expenditure will be accounted for by investments relating to replacement and securing production. This share should thus also be below the depreciation expected for 2011. In the Potash and Magnesium Products business segment, projects aimed at increasing raw material exploitation, process optimisation and capital expenditure within the framework of the package of measures on water protection for reducing solid and liquid production residues should be the main focus in the coming year. In the Salt business segment, the modernisation of a shaft winding engine at the Borth site in Germany, the brine field expansion at Frisia in Harlingen, the modernisation of the evaporated salt facility at the Hutchinson site in Kansas, as well as the expansion of the brine fields at the sites in Silver Springs, Florida, and Hutchinson, Kansas, will number among the most important projects. In the Waste Management and Recycling business segment, a further field for underground re-utilization will be put into operation at the Bernburg site in Germany.

Capital Expenditure

€ million



Expected development of liquidity

For the current year, we are anticipating a positive development of liquidity; the projected development of earnings should also have an impact on the cash flow from operating activities. The latter will probably tangibly exceed outlays connected with capital expenditure, so that we can expect to generate a free cash flow of just under € 500 million in 2010. In the coming year too, the cash flow from operating activities will probably tangibly exceed outlays connected with capital expenditure, so that we can expect to achieve a substantial positive free cash flow in 2011.

Guarantee of the Legal Representatives of K+S Aktiengesellschaft

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

Kassel, 4 November 2010

K+S Aktiengesellschaft
The Board of Executive Directors

Forward-looking statements

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

Business Segments of the K+S Group

Potash and Magnesium Products Business Segment

Variance analysis in %	Q3/10	9M/10
Change in revenues	**+ 22.6**	**+ 30.0**
- volume	+ 38.4	+ 74.6
- structure	(3.8)	(21.2)
- prices	(17.8)	(25.3)
- exchange rates	+ 5.8	+ 1.9
- consolidation	–	–

Potassium chloride	+ 2.1	+ 33.0
Fertilizer specialities	+ 87.7	+ 53.1
Industrial products	+ 1.8	(10.7)

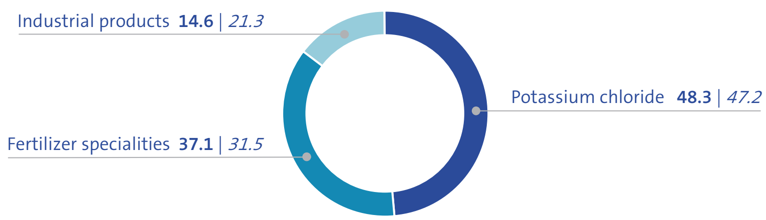
€ million	Q3/10	Q3/09	%	9M/10	9M/09	%
Revenues	417.8	340.8	+ 22.6	1,379.7	1,061.1	+ 30.0
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	100.0	73.7	+ 35.7	411.4	265.0	+ 55.2
Operating earnings (EBIT I)	79.4	54.0	+ 47.0	349.2	204.8	+ 70.5
Capital expenditure	23.7	30.1	(21.3)	50.6	79.9	(36.7)
Employees as of 30 Sept. (number)	–	–	–	7,837	7,873	(0.5)

Market environment

Compared with the previous year, the third quarter of 2010 was also characterised by higher, normalising demand for potash fertilizers. The potash fertilizers ordered in the summer months by the trade sector in the northern hemisphere were used by farmers for autumn fertilizing at the almost normal level again. With significantly declining stocks, the utilisation of capacity at most potash producers reached a relatively high level, so that at the end of August the Russian-Belarusian export organisation BPC announced prices for the Asian market of US$/t 405 for potassium chloride standard and US$/t 420 for granulated potassium chloride, and for the Brazilian market prices between US$/t 410 and US$/t 420 for granulated potassium chloride. In mid-September, K+S announced a price increase by €/t 12 to €/t 317 for granulated potassium chloride in Europe.

REVENUES BY PRODUCT GROUP JAN. – SEPT. 2010

in %; previous year's figures in italics



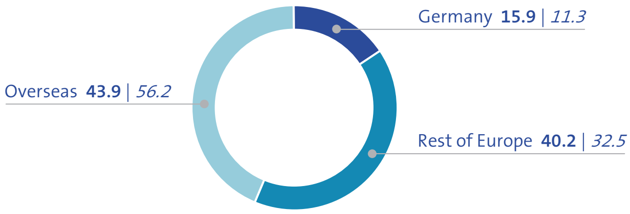
Revenues

The significant revival in demand for potash since the start of the year resulted in our production capacities also being well utilised in the third quarter. The revenues of the business segment consequently increased due principally to volume factors by € 77.0 million or 23 % to € 417.8 million. In the case of fertilizer specialities and potassium chloride, the sharp volume increase was able to more than make up for negative price and structural effects, and in the case of fertilizer specialities resulted in a strong increase in revenues by € 71.6 million to € 153.6 million (+88 %). With potassium chloride, a slight revenue increase to € 195.9 million was achieved against the same quarter in the previous year (€ 191.9 million). In the case of industrial products too, revenues rose slightly to € 68.3 million (Q3/09: € 67.1 million). Sales volumes of potash and magnesium products in the third quarter increased overall by 41 % and reached 1.58 million tonnes (Q3/09: 1.11 million tonnes).

In the first nine months, revenues rose by a total of 30% to € 1,379.7 million and sales volumes by 71% to 5.25 million tonnes (9M/09: 3.06 million tonnes). A detailed overview of revenues, sales volumes and prices by quarter and region can be found in the Notes on page 39.

REVENUES BY REGION JAN. – SEPT. 2010

in %; previous year's figures in italics



Development of earnings

Operating earnings in the third quarter amounted to € 79.4 million and thus increased by 47% in comparison to Q3/09 (€ 54.0 million). The significantly higher revenues were able to more than make up for the primarily volume-related higher total costs, which rose to a lesser extent, however, as a result of fixed cost degression. The US dollar, which in the third quarter continued to be stronger in comparison to the previous year, also had a positive effect on earnings. It proved possible to increase operating earnings in the first nine months by 71% to € 349.2 million (9M/09: € 204.8 million).

At € 100.0 million (Q3/09: € 73.7 million), EBITDA reflected this earnings trend, due to an almost constant depreciation and amortisation level. In the first nine months, EBITDA was € 411.4 million (9M/09: € 265.0 million).

Outlook

On the basis of our sales forecast of now 6.7 to 6.9 million tonnes (2009: 4.3 million tonnes), revenues should increase significantly in 2010 in comparison to the previous year. The full effect of price increases for potassium chloride announced in the third quarter will only be felt towards the end of the fourth quarter due to existing supply commitments. Against this backdrop and in light of a weaker US dollar, we expect a stable average price level in the remaining months of this year in comparison to the last quarter. Despite the expected higher production output, the total costs will probably rise to a less than full extent, as a result of the fixed cost degression and the cost reduction measures already launched last year. The operating earnings of the business segment should therefore very significantly exceed the previous year's earnings.

In 2011, sales volumes should rise moderately and amount to just over 7 million tonnes. On the basis of the international potash prices attained at the present time, we also expect a moderate rise in average prices, so that revenues will probably rise tangibly as a result of volume and price factors. This should more than make up for the expected moderate rise in costs and enable further significant earnings growth.

Variance analysis in %	Q3/10	9M/10
Change in revenues	**+ 49.7**	**+ 21.8**
- volume	(30.4)	+ 4.9
- structure	+ 68.7	+ 19.9
- prices	+ 8.1	(4.1)
- exchange rates	+ 3.3	+ 1.1
- consolidation	–	–
Consumer	(12.0)	(3.9)
Expert	+ 56.8	+ 42.9
Complex fertilizers	+ 86.4	+ 23.0
Straight nitrogen fertilizers	+ 49.4	+ 30.7
Ammonium sulphate	+ 32.1	+ 27.9

Nitrogen Fertilizers Business Segment

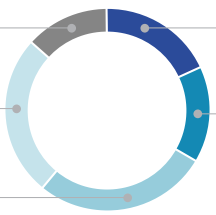
€ million	Q3/10	Q3/09	%	9M/10	9M/09	%
Revenues	306.1	204.5	+ 49.7	979.0	804.0	+ 21.8
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	5.4	(43.8)	–	51.6	(56.6)	–
Operating earnings (EBIT I)	2.6	(47.3)	–	43.1	(65.8)	–
Capital expenditure	2.8	3.7	(24.3)	7.7	6.0	+ 28.3
Employees as of 30 Sept. (number)	–	–	–	1,226	1,265	(3.1)

Market environment

Rising prices expected by market participants and low stocks in Europe resulted in strong demand for straight nitrogen fertilizers in the third quarter. This was accompanied by a significantly higher price level than in the previous year. Sales volumes of complex fertilizers also continued to be strong overseas and, towards the end of the quarter, were strengthened to a great extent by demand from Western Europe. Against this backdrop, bottlenecks occurred in delivery to customers. In the COMPO Expert division, the normalisation of demand for speciality fertilizers also continued. In the COMPO Consumer division, demand was below average in the third quarter due to the very hot summer. The European production facilities for nitrogen fertilizers operated at full capacity in the quarter under review.

Revenues by Segment Jan. – Sept. 2010

in %; previous year's figures in italics

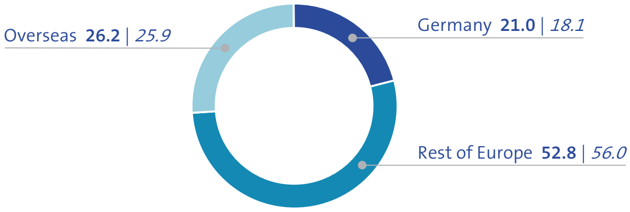


Revenues

Revenues in the Nitrogen Fertilizers business segment rose by 50% to € 306.1 million in the third quarter. Revenues for complex fertilizers totalled € 95.6 million (Q3/09: € 51.3 million), for straight nitrogen fertilizers € 104.3 million (Q3/09: € 69.8 million) and for ammonium sulphate € 39.1 million (Q3/09: € 29.6 million). In comparison to the same quarter in the previous year, positive structural, price and currency effects were evident in this. Sales volumes of complex fertilizers,straight nitrogen fertilizers and ammonium sulphate totalled 1.25 million tonnes in the third quarter; in the first nine months of the year, sales volumes were 3.53 million tonnes. At € 22.1 million, revenues in the Consumer division were below the level as for the same period in the previous year (Q3/09: € 25.1 million); good revenues in Austria, Spain, Switzerland and Belgium did not manage to quite make up for declines in revenues in Germany and France. At € 45.0 million, revenues in the Expert division were 57% up year on year (Q3/09: € 28.7 million); here volume-related revenue growth was able to more than make up for slightly negative price effects. Sales volumes in the Expert division were 0.03 million tonnes in the third quarter. In the first nine months, sales volumes stood at 0.16 million tonnes. In the first nine months, the revenues of the business segment increased mainly due to volume factors by € 175.0 million or 22 % to € 979.0 million.

Revenues by Region Jan. – Sept. 2010

in %; previous year's figures in italics



Development of earnings

The operating earnings of the Nitrogen Fertilizers business segment in the third quarter reached € 2.6 million after having stood at € (47.3) million in the same quarter of the previous year. They profited from higher sales volumes as well as a tangible increase in fertilizer prices in all product groups, which were able to more than make up for increases in input costs. The operating earnings of the Nitrogen Fertilizers business segment were € 43.1 million in the first nine months of the year, after having been € (65.8) million in the same period of the previous year.

At € 5.4 million in the third quarter (Q3/09: € (43.8) million) and € 51.6 million in the first nine months of the year (9M/09: € (56.6) million), EBITDA followed the earnings development, due to an almost constant depreciation and amortisation level.

Outlook

In financial year 2010, the revenues of the Nitrogen Fertilizers business segment should increase significantly. While there is a high level of competitive pressure in the consumer area, sales volumes of nitrogen fertilizers to agriculture are increasing significantly. While the Nitrogen Fertilizers business segment still had been adversely impacted last year by high raw material costs, a low level of capacity utilisation as well as high non-recurrent costs, for the current year, there are indications of a more favourable raw material cost basis and an increasing utilisation of capacity as a result of growing demand for fertilizers. After the heavy losses of the previous year, an operating trading margin of 3 % to 4 % should therefore be possible this year.

With regard to 2011, we assume, from the perspective of today, that revenues will increase slightly in the Nitrogen Fertilizers business segment due to price factors. Moderate relief on the cost side should result in a tangible increase in operating earnings.

Variance analysis in %	Q3/10	9M/10
Change in revenues	**+ 150.8**	**+ 114.0**
- volume	+ 1.8	+ 4.4
- structure	(0.8)	(0.6)
- prices	+ 10.7	+ 4.7
- exchange rates	+ 7.7	+ 1.4
- consolidation	+ 131.4	+ 104.1
Food grade salt	+ 246.9	+ 251.0
Industrial salt	+ 184.4	+ 192.0
Salt for chemical use	+ 28.8	+ 38.4
De-icing salt	+ 157.1	+ 69.0
Other	+ 26.8	+ 29.5

Salt Business Segment

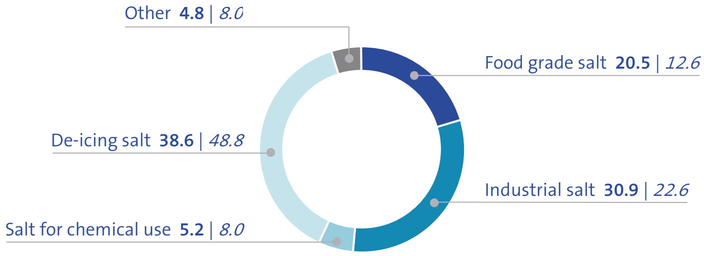
€ million	Q3/10	Q3/09	%	9M/10	9M/09	%
Revenues	305.2	121.7	+ 150.8	1,196.9	559.3	+ 114.0
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	60.8	22.0	+ 176.4	263.5	118.9	+ 121.6
Operating earnings (EBIT I)	31.8	13.5	+ 135.6	161.5	93.1	+ 73.5
Capital expenditure	15.7	6.6	+ 137.9	41.7	21.0	+ 98.6
Employees as of 30 Sept. (number)	–	–	–	5,283	2,342	+ 125.6

Market environment

For de-icing salt, in the third quarter, it proved possible for the European tenders to be predominantly concluded at tangibly higher prices after the persistent wintry weather conditions at the start of the year and the still hesitant early stocking-up in the second quarter. The short and intensive early stocking-up phase that commenced at that point resulted in all European production facilities operating at full capacity. In the United States, on the other hand, life was made more difficult for suppliers in relation to the tenders there by still relatively high stocks as a result of the previous winter having been comparatively mild in some regions and increasing competitive pressure on the East Coast. This resulted in moderate price declines and lower contract volumes. While demand for food grade salts largely remained stable, in the area of industrial salt, reluctance to purchase on the part of North American consumers due to the difficult economic environment resulted in lower consumption of water softening salts. As for salt for chemical use, demand in Europe normalised thanks to a sustaining economic recovery. However, this was not yet the case in the North American market.

REVENUES BY PRODUCT GROUP JAN. – SEPT. 2010

in %; previous year's figures (without Morton Salt) in italics

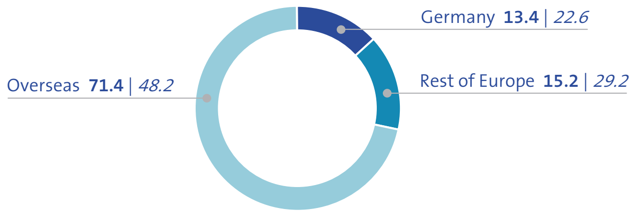


Revenues

In the third quarter, revenues of the Salt business segment rose by € 183.5 million or 151 % to € 305.2 million primarily due to consolidation factors. The consolidation of Morton Salt contributed € 159.9 million. In the case of de-icing salt, in addition to the consolidation effect (€ 21.0 million), in particular higher prices in the early stocking-up phase in Europe due to the very harsh winter in the 2009/2010 season resulted in revenues increasing to € 58.1 million (Q3/09: € 22.6 million). As far as food grade salt is concerned, revenues increased by 247 % to € 84.3 million. This is primarily attributable to the consolidation of Morton Salt (Q3/10: € 59.5 million) and positive price effects due to a supply bottleneck in the Brazilian market. Industrial salt saw positive volume and price effects and achieved revenues of € 122.0 million (Q3/09: € 42.9 million); in this case too, the inclusion of Morton Salt with € 73.4 million had a positive effect. At € 21.9 million, revenues with salt for chemical use were up € 4.9 million or 29 % year on year (of which Morton Salt: € 4.4 million) and the Others segment rose by € 4.1 million to € 18.9 million (of which Morton Salt: € 1.8 million). Sales volumes of crystallised salt during the third quarter totalled 3.33 million tonnes and were therefore up 79 % on the previous year's level due to consolidation factors. Of this, 1.43 million tonnes were sold by Morton Salt. In the first nine months of the year, total revenues of the business segment reached € 1,196.9 million and were thus, as a result of the consolidation of Morton Salt and the strong first quarter, significantly higher than the level of the same period in the previous year (9M/09: € 559.3 million); sales volumes of crystallised salt also rose for the above-mentioned reasons by 82 % to 15.34 million tonnes in the first nine months of the year. A detailed overview of revenues, sales volumes and prices by quarter can be found in the Notes on page 39.

Revenues by Region Jan. – Sept. 2010

in %; previous year's figures (without Morton Salt) in italics



Development of earnings

While a large part of the total costs in the Salt business segment is divided largely linearly over the quarters of the year, sales volumes are concentrated on Q1 and Q4, which are strong for de-icing salt. This basically results in an over-proportional cost burden of Q2 and Q3 in relation to the sales volume.

Third quarter operating earnings reached € 31.8 million and were thus € 18.3 million, exactly the consolidation contribution from Morton Salt, higher than the figure for the same period in the previous year. Depreciation on valuations made within the framework of the purchase price allocation (PPA) reduced earnings by € 11.1 million. In the first nine months, operating earnings totalled € 161.5 million (9M/09: € 93.1 million); PPA depreciation totalled € 39.6 million.

Against the backdrop of the described effects from the consolidation of Morton Salt, EBITDA is the more meaningful earnings figure for assessing the earnings capacity of the Salt business segment. EBITDA of the business segment thus increased very significantly from € 22.0 million to € 60.8 million in the third quarter. In the first nine months of the year, with EBITDA of € 263.5 million, more than twice as much was achieved as in the same period of the previous year (9M/09: € 118.9 million).

Outlook

As a result of the first-time inclusion of Morton Salt for a whole year, a consolidation effect of a good € 600 million revenues is expected for 2010. Morton Salt was included for the first time as of 1 October 2009. The weather-related good start with de-icing salt in Europe was, so far, able to make up for a slightly lower-than-average business with de-icing salt in North America. Overall, we anticipate a significant increase in revenues in the Salt business segment, mainly as a result of consolidation factors. This forecast assumes an average de-icing salt business in the fourth quarter as well as a relatively stable development in revenues in the food grade and industrial salt segments. Regarding salt for chemical use, we again expect a moderate sales volume increase in view of the emerging economic recovery. As far as costs are concerned, in addition to the consolidation effect, there will probably be an impact from higher freight costs. In relation to the integration process which is going according to plan, we only anticipate costs in the middle of the single-digit millions range for the current year. The operating earnings should therefore be significantly higher than for the previous year, mainly due to consolidation factors. On this basis, we expect a sales volume level in the Salt business segment of about 22 million tonnes in total, of which about 13 million tonnes should be accounted for by de-icing salt. This level is a good 1 million tonnes higher than the volumes assumed for a normal year. While for the 2010/2011 de-icing salt season we expect tangibly rising prices in Europe, the price level in North America should weaken somewhat due to high stocks as a consequence of a relatively mild winter.

Following the long-term average volume of historical de-icing salt volumes, for 2011, we are planning sales volumes for salt of about 21 million tonnes of crystallised salt including 12 million tonnes of de-icing salt. Revenues in the Salt business segment should therefore decline moderately. On the basis of higher freight costs and rising personnel expenses under collective bargaining agreements, we assume that there will be a tangible decline in operating earnings against this backdrop.

Complementary Business Segments

Variance analysis in %	Q3/10	9M/10
Change in revenues	**+ 2.9**	**+ 11.0**
- volume	(7.4)	+ 0.1
- structure	+ 10.0	+ 10.9
- prices	+ 0.3	–
- exchange rates	–	–
- consolidation	–	–
Waste Management and Recycling	+ 3.4	+ 9.7
Logistics	(17.6)	+ 7.5
Animal Hygiene Products	+ 2.4	+ 6.8
Trading	+ 50.0	+ 44.3

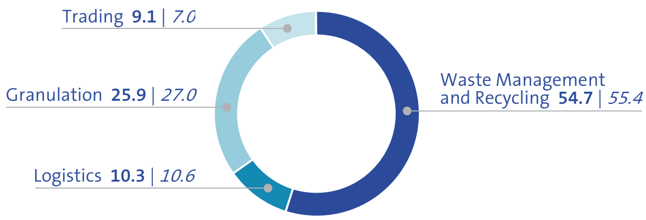
€ million	Q3/10	Q3/09	%	9M/10	9M/09	%
Revenues	31.8	30.9	+ 2.9	97.2	87.6	+ 11.0
Earnings before interest, taxes, depreciation & amortisation (EBITDA)	5.8	5.4	+ 7.4	21.5	13.7	+ 56.9
Operating earnings (EBIT I)	4.3	4.3	–	16.9	9.5	+ 77.9
Capital expenditure	1.9	2.6	(26.9)	3.7	3.9	(5.1)
Employees as of 30 Sept. (number)	–	–	–	281	281	–

Revenues

In the third quarter, revenues of the Complementary Business Segments with third parties stood at € 31.8 million and were thus 3 % up on the previous year (€ 30.9 million). Including intersegment revenues, total revenues amounted to € 42.1 million (Q3/09: € 39.3 million). For the first nine months, revenues with third parties amounted to € 97.2 million (9M/09: € 87.6 million), while total revenues were € 126.8 million (9M/09: € 113.6 million).

Revenues by Segment Jan. – Sept. 2010

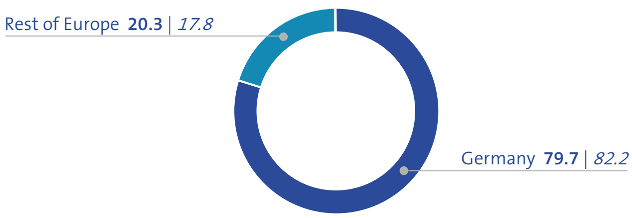
in %; previous year's figures in italics



In the third quarter, it proved possible to increase the revenues of the Waste Management and Recycling segment by 3 % to € 18.0 million due to price and structural factors and the Animal Hygiene Products segment to € 8.6 million (Q3/09: € 8.4 million) due to volume and price factors. As regards Trading, revenues in the third quarter grew by 50 % to € 2.4 million due to volume factors. A weaker business with third parties resulted in a decline in revenues of 18 % to € 2.8 million for logistics services.

Revenues by Region Jan. – Sept. 2010

in %; previous year's figures in italics



Development of earnings

At € 4.3 million, operating earnings in the third quarter were at the same level as in the previous year. A higher transshipment volume at the Hamburg "Kalikai" in the Logistics segment made a positive contribution to earnings and compensated for the declines in earnings in the Animal Hygiene Products segment. The earnings of the Waste Management and Recycling segment were roughly constant. In the first nine months, operating earnings thus were € 16.9 million or 78 % higher than in the same period of the previous year (9M/09: € 9.5 million).

At € 5.8 million in the third quarter (Q3/09: € 5.4 million) and € 21.5 million in the first nine months of the year (9M/09: € 13.7 million), the development of EBITDA corresponded to the development of EBIT due to an almost constant depreciation and amortisation level.

Outlook

In "Complementary Business Segments" we expect a tangible increase in revenues. The Waste Management and Recycling and Logistics segments should in particular manage to bring about growth. For operating earnings too, we expect a significant increase compared with the previous year, which primarily results from the higher contributions to earnings deriving from waste management and logistics.

With regard to 2011, we assume, from the perspective of today, that the development of revenues will be stable while that of earnings will decline somewhat.

FINANCIAL SECTION

Statement of Income for the Period

€ million	Q3/10	Q3/09	9M/10	9M/09	LTM[3]/10	12M/09
Revenues	**1,061.2**	**698.1**	**3,653.3**	**2,512.5**	**4,714.6**	**3,573.8**
Cost of sales	679.0	474.3	2,217.6	1,611.3	2,950.2	2,343.9
Gross profit	**382.2**	**223.8**	**1,435.7**	**901.2**	**1,764.4**	**1,229.9**
Selling expenses	224.4	155.7	753.7	504.5	961.6	712.4
General and administrative expenses	38.2	23.6	122.5	83.2	162.4	123.1
Research and development costs	3.1	5.6	10.6	14.1	15.2	18.7
Other operating income	31.7	31.6	163.6	101.9	216.2	154.5
Other operating expenses	37.8	51.6	164.0	167.6	249.7	253.3
Income from investments, net	1.4	2.0	3.2	2.8	1.3	0.9
Result from operating forecast hedges	47.1	(3.5)	(3.8)	(28.5)	(11.2)	(35.9)
Result after operating hedges (EBIT II) [1]	**158.9**	**17.4**	**547.9**	**208.0**	**581.8**	**241.9**
Interest income	1.5	0.7	4.4	2.8	6.3	4.7
Interest expenses	(57.8)	(24.5)	(110.0)	(42.1)	(129.6)	(61.7)
Other financial result	3.6	12.1	1.2	(57.4)	0.2	(58.4)
Financial result	**(52.7)**	**(11.7)**	**(104.4)**	**(96.7)**	**(123.1)**	**(115.4)**
Earnings before income taxes	**106.2**	**5.7**	**443.5**	**111.3**	**458.7**	**126.5**
Taxes on income	29.2	1.9	117.5	30.2	116.9	29.6
- of which deferred taxes	0.6	13.0	(8.1)	6.2	(23.0)	(8.7)
Net income	**77.0**	**3.8**	**326.0**	**81.1**	**341.8**	**96.9**
Minority interests in earnings	0.2	0.1	0.6	0.3	0.8	0.5
Group earnings after taxes and minority interests	**76.8**	**3.7**	**325.4**	**80.8**	**341.0**	**96.4**
Earnings per share in € (undiluted ≙ diluted)	0.40	0.02	1.70	0.49	1.83	0.58
Operating earnings (EBIT I)	**108.5**	**9.4**	**531.7**	**201.5**	**568.2**	**238.0**
Earnings before income taxes, adjusted [2]	**55.8**	**(2.3)**	**427.3**	**104.8**	**445.1**	**122.6**
Group earnings, adjusted [2]	**40.4**	**(2.1)**	**313.7**	**76.1**	**331.2**	**93.6**
Earnings per share in €, adjusted [2]	**0.21**	**(0.01)**	**1.64**	**0.46**	**1.78**	**0.56**
Average number of shares (million)	191.40	165.00	191.32	164.91	185.95	166.15

Statement of comprehensive Income for the Period

€ million	Q3/10	Q3/09	9M/10	9M/09	LTM[3]/10	12M/09
Net income	**77.0**	**3.8**	**326.0**	**81.1**	**341.8**	**96.9**
Foreign currency translation	(198.3)	(18.7)	97.5	(25.6)	129.4	6.3
Cash flow hedge	–	(28.8)	–	(28.8)	28.8	–
Earnings without recognition in profit or loss	**(198.3)**	**(47.5)**	**97.5**	**(54.4)**	**158.2**	**6.3**
Comprehensive income	**(121.3)**	**(43.7)**	**423.5**	**26.7**	**500.0**	**103.2**
Minority interests in comprehensive income	0.2	0.1	0.6	0.3	0.8	0.5
Group comprehensive income after taxes and minority interests	**(121.5)**	**(43.8)**	**422.9**	**26.4**	**499.2**	**102.7**

Operating Earnings (EBIT I)

€ million	Q3/10	Q3/09	9M/10	9M/09	LTM[3]/10	12M/09
Result after operating hedges (EBIT II) [1]	**158.9**	**17.4**	**547.9**	**208.0**	**581.8**	**241.9**
+/- Result from operating forecast hedges	(47.1)	3.5	3.8	28.5	11.2	35.9
+/- Realized earnings from operating forecast hedges	(3.3)	(11.5)	(20.0)	(35.0)	(24.8)	(39.8)
Operating earnings (EBIT I)	**108.5**	**9.4**	**531.7**	**201.5**	**568.2**	**238.0**

[1] Management of the K+S Group is handled on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded below the income statement.

[2] The adjusted key figures only contain the earnings actually realised on operating forecast hedges for the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account. Any resulting effects on deferred and cash taxes are also eliminated; tax rate 2010: 28.0 % (2009: 27.9 %).

[3] LTM = last twelve months (Q4/09 + Q1/10 + Q2/10 + Q3/10)

Statement of Cash Flows for the Period

€ million	Q3/10	Q3/09	9M/10	9M/09	LTM/10	12M/09
Result after operating hedges (EBIT II)	**158.9**	**17.4**	**547.9**	**208.0**	**581.8**	**241.9**
Income(-)/expenses(+) from market value changes of hedging transactions not yet due	(48.3)	(5.7)	(8.9)	10.8	(10.0)	9.7
Neutralising previous market value changes of derecognised hedging transactions	(2.1)	(2.3)	(7.3)	(17.3)	(3.6)	(13.6)
Operating earnings (EBIT I)	**108.5**	**9.4**	**531.7**	**201.5**	**568.2**	**238.0**
Depreciation (+)/write-ups (-) on intangible assets, property, plant and equipment and financial assets	55.7	35.9	182.6	106.0	250.4	173.8
Increase(+)/decrease(-) in non-current provisions (without interest rate effects)	12.9	0.9	7.7	(8.3)	22.5	6.5
Interest, dividends and similar income received	2.0	0.6	6.5	2.7	8.2	4.4
Realised gains(+)/losses(-) on the disposal of financial assets and securities	(3.0)	0.5	(4.6)	0.8	(4.3)	1.1
Interest paid	(47.7)	(39.1)	(56.5)	(44.1)	(76.2)	(63.8)
Remaining financial costs (-)/financing income (+)	–	–	–	–	0.5	0.5
Income taxes paid(-)/received(+)	(23.9)	11.1	(68.5)	(24.0)	(82.7)	(38.2)
Other non-cash expenses(+)/income(-)	(23.4)	(0.3)	(15.0)	(1.9)	(11.5)	1.6
Gross cash flow	**81.1**	**19.0**	**583.9**	**232.7**	**675.1**	**323.9**
Gain(-)/loss(+) on the disposal of fixed assets and securities	0.2	(0.1)	0.5	–	0.9	0.4
Increase(-)/decrease(+) in inventories	(75.4)	25.0	(15.1)	144.0	51.1	210.2
Increase(-)/decrease(+) in receivables and other assets from operating activities	20.2	106.6	80.2	162.5	89.5	171.8
- of which premium volume for derivatives	(4.2)	17.7	(6.6)	34.3	(2.7)	38.2
Increase (+)/decrease (-) in liabilities from operating activities	55.3	6.5	60.6	(200.3)	122.2	(138.7)
- of which premium volume for derivatives	0.2	(8.7)	7.0	(4.4)	8.1	(3.3)
Increase(+)/decrease(-) of current provisions	19.5	(52.4)	16.5	(12.4)	(1.6)	(30.5)
Out-financing of provisions	(0.5)	(0.4)	(2.9)	(2.1)	(3.1)	(2.3)
Cash flow from operating activities	**100.4**	**104.2**	**723.7**	**324.4**	**934.1**	**534.8**
Proceeds from disposals of fixed assets	(0.9)	1.1	4.1	2.4	7.2	5.5
Disbursements for intangible assets	(1.6)	(0.6)	(3.9)	(2.0)	(6.4)	(4.5)
Disbursements for property, plant and equipment	(43.9)	(42.9)	(103.3)	(112.1)	(159.4)	(168.2)
Disbursements for financial assets	0.1	(0.1)	(4.2)	(1.1)	(4.9)	(1.8)
Payments from exchange rate hedging of acquisitions	–	(87.9)	–	(87.9)	–	–
Disbursements for the acquisition of consolidated companies	–	–	–	–	(1,089.0)	(1,176.9)
Cash flow for investing activities	**(46.3)**	**(130.4)**	**(107.3)**	**(200.7)**	**(1,252.5)**	**(1,345.9)**
Free cash flow	**54.1**	**(26.2)**	**616.4**	**123.7**	**(318.4)**	**(811.1)**
Dividends paid	–	–	(38.3)	(396.0)		
Payments from allocations to equity	–	–	6.1	7.9		
Purchase of own shares	–	–	(8.4)	(13.9)		
Sale of own shares	–	–	0.5	–		
Increase(+)/decrease(-) in liabilities from finance lease	(0.2)	–	(1.1)	(0.1)		
Taking out (+)/repayment of (-) loans	1.8	376.8	(395.9)	438.7		
Incoming payments (+)/repayments (-) from the issuing of bonds	–	747.0	–	747.0		
Cash flow from/for financing activities	**1.6**	**1,123.8**	**(437.1)**	**783.6**		
Change in cash and cash equivalents affecting cash flow	**55.7**	**1,097.6**	**179.3**	**907.3**		
Change in cash and cash equivalents resulting from exchange rates	(11.3)	(5.1)	5.4	(5.0)		
Consolidation-related changes	–	–	–	0.9		
Change in cash and cash equivalents	**44.4**	**1,092.5**	**184.7**	**903.2**		
Net cash and cash equivalents as of 1 January	**–**	**–**	**520.1**	**160.6**		
Net cash and cash equivalents as of 30 September	**–**	**–**	**704.8**	**1,063.8**		

Explanations to the statement of cash flows can be found on page 14.

Balance Sheet - Assets

€ million	30.09.2010	30.09.2009	31.12.2009
Intangible assets	968.9	166.3	915.3
- of which goodwill from acquisitions	599.4	100.4	548.0
Property, plant and equipment	1,771.4	1,242.3	1,728.3
Investment properties	7.8	8.3	7.9
Financial assets	26.1	22.2	22.4
Receivables and other assets	156.0	15.0	264.3
- of which derivative financial instruments	6.6	1.1	–
Deferred taxes	42.4	45.5	32.7
Recoverable income taxes	0.4	0.5	0.5
Non-current assets	**2,973.0**	**1,500.1**	**2,971.4**
Inventories	712.5	540.6	680.4
Accounts receivable – trade	787.0	700.4	849.6
Other receivables and assets	177.5	173.6	152.2
- of which derivative financial instruments	45.6	28.9	19.6
Recoverable income taxes	17.7	65.8	29.8
Cash and bank balances	713.1	1,199.8	529.1
Current assets	**2,407.8**	**2,680.2**	**2,241.1**
ASSETS	**5,380.8**	**4,180.3**	**5,212.5**

Statement of Changes in Equity for the Period

€ million	Subscribed capital	Additional paid-in capital	Accumulated profit/ other reserves	Differences from foreign currency translation
Balance as of 1 January 2010	191.4	648.8	1,263.0	(10.3)
Comprehensive income	–	–	325.4	97.5
Dividend for the previous year	–	–	(38.3)	–
Issuance of shares to employees	–	(2.6)	–	–
Other changes in equity	–	–	(0.7)	–
Balance as of 30 September 2010	**191.4**	**646.2**	**1,549.4**	**87.2**
Balance as of 1 January 2009	165.0	4.5	1,564.2	(16.7)
Comprehensive income	–	–	80.8	(25.6)
Dividend for the previous year	–	–	(396.0)	–
Issuance of shares to employees	–	(3.2)	–	–
Other changes in equity	–	–	(0.5)	–
Balance as of 30 September 2009	**165.0**	**1.3**	**1,248.5**	**(42.3)**

Balance Sheet - Equity and Liabilities

€ million	30.09.2010	30.09.2009	31.12.2009
Subscribed capital	191.4	165.0	191.4
Additional paid-in capital	646.2	1.3	648.8
Other reserves and accumulated profit	1,636.6	1,177.4	1,252.7
Minority interests	2.4	1.6	1.8
Equity	**2,476.6**	**1,345.3**	**2,094.7**
Bank loans and overdrafts	768.5	1,049.9	1,146.4
Other liabilities	22.7	17.8	18.6
- of which derivative financial instruments	3.0	5.8	4.5
Provisions for pensions and similar obligations	187.3	92.6	181.8
Provisions for mining obligations	512.7	388.7	419.2
Other provisions	239.6	96.7	220.1
Deferred taxes	253.6	62.2	245.2
Non-current debt	**1,984.4**	**1,707.9**	**2,231.3**
Bank loans and overdrafts	33.7	501.7	120.5
Accounts payable – trade	407.9	258.0	346.9
Other liabilities	69.5	59.3	77.4
- of which derivative financial instruments	5.4	2.9	3.3
Income tax liabilities	80.0	28.7	41.6
Provisions	328.7	279.4	300.1
Current debt	**919.8**	**1,127.1**	**886.5**
EQUITY AND LIABILITIES	**5,380.8**	**4,180.3**	**5,212.5**

Reserve cash flow hedge	Total K+S AG shareholders' equity	Minority interests	Equity
–	2,092.9	1.8	2,094.7
–	422.9	0.6	423.5
–	(38.3)	–	(38.3)
–	(2.6)	–	(2.6)
–	(0.7)	–	(0.7)
–	**2,474.2**	**2.4**	**2,476.6**
–	1,717.0	1.3	1,718.3
(28.8)	26.4	0.3	26.7
–	(396.0)	–	(396.0)
–	(3.2)	–	(3.2)
–	(0.5)	–	(0.5)
(28.8)	**1,343.7**	**1.6**	**1,345.3**

NOTES

Explanatory Notes; changes in the legal Group and organisational structure

The interim report of 30 September 2010 is prepared in accordance with the International Financial Reporting Standards (IFRSs) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), insofar as those have been recognised by the European Union. The report is prepared as abridged financial statements with selected explanatory notes as stipulated by IAS 34. With the exception of adjustments made as a result of changes to accounting standards, the accounting and valuation principles used for this interim report correspond to those used for the consolidated financial statements as of 31 December 2009.

Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. In 2010, income and expenses were translated for the first time applying the average exchange rates for the quarter. Previously, income and expenses had been translated at the average exchange rate for the year.

Accounting standards and interpretations to be applied in the financial year 2010 for the first time are of no relevance to the consolidated financial statements of the K+S Group.

There were no noteworthy changes to the composition and responsibilities of the Board of Executive Directors and the Supervisory Board as described in the Financial Report 2009.

Changes in scope of consolidation

The information regarding the scope of consolidation presented in the Financial Report 2009 on p. 172 et seqq. were changed only to a minor extent as of 30 September 2010: In connection with the further integration of Morton Salt, Morton Salt, Inc., Chicago (USA), was established as a subsidiary of K+S North America Salt Holdings LLC, Chicago (USA).

Seasonal factors

€ million	LTM 2010	2009
Revenues	4,714.6	3,573.8
EBITDA	818.7	411.8
EBIT I	568.2	238.0
Group earnings, adjusted	331.2	93.6

There are seasonal differences over the course of the year that affect the sales volumes of fertilizers and salt products. In the case of fertilizers, we generally attain our highest sales volumes in the first half of the year because of the spring fertilisation in Europe. Sales volumes of salt products – especially of de-icing salt – largely depend on the respective wintry weather during the first and fourth quarters. In the aggregate, both these effects mean that revenues and particularly earnings are generally strongest during the first half of the year.

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

You will find such information in our Subsequent Events section on page 16.

Auditor’s review

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

Development of revenues, sales volumes and average prices

Potash and Magnesium Products Business Segment

	Unit	Q1/09	Q2/09	Q3/09	9M/09	Q4/09	2009	Q1/10	Q2/10	Q3/10	9M/10
Revenues*	€ million	**366.0**	**354.3**	**340.8**	**1,061.1**	**360.6**	**1,421.7**	**498.4**	**463.5**	**417.8**	**1,379.7**
- Europe	€ million	189.1	134.3	141.7	465.1	159.1	624.2	316.6	233.4	224.8	774.8
- Overseas	US$ million	229.9	301.6	287.1	818.6	297.7	1,116.3	250.5	292.4	249.2	792.1
Sales volumes	t million	**0.90**	**1.05**	**1.11**	**3.06**	**1.29**	**4.35**	**1.94**	**1.73**	**1.58**	**5.25**
- Europe	t million	0.45	0.37	0.46	1.28	0.60	1.88	1.26	0.89	0.83	2.98
- Overseas	t million	0.45	0.68	0.65	1.78	0.69	2.47	0.68	0.84	0.75	2.27
Average prices	€/t	**409.2**	**337.4**	**305.4**	**346.7**	**280.1**	**327.1**	**256.2**	**268.7**	**265.8**	**263.2**
- Europe	€/t	425.0	362.1	304.8	363.1	266.4	332.3	250.6	262.5	273.2	260.4
- Overseas	US$/t	511.6	444.0	441.1	460.0	431.2	452.0	367.5	350.0	332.6	349.5

* Revenues include prices both inclusive and exclusive freight costs and are based on the respective USD/EUR spot rates in the case of overseas revenues. Hedging transactions were concluded for most of these revenues (see page 40). The information on prices is to be understood solely as providing a rough indication.

Salt Business Segment [1)]

	Unit	Q1/09	Q2/09	Q3/09	9M/09	Q4/09	2009	Reconciliation [2)]	2009	Q1/10	Q2/10	Q3/10	9M/10
De-icing salt													
Revenues	€ million	239.1	14.6	25.7	279.4	218.1	497.5	0.1	497.6	376.5	26.8	58.1	461.4
Sales volume	t million	3.95	0.33	0.57	4.85	4.11	8.96	–	8.96	7.05	0.49	1.10	8.64
Average price	€/t	60.6 [3)]	44.1	44.8	57.6	53.1	55.5	–	55.5	53.4	54.5	52.8	53.4
Industrial salt, salt for chemical use and food grade salt													
Revenues	€ million	81.3	76.1	83.3	240.7	204.9	445.6	7.9	453.5	217.4	232.0	228.2	677.5
Sales volume	t million	1.20	1.10	1.29	3.59	2.26	5.85	–	5.85	2.20	2.26	2.23	6.68
Average price	€/t	67.7	69.5	64.5	67.1	90.5	76.2	–	77.5	98.9	102.8	102.4	101.4
Other													
Revenues	€ million	17.8	12.0	14.2	44.0	18.7	62.8	0.7	63.5	22.5	16.5	18.9	57.9
Salt Business Segment													
Revenues	€ million	338.3	102.7	123.2	564.2	441.7	1,005.9	8.7	1,014.6	616.4	275.3	305.2	1,196.9
Reconciliation [2)]	€ million	–	(3.4)	(1.5)	(4.9)	13.6	8.7	–	–	–	–	–	–
Revenues total	€ million	338.3	99.3	121.7	559.3	455.3	1,014.6	–	1,014.6	616.4	275.3	305.2	1,196.9

1) Starting from Q4/09 including Morton Salt.

2) In 2009, the conversion of the revenues generated by those companies with a different functional currency is shown here applying the respective average exchange rate for the quarter, whereas in the consolidated financial statements of the K+S Group expenses and income are translated at the average exchange rate for the year or, in the case of interim financial statements, at the cumulative average exchange rate. The adjustment to segment revenues in relation to third parties is shown in the column "Reconciliation".

3) Average prices in the first quarter of 2009 had benefitted from spot transactions as a result of bottlenecks at other suppliers, particularly in North America.

Foreign currency hedging

In the Potash and Magnesium Products business segment, currency risks normally result from the fact that proceeds and incoming payments denominated in US dollar are substantially higher than costs and outgoing payments denominated in US dollar. For these transaction risks, options and, in some cases, futures are concluded on the basis of expected net positions at the time the revenues are expected to arise (plan hedging).

The US dollar receivables that arise after billing are then, less expected US dollar expenditure, hedged for the agreed time of the incoming payment via futures (bill hedging).

Potash and Magnesium Products Business Segment

	Q1/09	Q2/09	**Q3/09**	Q4/09	**2009**	Q1/10 [1]	Q2/10	**Q3/10**	**2010e [1,2]**
USD/EUR exchange rate after premiums	1.41	1.43	1.53	1.50	1.48	1.39	1.29	1.33	1.35
Average USD/EUR spot rate	1.31	1.36	1.43	1.48	1.39	1.38	1.27	1.29	–

[1] In the first quarter we modified individual parameters of our foreign currency hedging. Taking this effect into account, the worst case figure for the whole year would amount to 1.37 USD/EUR instead of 1.35 USD/EUR.
[2] The exchange rate stated represents the worst case. A comparably stronger US dollar could result in the exchange rate actually achieved being more attractive than the one given here.

In the Salt business segment, currency risks normally result from the translation of the earnings achieved by Morton Salt and SPL, predominantly denominated in US dollar, into the Group currency, which is the euro. Similarly to the hedging strategy for the Potash and Magnesium Products business segment, options and, in some cases, futures transactions are concluded in relation to these translation risks (plan hedging). Within the framework of translation hedging in the Salt business segment, hedging transactions exist until the end of 2010 with a worst case at 1.40 USD/EUR.

For plan hedging in the Potash and Magnesium Products business segment and for translation hedging in the Salt business segment, there already exist hedging transactions with a “worst case” scenario of 1.36 USD/EUR in each case for a majority of the expected US dollar revenues in financial year 2011.

Notes on non-comparable figures for the corresponding previous year period

The effects of Morton International Inc. (Morton Salt), which was acquired on 1 October 2009, on the earnings position in the third quarter and in the first nine months of 2010 are shown in the table below. Attention should also be drawn to the fact that operating earnings (EBIT I) will be burdened for a longer period of time by non-cash write-downs on valuation adjustments within the framework of the purchase price allocation, necessitated by IFRSs.

Morton Salt

€ million	Q3/10	9M/10
Revenues	159.9	582.2
EBITDA	38.6	135.1
Operating earnings (EBIT I) [1]	18.3	68.6
Earnings before income taxes, adjusted [2]	2.2	19.2
Group earnings after income taxes, adjusted [2]	3.4	18.5
Earnings per share, adjusted (€) [2]	0.02	0.10

[1] After depreciation on valuations made within the framework of the purchase price allocation (Q3: € 11.1 million, 9M € 39.6 million) and including a positive non-recurrent effect in the area of provisions of € 16.2 million. In addition, a non-recurrent effect arising from re-measurement and consolidation in connection with the IFRSs valuation of inventories in the first quarter of € 12.0 million had a negative impact in the first nine months of the year.

[2] After internal financing costs.

Other operating Income/Expenses

€ million	Q3/10	Q3/09	9M/10	9M/09
Gains/losses on foreign currency exchange rates	(5.0)	(14.6)	6.6	(16.9)
Change in provisions	3.0	6.0	14.2	12.2
Other	(4.1)	(11.4)	(21.2)	(61.0)
Other operating income/expenses	**(6.1)**	**(20.0)**	**(0.4)**	**(65.7)**

Financial Result

€ million	Q3/10	Q3/09	9M/10	9M/09
Interest income	1.5	0.7	4.4	2.8
Interest expenses	(57.8)	(24.5)	(110.0)	(42.1)
- of which interest expenses for pension provisions	(1.6)	(1.6)	(4.7)	(5.0)
- of which interest expenses for provisions for mining obligations	(27.8)	(4.6)	(38.5)	(13.9)
Interest income, net	**(56.3)**	**(23.8)**	**(105.6)**	**(39.3)**
Income from the realisation of financial assets/liabilities	(3.1)	(61.2)	(4.6)	(60.9)
Income from the valuation of financial assets/liabilities	6.7	73.3	5.8	3.5
Other financial result	**3.6**	**12.1**	**1.2**	**(57.4)**
Financial result	**(52.7)**	**(11.7)**	**(104.4)**	**(96.7)**

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

in % (weighted average)	2010 Germany	2010 Outside Germany	2009 Germany	2009 Outside Germany
Discount factor	4.4	5.0	5.3	6.1
Anticipated annual increase in earnings	1.8	4.0	1.8	4.0
Anticipated annual increase in pension benefits	1.8	–	1.8	–
Anticipated yield on plan assets	6.0	8.0	6.0	8.0

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

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

The weighted average discount factor for pensions and similar obligations of the K+S Group declined from 5.7 % to 4.7 % as of 30 September 2010.

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

- Trend in price increases: 1.5 % (2009: 1.5 %)
- Discount factor Europe: 4.7 % (2009: 5.6 %)
- Discount factor USA: 5.1 % (2009: 5.8 %)
- Discount factor Canada: 5.3 % (2009: 6.2 %)

The weighted average discount factor for provisions for mining obligations of the K+S Group declined from 5.6 % to 4.7 % as of 30 September 2010.

The lowering of the discount factors took place in line with the significant drop in the long-term interest rates that occurred in recent months. While this resulted in a non-cash increase in interest expense for provisions for mining obligations (€ 23.1 million), the lowering of the discount factor for pensions and similar obligations neither had effects on the interest expense nor on equity due to the corridor method applied under IFRSs.

Taxes on Income

€ million	Q3/10	Q3/09	9M/10	9M/09
Corporate income tax	13.4	(2.2)	55.1	10.1
Trade tax on income	14.8	(9.4)	46.6	3.7
Foreign income taxes	0.4	0.5	23.9	10.2
Deferred taxes	0.6	13.0	(8.1)	6.2
Taxes on income	**29.2**	**1.9**	**117.5**	**30.2**

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

Material changes in individual balance sheet items

Compared with the annual financial statements for 2009, the balance sheet total as of 30 September 2010 rose by € 168.3 million. On the assets side, non-current assets rose by € 1.6 million while current assets rose by € 166.7 million. The increase in non-current assets mainly results from a currency-related increase in intangible assets as well as in property, plant and equipment. On the other hand, there was a decline in non-current receivables and assets. The increase in current assets is chiefly based on an increase in cash and cash equivalents of € 184.0 million. By contrast, current trade receivables declined compared with 31 December 2009.

On the equity and liabilities side, equity rose by € 381.9 million; this is attributable to the positive net profit for the first nine months of financial year 2010 and to changes without recognition in profit or loss due to changed currency relations. Debt declined by € 213.6 million, which is mainly attributable to the repayment of financial liabilities.

Material changes in equity

Equity is affected by business transactions both with and without recognition in profit or loss as well as by capital transactions involving the shareholders. The increase in equity is mainly due to the positive net income for the first nine months of 2010 (after taxes and minority interests) of € 325.4 million, which contrasts with the dividend payment of € 38.3 million made in May 2010. In addition, changes in equity, without recognition in profit or loss, which resulted from the translation of the currencies of subsidiaries into the functional currency (mainly the US dollar), also had to be taken into account. Differences from foreign currency translation are recorded in a separate currency translation reserve (please see statement of changes in equity on page 36 et seq.), which since the beginning of the year rose by € 97.5 million as of 30 September 2010 due to exchange rate fluctuations.

Net Indebtedness

€ million	9M/10	9M/09
Net indebtedness as of 1 January	**(1,338.9)**	**(570.0)**
Cash and bank balances	713.1	1,199.8
Overdrafts towards financial institutions	(0.5)	(130.0)
Net cash and cash equivalents as of 30 Sept.*	**712.6**	**1,069.8**
Bank loans and overdrafts	(801.7)	(1,421.6)
Net financial liabilities as of 30 Sept.*	**(89.1)**	**(351.8)**
Provisions for pensions and similar obligations	(187.3)	(92.6)
Provisions for mining obligations	(512.7)	(388.7)
Net indebtedness as of 30 Sept.*	**(789.1)**	**(833.1)**

* Without cash invested with respectively received from affiliated companies.

Contingent liabilities

There have been no significant changes in contingent liabilities in comparison with the annual financial statements 2009 and they can be classified as immaterial overall.

Related parties

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

Total Revenues Q3

€ million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products	417.8	20.9	438.7
Nitrogen Fertilizers	306.1	3.3	309.4
Salt	305.2	1.0	306.2
Complementary Business Segments	31.8	10.3	42.1
Reconciliation	0.3	(35.5)	(35.2)
K+S Group Q3/10	**1,061.2**		**1,061.2**
Potash and Magnesium Products	340.8	16.9	357.7
Nitrogen Fertilizers	204.5	0.8	205.3
Salt	121.7	0.5	122.2
Complementary Business Segments	30.9	8.4	39.3
Reconciliation	0.2	(26.6)	(26.4)
K+S Group Q3/09	**698.1**		**698.1**

Total Revenues 9M

€ million	Third-party revenues	Intersegment revenues	Total revenues
Potash and Magnesium Products	1,379.7	61.7	1,441.4
Nitrogen Fertilizers	979.0	8.5	987.5
Salt	1,196.9	3.2	1,200.1
Complementary Business Segments	97.2	29.6	126.8
Reconciliation	0.5	(103.0)	(102.5)
K+S Group 9M/10	**3,653.3**		**3,653.3**
Potash and Magnesium Products	1,061.1	60.3	1,121.4
Nitrogen Fertilizers	804.0	2.3	806.3
Salt	559.3	3.2	562.5
Complementary Business Segments	87.6	26.0	113.6
Reconciliation	0.5	(91.8)	(91.3)
K+S Group 9M/09	**2,512.5**		**2,512.5**

Summary by Quarter

Revenues & operating earnings (IFRS)

€ million	Q1/09	Q2/09	Q3/09	9M/09	Q4/09	2009	Q1/10	Q2/10	Q3/10	9M/10
Potash and Magnesium Products	366.0	354.3	340.8	1,061.1	360.6	1,421.7	498.4	463.5	417.8	1,379.7
Nitrogen Fertilizers	342.1	257.4	204.5	804.0	212.2	1,016.2	385.5	287.4	306.1	979.0
Salt	338.3	99.3	121.7	559.3	455.3	1,014.6	616.4	275.3	305.2	1,196.9
Complementary Business Segments	29.1	27.6	30.9	87.6	33.1	120.7	33.2	32.2	31.8	97.2
Reconciliation	0.2	0.1	0.2	0.5	0.1	0.6	0.1	0.1	0.3	0.5
K+S Group revenues	**1,075.7**	**738.7**	**698.1**	**2,512.5**	**1,061.3**	**3,573.8**	**1,533.6**	**1,058.5**	**1,061.2**	**3,653.3**
Potash and Magnesium Products	97.0	53.8	54.0	204.8	26.9	231.7	150.6	119.2	79.4	349.2
Nitrogen Fertilizers	8.1	(26.6)	(47.3)	(65.8)	(42.3)	(108.1)	14.5	26.0	2.6	43.1
Salt	80.2	(0.6)	13.5	93.1	47.3	140.4	107.9	21.8	31.8	161.5
Complementary Business Segments	2.0	3.2	4.3	9.5	5.7	15.2	6.4	6.2	4.3	16.9
Reconciliation	(13.3)	(11.7)	(15.1)	(40.1)	(1.1)	(41.2)	(11.7)	(17.7)	(9.6)	(39.0)
K+S Group EBIT I	**174.0**	**18.1**	**9.4**	**201.5**	**36.5**	**238.0**	**267.7**	**155.5**	**108.5**	**531.7**

Income statement (IFRS)

€ million	Q1/09	Q2/09	Q3/09	9M/09	Q4/09	2009	Q1/10	Q2/10	Q3/10	9M/10
Revenues	**1,075.7**	**738.7**	**698.1**	**2,512.5**	**1,061.3**	**3,573.8**	**1,533.6**	**1,058.5**	**1,061.2**	**3,653.3**
Cost of sales	663.5	473.5	474.3	1,611.3	732.6	2,343.9	893.0	645.6	679.0	2,217.6
Gross profit	**412.2**	**265.2**	**223.8**	**901.2**	**328.7**	**1,229.9**	**640.6**	**412.9**	**382.2**	**1,435.7**
Selling expenses	188.5	160.3	155.7	504.5	207.9	712.4	294.2	235.1	224.4	753.7
General and administrative expenses	27.1	32.5	23.6	83.2	39.9	123.1	39.8	44.5	38.2	122.5
Research and development costs	4.0	4.5	5.6	14.1	4.6	18.7	3.7	3.8	3.1	10.6
Other operating income/expenses	(6.4)	(39.3)	(20.0)	(65.7)	(33.1)	(98.8)	(24.6)	30.3	(6.1)	(0.4)
Income from investments, net	0.4	0.4	2.0	2.8	(1.9)	0.9	1.1	0.7	1.4	3.2
Result from operating forecast hedges	(33.7)	8.7	(3.5)	(28.5)	(7.4)	(35.9)	(16.5)	(34.4)	47.1	(3.8)
Result after operating hedges (EBIT II)	**152.9**	**37.7**	**17.4**	**208.0**	**33.9**	**241.9**	**262.9**	**126.1**	**158.9**	**547.9**
Financial result	(8.4)	(76.6)	(11.7)	(96.7)	(18.7)	(115.4)	(30.2)	(21.5)	(52.7)	(104.4)
Earnings before income taxes	**144.5**	**(38.9)**	**5.7**	**111.3**	**15.2**	**126.5**	**232.7**	**104.6**	**106.2**	**443.5**
Taxes on income	37.1	(8.8)	1.9	30.2	(0.6)	29.6	60.2	28.1	29.2	117.5
- of which deferred taxes	(4.5)	(2.3)	13.0	6.2	(14.9)	(8.7)	(15.7)	7.0	0.6	(8.1)
Net income/loss	**107.4**	**(30.1)**	**3.8**	**81.1**	**15.8**	**96.9**	**172.5**	**76.5**	**77.0**	**326.0**
Minority interests in earnings	0.1	0.1	0.1	0.3	0.2	0.5	0.2	0.2	0.2	0.6
Group earnings after taxes and minority interests	**107.3**	**(30.2)**	**3.7**	**80.8**	**15.6**	**96.4**	**172.3**	**76.3**	**76.8**	**325.4**
Operating earnings (EBIT I)	**174.0**	**18.1**	**9.4**	**201.5**	**36.5**	**238.0**	**267.7**	**155.5**	**108.5**	**531.7**
Earnings before income taxes, adjusted [1]	**165.6**	**(58.5)**	**(2.3)**	**104.8**	**17.8**	**122.6**	**237.5**	**134.0**	**55.8**	**427.3**
Group earnings, adjusted [1]	**122.5**	**(44.3)**	**(2.1)**	**76.1**	**17.5**	**93.6**	**175.8**	**97.5**	**40.4**	**313.7**

Other key data (IFRS)

	Q1/09	Q2/09	Q3/09	9M/09	Q4/09	2009	Q1/10	Q2/10	Q3/10	9M/10
Capital expenditure (€ million) [2]	29.1	41.5	43.5	114.1	63.5	177.6	27.3	34.4	45.5	107.2
Depreciation and amortisation (€ million) [2]	35.1	35.0	35.9	106.0	67.8	173.8	65.4	61.5	55.7	182.6
Gross cash flow (€ million)	172.3	41.4	19.0	232.7	91.2	323.9	321.2	181.6	81.1	583.9
Working Capital (€ million)	1,064.1	907.3	–	828.8	–	985.7	956.4	954.5	–	897.9
Net indebtedness (€ million)	535.6	827.6	–	833.1	–	1,338.9	1,048.6	862.1	–	789.1
Earnings per share, adjusted (€) [1]	0.74	(0.27)	(0.01)	0.46	0.10	0.56	0.92	0.51	0.21	1.64
Gross cash flow per share (€)	1.05	0.25	0.11	1.41	0.54	1.95	1.68	0.95	0.42	3.05
Book value per share (€)	11.14	8.43	–	8.16	–	10.94	12.45	13.57	–	12.94
Number of shares outstanding (million) [3]	164.84	165.00	–	165.00	–	191.40	191.20	191.40	–	191.40
Average number of shares (million) [4]	164.84	164.90	165.00	164.91	169.84	166.15	191.23	191.33	191.40	191.31
Closing price (XETRA, €) [5]	34.93	40.03	–	37.29	–	39.99	44.93	37.88	–	43.92
Employees as of the reporting date (number)	12,334	12,233	–	12,378	–	15,208	15,164	15,102	–	15,255

[1] The adjusted key figures only contain the earnings actually realised on operating forecast hedges for the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account. Any resulting effects on deferred and cash taxes are also eliminated; tax rate 2010: 28.0% (2009: 27.9%).

[2] Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.

[3] Total number of shares less the number of own shares held by K+S as of the balance sheet date.

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

[5] The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.

Financial calendar	2011
Report on business in 2010	10 March 2011
Press and analyst conference, Frankfurt am Main	10 March 2011
Annual General Meeting, Kassel	11 May 2011
Quarterly Financial Report, 31 March 2011	11 May 2011
Dividend payment	12 May 2011
Half-yearly Financial Report, 30 June 2011	11 August 2011
Quarterly Financial Report, 30 September 2011	10 November 2011

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

Experience growth.

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