

THE QUARTER IN BRIEF Q4/08



October – December

Fourth quarter very successful despite decrease in sales volumes
Quarterly revenues rise to € 955.5 million (+7%)
Operating earnings (EBIT I) reach € 287.8 million (+757%)
At € 2.40, dividend proposed increases almost fivefold
Indicators for healthy and profitable growth in the coming
years remain favourable



Experience growth.

Key Data Business Development

KEY FIGURES (IFRSs)

€ million	Q4/08	Q4/07	%	12M/08	12M/07	%
Revenues	955.5	893.7	+ 6.9	4,794.4	3,344.1	+ 43.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	324.1	68.6	+ 372.8	1,484.4	413.9	+ 258.6
EBITDA margin in %	33.9	7.7		31.0	12.4	
Operating earnings (EBIT I)	287.8	33.6	+ 756.5	1,342.7	285.7	+ 370.0
Operating EBIT margin in %	30.1	3.8		28.0	8.5	
Earnings after market value changes and derivatives no longer in operation (EBIT II)	286.0	(137.5)	–	1,192.3	(106.9)	–
Earnings before income taxes	315.1	(148.7)	–	1,199.1	(142.6)	–
Earnings before income taxes, adjusted ¹⁾	316.9	22.4	+ 1,314.7	1,349.5	250.0	+ 439.8
Group earnings after taxes	226.4	(97.3)	–	870.9	(93.3)	–
Group earnings after taxes, adjusted ¹⁾	227.5	22.9	+ 893.4	979.3	175.3	+ 458.6
Gross cash flow	196.6	84.4	+ 133.1	1,177.9	372.1	+ 216.6
Net debt as of 31 Dec. ²⁾	–	–	–	570.0	1,085.1	(47.5)
Capital expenditure ³⁾	64.4	75.4	(14.6)	197.5	171.6	+ 15.1
Depreciation and amortisation ³⁾	36.3	35.0	+ 3.7	141.7	128.2	+ 10.5
Working capital as of 31 Dec.	–	–	–	962.3	570.6	+ 68.6
Earnings per share, adjusted (€) ^{1),4)}	1.38	0.14	+ 885.7	5.94	1.06	+ 460.4
Gross cash flow per share (€) ⁴⁾	1.19	0.51	+ 133.3	7.14	2.25	+ 217.3
Book value per share as of 31 Dec., adjusted (€) ^{1),4)}	–	–	–	10.49	6.81	+ 54.0
Total number of shares as of 31 Dec. (million) ⁴⁾	–	–	–	165.00	165.00	–
Outstanding shares as of 31 Dec. (million) ^{4),5)}	–	–	–	165.00	165.00	–
Average number of shares (million) ^{4),6)}	165.00	165.00	–	164.95	164.94	–
Employees as of 31 Dec. (number) ⁷⁾	–	–	–	12,368	12,033	+ 2.8
Average number of employees ⁷⁾	12,346	12,010	+ 2.8	12,214	11,959	+ 2.1
Personnel expenses	191.6	178.3	+ 7.5	738.5	687.3	+ 7.4
Closing price (XETRA) as of 31 Dec. (€) ⁴⁾	–	–	–	39.97	40.69	(1.8)
Market capitalisation as of 31 Dec. (€ billion)	–	–	–	6.6	6.7	(1.8)
Enterprise value as of 31 Dec. (€ billion)	–	–	–	7.2	7.8	(7.7)

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

²⁾ Including provisions for pensions and mining obligations

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

⁴⁾ Adjusted to the share split in the ratio 1:4

(entry in Commercial Register: 24 June 2008; technical execution: 21 July 2008).

⁵⁾ Total number of shares less the own shares held by K+S on the reporting date.

⁶⁾ Total number of shares less the average number of the own shares held by K+S.

⁷⁾ Total workforce including temporary employees (without students and interns), measured on full-time basis (FTE).

Management Report

Detailed information about the past financial year can be found in the Financial Report 2008, which can be downloaded and ordered on our homepage: www.k-plus-s.com.

Macroeconomic environment

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

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

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

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

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

Impact on K+S

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

- The economic upturn in the emerging market countries continued and improved the standard of living of the population of such countries. This is increasing per capita consumption of food, including meat, as well as the pressure on the world's agricultural system to meet this challenge. Also, the South American market for industrial salt and salt for chemical use, important for our Chilean subsidiary SPL, grew in line with the local economic development.
- In the wake of the financial crisis, the strong decline in cereal prices in the agricultural sector is leading to uncertainty about the future revenue situation. K+S is responding to the consequently lower volume of orders from the agricultural sector that became apparent during the fourth quarter, especially in Europe, by curtailing the production of potash fertilizers. At all German potash sites, a total of about 400,000 tonnes of potassium chloride less than planned was produced during the fourth quarter. The production of speciality and industrial products was maintained.
- Our production costs are affected to a not inconsiderable extent by energy costs, in particular for gas. After energy prices had risen sharply during the first six months of the year, which is reflected with a delay of six to nine months in our costs, our energy costs for 2008 as a whole have increased significantly. Due to the energy supply clauses agreed upon with our suppliers, the clear fall in energy prices observed in the second half of the year did not exert an impact on the K+S Group's energy costs last year.

- At the end of 2007/beginning of 2008, we had reorganised our US dollar hedging system. Since then, options are used for this, which hedged a worst-case scenario for 2008 of about 1.51 USD/EUR including costs. During the second half of the year, however, we were able to participate in a strengthening US dollar. Following the trend on the foreign currency markets, in comparison to 2007, this resulted overall in a far weaker average exchange rate for the Potash and Magnesium Products business segment of about 1.46 USD/EUR (2007: 1.33 USD/EUR).
- In addition to the absolute relationship between the exchange rates, also a relative comparison of the euro and the currencies of our competitors each in relation to the US dollar is of particular importance for us. A weak US dollar has a negative impact on the revenues of most of the world's potash producers in their respective local currency; this is due to the fact that the bulk of worldwide potash output lies outside the US dollar zone while all sales, with the exception of the European market, are invoiced in US dollars.

Industry-specific framework conditions

Fertilizer and Plant Care business sector

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

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

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

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

After fertilizer prices had risen significantly by the autumn, suppliers of nitrogen and phosphate responded to the slowdown in demand in the fourth quarter with price cuts, in the light of falling acquisition costs and rising stocks. However, as a result of hoped-for further declines in prices, the hesitant reaction of the agricultural sector then grew even stronger, so that the increase in demand aimed for with the price cuts did not materialise. However, the potash producers responded to the slowdown in demand, which was observed primarily on the spot markets, with production cutbacks. For this reason, the prices for potash fertilizers remained stable in the fourth quarter.

Salt business sector

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

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

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

Key events affecting the course of business

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

Products and services

For a comprehensive description of our products and services, please see the relevant passages in our Financial Report 2008.

Revenues and earnings position

Variance analysis in %	Q4/08	12M/08
Change in revenues	+ 6.9	+ 43.4
- volume/structure	(59.1)	(18.8)
- prices	+ 65.3	+ 64.5
- exchange rates	+ 0.7	(2.4)
- consolidation	-	+ 0.1

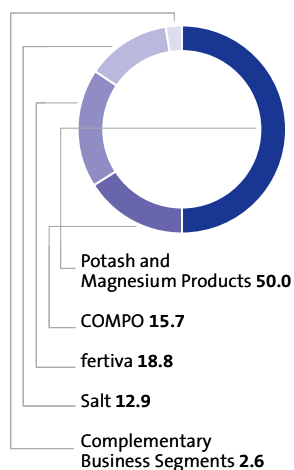
Revenues rise by 7% in the fourth quarter

At € 955.5 million, fourth quarter revenues were up € 61.8 million or 7% year on year; the increase is attributable to positive price effects that more than offset volume-related revenue decreases. While the Potash and Magnesium Products as well as Salt business segments achieved revenue gains, COMPO and fertiva were unable to attain the levels of a year ago.

For financial year 2008, we posted revenues of € 4,794.4 million, thus up 43.4% year on year. The increase in revenues can be attributed, in particular, to positive price effects, which could more than make up for the moderate declines in revenues that resulted from currency factors as well as for the significant declines in revenues caused by volume factors in the fourth quarter. The Potash and Magnesium Products, fertiva and

COMPO business segments increased their revenues mainly as a result of considerably higher fertilizer prices. In the Salt business segment, weak de-icing salt sales in the first quarter were more than compensated for by higher revenues in the salt for chemical use, industrial salt and food grade salt segments and also as a consequence of the onset of winter in the fourth quarter. Just under 70% of Group revenues were generated in Europe; Potash and Magnesium Products, the largest business segment, accounted for 50% of revenues.

REVENUES BY BUSINESS SEGMENT
JAN. – DEC. 2008
(IN %)



Fourth quarter operating earnings rise by € 254.2 million to € 287.8 million

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

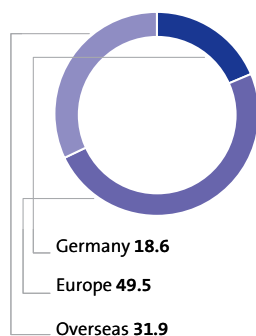
In the fourth quarter of 2008, EBIT I rose € 254.2 million year on year to € 287.8 million; this was mainly attributable to earnings increases in the Potash and Magnesium Products business segment. In addition, a significantly negative foreign currency result weighed on the result for the same period last year. At € 1,342.7 million, operating earnings EBIT I were up 370% on last year's figure (2007: € 285.7 million). Except for the Salt and the Complementary business segments, all the remaining business segments were able to improve on the previous year materially. Far higher prices for standard and speciality fertilizers resulted in a situation, where it proved possible to considerably more than make up for higher production costs as well as negative currency effects.

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

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

Earnings after market value changes and derivatives no longer in operation (EBIT II) reached € 286.0 million in the fourth quarter, compared with € (137.5) million a year ago. In the year under review EBIT II achieved € 1,192.3 million, having been € (106.9) million in the previous year. With € 150.4 million, EBIT II was much less adversely affected than in the previous year (€ 392.6 million). Most of the adverse impact on earnings resulted from the exercise, sale or expiry of the derivatives that still existed at the beginning of the year but were no longer in operation.

REVENUES BY REGION
JAN. – DEC. 2008
(IN %)



Moreover, a significantly stronger US dollar until the reporting date, tangibly lower freight charges, and lower energy costs led to lower market values for the hedging instruments used.

Fourth quarter financial result up significantly year-on-year

At € 29.1 million, the fourth quarter financial result was significantly better than a year ago (2007: € (11.2) million); for 2008 as a whole too, it could be improved significantly by € 42.4 million to € 6.8 million. The main reason for this was the increase in the discount factor for the interest relating to provisions for mining obligations, which resulted in non-cash interest income of € 26.6 million. In total, the interest income from provisions for mining obligations in the year under review amounted to € 20.0 million (2007: interest expenses of € 13.9 million). Non-cash interest expenses for pension provisions came to a total of € 2.3 million in 2008 (2007: € 4.0 million); due to the corridor method used, the increase in the discount rate for computing pension provisions had no impact on the net interest result. Further details can be found in the notes.

Adjusted earnings before and after taxes

Given the limited economic meaningfulness of unadjusted earnings before and after taxes, we additionally report earnings before and after taxes adjusted for the effects of changes in market value from hedging transactions as well as from derivatives no longer in operation. The adjusted earnings after taxes also eliminate the effects of the market value changes from hedging transactions and derivatives no longer in operation on deferred and/or cash taxes.

Adjusted earnings before taxes for the fourth quarter reached € 316.9 million, which represents an increase of € 294.5 million on the same period last year. In 2008 as a whole, adjusted earnings before taxes amount to € 1,349.5 million, improving by € 1,099.5 million, year on year.

Under IFRSs, deferred, that is, non-cash income taxes are reported. The fourth quarter tax expense amounted to € 88.5 million, of which € 15.4 million comprised deferred taxes (income tax Q4/2007: € 51.5 million, of which € 37.8 million were deferred). Tax expense totalling € 327.7 million was incurred in 2008; of this amount, € 61.4 million was deferred, i. e. non-cash. Further information about the income tax burden can be found in the notes.

Adjusted Group earnings after taxes for the fourth quarter amounted to € 227.5 million compared with € 22.9 million a year ago. At € 979.3 million, adjusted Group earnings exceeded the previous year's level by € 804.0 million. In addition to dramatically higher operating earnings, this was also due to the greatly improved financial result. The adjusted Group tax rate was thus 27.4%, after having been 29.9% in the previous year.

Adjusted earnings per share reach € 1.38 (Q4/2007: € 0.14 per share)

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

For the quarter under review, adjusted earnings per share amounted to € 1.38 and were thus up € 1.24 on the same period last year (€ 0.14). They were computed on the basis of an average number of outstanding shares of 165.00 million no-par value shares; (previous year: 165.00 million no-par value shares; adjusted to the share split in the ratio 1:4 entered in the Commercial Register on 24 June 2008 and technically executed on 21 July 2008). For the year under review, adjusted earnings per share amounted to € 5.94 and were thus up 460 % on the previous year (€ 1.06).

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

Financial position and Capital expenditure

€ million	12M/08	12M/07
Gross cash flow	1,177.9	372.1
Cash flow from operating activities *	844.6	258.7
Cash flow for investing activities	(170.1)	(140.7)
Free cash flow bef. acquisitions/divestments *	674.5	115.3
Cash flow from financing activities	(318.0)	81.7

Free cash flow reaches € 632.6 million

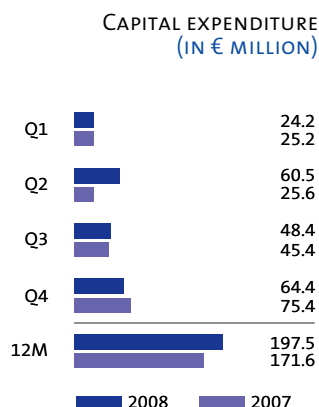
In the year under review, gross cash flow reached € 1,177.9 million and was thus considerably greater than it had been the previous year (2007: € 372.1 million). In spite of higher income tax payments, this was primarily the result of an EBIT I that had increased by € 1,057.0 million. As a result of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

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

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

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

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



Capital expenditure in the fourth quarter down year on year

At € 64.4 million, the volume of capital expenditure for the fourth quarter was, as anticipated, down € 11.0 million on the figure for the same quarter a year ago (Q4/2007: € 75.4 million). The Potash and Magnesium business segment accounted for the major part of the capital expenditure with a continued focus on replacing and expanding underground infrastructure, measures to increase capacity for industrial products at the Zielitz site and projects to further conserve energy. In 2008, we invested a total of € 197.5 million in property, plant and equipment and intangible assets, about 15% more than in the previous year. Furthermore, in comparison to the forecast published in our financial report 2007, at the end of the year, there were capital expenditure overhangs of about € 40 million, which were mainly attributable to delays in granting of permission for the construction of the saline water pipeline from the Neuhof-Ellers site to the Werra site, already applied for in July 2007, and to limited resources at suppliers and the resultant extension of delivery times.

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

For the next few years, we are assuming that capital expenditure related to replacement and ensuring production will remain at about the level of our depreciation. Furthermore, the anticipated level of earnings should result in a cash flow provided by operating activities, which leaves sufficient scope for profitable investments in expansion and rationalisation projects. For 2009 overall, we expect a volume of capital expenditure of about € 200 million once again.

Measures related to replacement and ensuring production capacity account for a good 60% of this figure and should be fully financed through the anticipated depreciation charges of about € 150 million. K+S has announced a comprehensive package of water protection measures for the Hesse and Thuringia potash district. The related capital expenditure connected with improving water quality will amount to € 360 million in total by 2015. Of that figure, € 90 million is expected to be invested in 2010. Thus, the volume of capital expenditure for 2010 should total about € 250 million. A good 80% of this should be spent on replacement and ensuring production.

Research and development

€ million	2008	2007
Research costs	18.1	15.5
Capitalized development investment	2.8	2.7
Employees as of 31 December (number)	65	56

Research costs for the quarter under review totalled € 4.9 million and were thus, as anticipated, somewhat above the level of a year ago (Q4/2007: € 4.1 million). In 2008, research costs came to a € 18.1 million in total and were thus above previous year's level (2007: € 15.5 million) as well. This increase can be attributed primarily to further increased efforts to develop new production processes for reducing solid and liquid production residue in potash production. The findings obtained from this intensified research work formed the basis for the comprehensive package of measures announced with respect to water protection.

In the future too, we want to consistently pursue research and development goals defined in close consultation with marketing and production. We therefore expect both research expenditure and the number of employees involved in research to continue to increase in the years 2009 and 2010, in order to meet the coming challenges, particularly in the area of the environment.

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

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

Employees

Slight increase in headcount

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

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

As at 31 December 2008, we employed a total of 615 trainees (previous year: 614 trainees), of which 610 were located at German sites. At 6%, the proportion of trainees at the domestic companies was at the high level of the previous year.

Personnel expenses increase appreciably year-on-year

Fourth quarter personnel expenses amounted to € 191.6 million and were thus up 7% on the figure for the same period last year. The increase is attributable to the pay settlements under collective bargaining agreements that came into effect in the Potash and Magnesium Products and Salt business segments as of 1 January 2008 and to the moderately higher number of employees. In 2008, the personnel expenses of the K+S Group were € 738.5 million and thus, as anticipated, moderately higher than in the previous year (2007: € 687.3 million). Without the provision effects, pure personnel costs rose by 8% compared with the previous year for the same reasons. Of personnel expenses, variable remuneration accounted for € 83.7 million or about 11% last year (2007: € 66.1 million or just under 10%).

Anticipated personnel development, anticipated personnel expenses

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

- In August 2008, esco concluded an agreement with the Works Councils and IG BCE trades union as a securing of its German locations in the long term. Initially, a cost optimisation programme, as part of a best practice approach, will enhance the efficiency of esco's locations. In addition, from 1 November 2008, the weekly working hours under collective bargaining agreements was increased by an average of two hours per week. This will not involve direct wage-based compensation, but however, the opportunity of additional profit participation. Altogether, about 110 jobs across Europe will be affected by these measures. At the same time, it is intended that operations-related redundancies should be prevented wherever possible, by providing further employment within the Group too.
- As part of the restructuring of the business with nitrogenous fertilizers, which was made known on 8 July 2008, a corresponding reorganisation of COMPO was also announced. The efficiency improvements aimed for with these restructuring measures will involve a loss of jobs. At German sites, about 80 jobs are affected. Of that number, up to 20 employees can move to fertiva and its nitrogenous fertilizer business. In addition, we are seeking to do everything possible to avoid operations-related redundancies, partly by providing further employment elsewhere within the Group. A definite determination of the measures necessary for the entire COMPO group will be possible after the concepts for the foreign companies in Europe and overseas are presented, which will still occur in the first half of 2009.

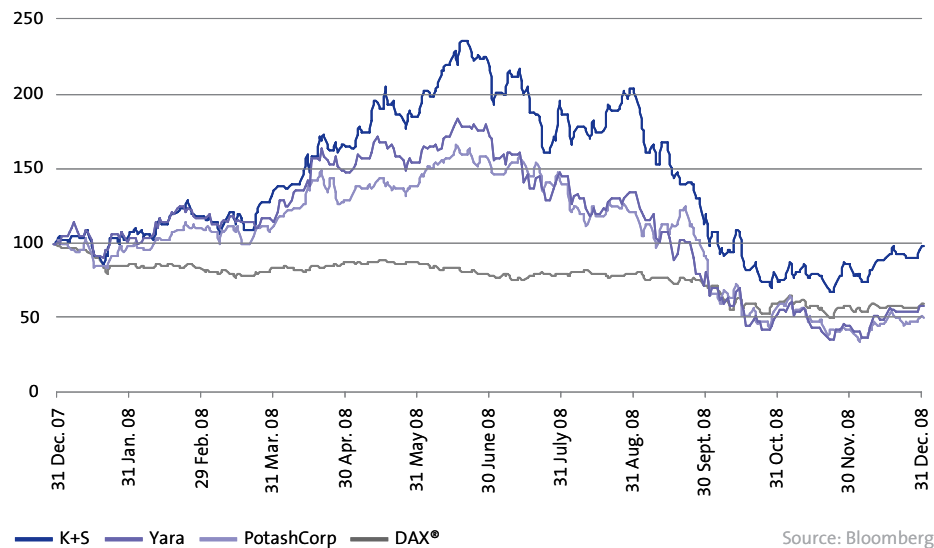
The K+S share

The K+S share price development in the fourth quarter

- At the beginning of the fourth quarter, the K+S share was quoted at about € 48. Following this, however, significant profit taking in the raw materials sector and the consequences of the crisis on the financial markets again had a negative impact on the performance of the K+S share. These concerns were also reflected in the share performance of our competitors.
- Starting from mid-October, downgrades in some analysts' ratings, together with the announcement of reductions in output due to slow demand from the agricultural sector, put further pressure on the price of the K+S share. The quarterly figures published on 12 November 2008, which exceeded analysts' expectations, also failed to provide a tailwind to the K+S share price owing to the more cautious outlook, so that it hit a low for the year of € 27.72 on 21 November 2008.
- This level was apparently regarded by investors as an opportunity to cover themselves at more favourable prices and again to wager on the fundamentally uninterrupted trends, such as the constant growth of the world's population, the low availability of grain, corn and soy beans, as well as the changed eating habits of the emerging market countries, a factor that is relatively independent of economic crises. Thus, MCC Holding Limited also increased its holdings of K+S Aktiengesellschaft from 10.43% to 15.001% by 26 November 2008. This move underlined the fact that MCC is convinced of the company's medium- to long-term prospects of success, even in a volatile capital market environment.

- On 30 December 2008, our share was quoted at € 39.97 and thus only slightly under the level at the end of 2007 (€ 40.69). In spite of an – in historical terms – extremely difficult stock exchange climate, the share closed the year down only 1.8% in comparison to the end of 2007. If one additionally takes into consideration the dividend paid in May 2008, it could even almost maintain the level of the previous year. The K+S share thus achieved the second-best performance on the DAX® and, on the MDAX® too, was one of the stocks to best withstand the turmoil of 2008. Over the course of the year, the K+S share performed 40 percentage points better than the DAX® and about 43 percentage points better than the MDAX®
- In the last of the research surveys (9 March 2009, K+S Share Price € 33.08) that we carry out regularly, 16 banks gave us a "buy/accumulate" recommendation, five a "hold/neutral" recommendation and four a "reduce/sell" recommendation.

PERFORMANCE OF THE K+S SHARE IN RELATION TO DAX® AND PEERS IN 2008 (INDEXED; PERFORMANCE IN %)



Source: Bloomberg

Shareholder structure

In two steps, the Bank of N.T. Butterfield and Son Limited, Bermuda, announced in two steps an increase in the holdings of MCC Holding Limited in K+S Aktiengesellschaft: On 13 June 2008, the equity stake was raised from 7.28% to 10.43%, and on 26 November 2008 the stake held via OJSC MCC "EuroChem", to be attributed to MMC Holding Limited, was then raised to 15.001%. MCC manages the industrial shareholdings of Andrej Melnichenko on a fiduciary basis. BASF SE continues to hold about 10% of our shares. Furthermore, The Bank of New York Mellon Corporation informed us that on 9 February 2009, they exceeded the threshold of 3% through its subsidiary MBC Investments Corporation and at that point in time held 3.03% of our shares. Under the free float definition applied by Deutsche Börse AG, the free float amounts to a good 74%.

Subsequent events

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

Risk report/Opportunity report

For a comprehensive description of the risk and opportunity management system as well as possible risks, please see the relevant passages in our Financial Report 2008.

Outlook

More detailed information about the future macroeconomic situation, the future industry situation and the anticipated revenue and earnings positions according to business segments can be found in the Financial Report 2008, which can be downloaded and ordered on our homepage: www.k-plus-s.com.

Future Earnings Position

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

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

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

The adjusted Group earnings after taxes should be significantly lower in 2009 in line with the development of operating earnings. Our forecast is based on the following circumstances that are to be expected at the current point in time:

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

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

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

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

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

Dividend payment for financial year 2008

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

Future dividend policy

We pursue an earnings-based dividend policy. A dividend payout rate of between 40% and 50%, taking into account the customarily high free cash flow, forms the basis for future dividend recommendations to be determined jointly with the Supervisory Board. The decrease in adjusted Group earnings after taxes expected for 2009 will also have a corresponding impact on the future dividend payment. For 2010, due to the anticipated significant improvement in the earnings level, an appropriate increase in dividends should be possible once again.

Expected financing structure

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

Expected development of liquidity

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

Assurance from the legal representatives of K+S Aktiengesellschaft

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

The Board of Executive Directors, 25 February 2009

Forward-looking statements

This report contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct, actual events may deviate from those expected at the present time.

Business Segments of the K+S Group

Potash and Magnesium Products Business Segment

Variance analysis in %	Q4/08	12M/08	€ million	Q4/08	Q4/07	%	12M/08	12M/07	%
Change in revenues	+ 29.1	+ 70.3	Revenues	498.7	386.3	+ 29.1	2,397.4	1,408.0	+ 70.3
- volume/ structure	(85.5)	(33.1)	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	299.5	25.4	+ 1,079.1	1,286.3	255.1	+ 404.2
- prices	+ 112.0	+ 106.1	Operating earnings (EBIT I)	275.3	4.2	+ 6,454.8	1,203.2	177.9	+ 576.3
- exchange rates	+ 2.6	(2.7)	Capital expenditure	44.2	30.8	+ 43.5	111.1	79.7	+ 39.4
- consolidation	–	–	Employees as of 31 December (number)	–	–	–	7,800	7,626	+ 2.3
Potassium chloride	+ 18.7	+ 74.3							
Fertilizer specialities	+ 16.2	+ 59.6							
Industrial products	+ 92.1	+ 86.4							

COMPO Business Segment

Variance analysis in %	Q4/08	12M/08	€ million	Q4/08	Q4/07	%	12M/08	12M/07	%
Change in revenues	(20.9)	+ 21.6	Revenues	100.8	127.5	(20.9)	750.9	617.4	+ 21.6
- volume/ structure	(36.8)	(3.9)	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	(11.7)	6.5	–	90.7	42.2	+ 114.9
- prices	+ 16.2	+ 25.1	Operating earnings (EBIT I)	(10.7)	3.8	–	79.0	32.0	+ 146.9
- exchange rates	(0.3)	(0.3)	Capital expenditure	3.6	4.5	(20.0)	10.4	12.6	(17.5)
- consolidation	–	+ 0.7	Employees as of 31 December (number)	–	–	–	1,245	1,252	(0.6)
Consumer business	(3.4)	+ 0.8							
Professional/ industrial business	(25.5)	+ 32.1							

fertiva Business Segment

Variance analysis in %	Q4/08	12M/08	€ million	Q4/08	Q4/07	%	12M/08	12M/07	%
Change in revenues	(36.6)	+ 39.1	Revenues	113.8	179.5	(36.6)	901.5	648.0	+ 39.1
- volume/ structure	(89.5)	(30.2)	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	5.7	10.6	(46.2)	43.2	26.0	+ 66.2
- prices	+ 54.6	+ 73.2	Operating earnings (EBIT I)	5.5	10.2	(46.1)	42.4	25.3	+ 67.6
- exchange rates	(1.7)	(3.9)	Capital expenditure	0.0	0.4	–	0.3	4.2	(92.9)
- consolidation	–	–	Employees as of 31 December (number)	–	–	–	73	59	+ 23.7
Complex fertilizers	(53.4)	+ 18.9							
Straight nitrogen fertilizers	(39.0)	+ 39.4							
Ammonium sulphate	(11.5)	+ 66.7							

Salt Business Segment

Variance analysis in %	Q4/08	12M/08	€ million	Q4/08	Q4/07	%	12M/08	12M/07	%
Change in revenues	+ 23.9	+ 13.5	Revenues	209.3	168.9	+ 23.9	618.6	545.1	+ 13.5
- volume/ structure	+ 6.2	+ 10.3	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	35.9	25.5	+ 40.8	77.6	76.5	+ 1.4
- prices	+ 17.9	+ 5.7	Operating earnings (EBIT I)	26.2	17.9	+ 46.4	45.2	47.8	(5.4)
- exchange rates	(0.2)	(2.5)	Capital expenditure	13.7	27.9	(50.9)	58.6	47.9	+ 22.3
- consolidation	–	–	Employees as of 31 December (number)	–	–	–	2,394	2,294	+ 4.4
Food grade salt	+ 10.4	+ 5.3							
Industrial salt	+ 7.2	+ 5.6							
Salt for chemical use	+ 31.4	+ 14.7							
De-icing salt	+ 42.3	+ 18.4							
Other	(33.4)	+ 34.8							

Complementary Business Segments

Variance analysis in %	Q4/08	12M/08	€ million	Q4/08	Q4/07	%	12M/08	12M/07	%
Change in revenues	+ 4.5	+ 0.2	Revenues	32.8	31.4	+ 4.5	125.3	125.1	0.2
- volume/ structure	(1.9)	–	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	7.5	9.4	(20.2)	31.2	42.4	(26.4)
- prices	+ 7.7	+ 2.1	Operating earnings (EBIT I)	5.8	7.8	(25.6)	25.1	37.7	(33.4)
- exchange rates	–	–	Capital expenditure	1.4	6.3	(77.8)	10.0	17.2	(41.9)
- consolidation	(1.3)	(1.8)	Employees as of 31 December (number)	–	–	–	285	273	+ 4.4
Waste Management and Recycling	+ 7.4	+ 0.8							
Logistics	(14.2)	(11.4)							
Granulation	+ 6.8	+ 10.4							
Trading	+ 27.4	+ 14.6							

Financial section

INCOME STATEMENT

€ million	Q4/08	Q4/07	12M/08	12M/07
Revenues	955.5	893.7	4,794.4	3,344.1
Cost of sales	468.7	582.1	2,552.9	2,212.0
Gross profit	486.8	311.6	2,241.5	1,132.1
Gross margin in %	50.9	34.9	46.8	33.9
Selling expenses	186.9	204.1	776.0	752.3
General and administrative expenses	27.4	24.8	104.3	89.4
Research and development costs	4.9	4.1	18.1	15.5
Other operating income/expenses	19.2	(45.3)	(2.9)	6.2
Income from investments, net	1.0	0.3	2.5	4.6
Operating earnings (EBIT I)	287.8	33.6	1,342.7	285.7
Operating EBIT margin in %	30.1	3.8	28.0	8.5
Market value changes from hedging transactions/ Result from derivatives no longer in operation	(1.8)	(171.1)	(150.4)	(392.6)
Earnings after market value changes and derivatives no longer in operation (EBIT II)	286.0	(137.5)	1,192.3	(106.9)
Interest income, net	29.7	(11.4)	(4.6)	(35.6)
Other financial result	(0.6)	0.2	11.4	(0.1)
Financial result	29.1	(11.2)	6.8	(35.7)
Earnings before income taxes	315.1	(148.7)	1,199.1	(142.6)
Earnings before income taxes, adjusted¹⁾	316.9	22.4	1,349.5	250.0
Taxes on income	88.5	(51.5)	327.7	(49.5)
- of which deferred taxes	15.4	(37.8)	61.4	(68.9)
Earnings after taxes	226.6	(97.2)	871.4	(93.1)
Minority interests in earnings	0.2	0.1	0.5	0.2
Group earnings after taxes and minority interests	226.4	(97.3)	870.9	(93.3)
Elimination of market value changes after taxes	1.1	120.2	108.4	268.6
Group earnings after taxes, adjusted¹⁾	227.5	22.9	979.3	175.3
Earnings per share in € (undiluted $\hat{=}$ diluted) ²⁾	1.37	(0.59)	5.28	(0.57)
Earnings per share in €, adjusted^{1),2)}	1.38	0.14	5.94	1.06
Average number of shares (million) ²⁾	165.00	165.00	164.95	164.94

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

²⁾ Adjusted to the share split in the ratio 1:4 (entry in Commercial Register: 24 June 2008; technical execution: 21 July 2008).

BALANCE SHEET - ASSETS

€ million	31.12.2008	31.12.2007
Intangible assets	177.2	172.5
- of which goodwill from acquisitions	104.8	99.7
Property, plant and equipment	1,246.4	1,124.8
Investment properties	7.8	7.9
Financial assets	22.3	17.8
Receivables and other assets	15.5	13.2
Securities	-	37.1
Deferred taxes	46.3	70.1
Recoverable income taxes	0.5	0.5
Non-current assets	1,516.0	1,443.9
Inventories	684.6	368.6
Accounts receivable – trade	901.5	757.2
Other receivables and assets	173.0	308.7
- of which derivative financial instruments	66.4	205.3
Recoverable income taxes	30.9	37.0
Cash on hand and balances with banks	167.8	49.4
Current assets	1,957.8	1,520.9
ASSETS	3,473.8	2,964.8

STATEMENT OF CHANGES IN EQUITY

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

BALANCE SHEET - EQUITY AND LIABILITIES

€ million	31.12.2008	31.12.2007
Subscribed capital	165.0	108.8
Additional paid-in capital	4.5	7.7
Other reserves and profit retained	1,547.5	814.5
Minority interests	1.3	0.8
Equity	1,718.3	931.8
Bank loans and overdrafts	107.1	360.2
Other liabilities	14.5	15.1
Provisions for pensions and similar obligations	93.1	125.7
Provisions for mining obligations	378.3	357.6
Other provisions	97.6	123.9
Deferred taxes	58.7	21.7
Non-current debt	749.3	1,004.2
Bank loans and overdrafts	159.3	328.1
Accounts payable – trade	465.4	409.1
Other liabilities	68.2	85.4
- of which derivative financial instruments	24.2	16.9
Income tax liabilities	25.8	6.2
Provisions	287.5	200.0
Current debt	1,006.2	1,028.8
EQUITY AND LIABILITIES	3,473.8	2,964.8

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

CASH FLOW STATEMENT

€ million	Q4/08	Q4/07	12M/08	12M/07
Operating earnings (EBIT I)	287.8	33.6	1,342.7	285.7
Depreciation on fixed assets*	36.3	35.0	141.7	128.2
Increase(+)/decrease(-) in non-current provisions (without interest rate effects)	(51.1)	8.3	(29.5)	(5.2)
Interest, dividends and similar income received	2.5	1.4	5.0	6.7
Realised gains(+)/losses(-) on the disposal of financial assets and securities	–	0.4	11.5	0.6
Interest paid	(3.5)	(8.3)	(26.4)	(24.3)
Other financing income(+)/expenses(-)	–	–	(0.5)	–
Income tax received(+)/paid(-)	(73.1)	13.6	(266.3)	(19.4)
Other non-cash expenses(+)/income(-)	(2.3)	0.4	(0.3)	(0.2)
Gross cash flow	196.6	84.4	1,177.9	372.1
Gain(-)/loss(+) on the disposal of fixed assets and securities	0.8	(0.5)	(9.7)	(4.9)
Increase(-)/decrease(+) in inventories	(128.7)	(16.0)	(314.6)	1.7
Increase(-)/decrease(+) in receivables and other assets from operating activities	199.7	(158.2)	(181.1)	(501.1)
- of which: premium volume for derivatives	(22.2)	(54.0)	(46.3)	(338.6)
Payments from the exercise and sale of options	–	–	37.6	–
Increase(+)/decrease(-) in liabilities from operating activities	(211.7)	(87.5)	13.9	27.2
- of which: premium volume for derivatives	3.6	(110.2)	4.4	(28.4)
Increase(+)/decrease(-) of current provisions	21.3	(5.5)	86.1	6.1
Out-financing of provisions	(1.5)	(1.7)	(7.4)	(9.4)
Cash flow from operating activities	76.5	(185.0)	802.7	(108.3)
Proceeds from disposals of fixed assets	0.6	3.3	2.5	6.9
Disbursements for intangible assets	(3.3)	0.5	(7.1)	(9.3)
Disbursements for property, plant and equipment	(31.7)	(62.0)	(161.0)	(148.9)
Disbursements for financial assets	(2.1)	0.1	(4.5)	(1.5)
Proceeds from the sale of consolidated companies	–	–	–	3.6
Disbursements for the acquisition of consolidated companies	–	(0.4)	–	(0.9)
Proceeds from / disbursements for securities included in current assets	–	9.4	–	9.4
Cash flow for investing activities	(36.5)	(49.1)	(170.1)	(140.7)
Free cash flow	40.0	(234.1)	632.6	(249.0)
Dividends paid	–	–	(82.5)	(82.5)
Payments from allocations to equity	–	–	3.2	2.8
Purchase of own shares	–	(0.9)	(6.1)	(6.2)
Sale of own shares	–	0.3	0.7	0.3
Increase(+)/decrease(-) in liabilities from finance leases	(0.2)	1.0	(0.3)	1.0
Taking out(+)/repayment (-) of loans	57.7	157.8	(233.0)	166.3
Cash flow from/for financing activities	57.5	158.2	(318.0)	81.7
Change in cash and cash equivalents affecting cash flow	97.5	(75.9)	314.6	(167.3)
Change in value of cash and cash equivalents	0.5	0.5	(0.2)	(0.4)
Consolidation-related changes	–	0.2	(2.4)	(0.1)
Change in cash and cash equivalents	98.0	(75.2)	312.0	(167.8)
Net cash and cash equivalents as of 1 January	–	–	(151.4)	16.4
Net cash and cash equivalents as of 31 December	–	–	160.6	(151.4)

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

Notes

Explanatory notes; changes in the legal Group and organisational structure

The interim report of 31 December 2008 is prepared in accordance with the International Financial Reporting Standards (IFRSs) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), insofar as those have been recognised by the European Union. The report is prepared as abridged financial statements with selected explanatory notes as stipulated by IAS 34. The accounting and valuation principles of this interim report correspond to those of the consolidated financial statements as at 31 December 2007. The legal Group and organisational structure presented in the Financial Report 2007 changed only slightly as of 31 December 2008: As was already explained in the Financial Report, the Waste Management and Recycling business segment was grouped together with the service activities bundled in the Services and Trading business segment and the new entity was given the name "Complementary Business Segments". In this context, K+S Consulting GmbH was deconsolidated. In addition, our IT subsidiary data process GmbH was renamed IT Services GmbH and since 1 January 2008 has been presented in the reconciliation due to the low level of third-party revenues. The company K+S Argentina SRL was included in the scope of consolidation from the first quarter due to increased business activities. The companies K+S Mining Argentina SPL and esco Holding France S.A.S have been included in the scope of consolidation since the fourth quarter. The restructuring of the business with nitrogenous fertilizers at COMPO and fertiva was already implemented at the end of the year in the Group and corporate structure and will also result in changes to the reporting structure in the second half of 2009.

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

Seasonal factors

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

Development of revenues, volumes and average prices by region

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

Region	Unit	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Revenues*	€ million	368.5	339.7	313.5	386.3	1,408.0	522.5	612.8	763.4	498.7	2,397.4
- Europe	€ million	231.6	194.7	191.0	237.2	854.5	349.3	387.5	479.8	287.0	1,503.5
- Overseas	US\$ million	179.4	195.4	169.1	215.1	759.0	259.2	351.0	429.9	295.2	1,335.4
Volumes	million tonnes	2.30	2.08	1.78	2.06	8.22	2.11	2.02	1.70	1.16	6.99
- Europe	million tonnes	1.41	1.21	1.11	1.30	5.03	1.43	1.33	1.05	0.64	4.45
- Overseas	million tonnes	0.89	0.88	0.67	0.76	3.19	0.68	0.69	0.64	0.53	2.54
Average prices	per tonne in €	160.6	163.1	175.9	187.7	171.3	247.2	303.1	450.1	428.5	342.7
- Europe	per tonne in €	164.4	161.6	171.8	182.1	170.0	244.4	291.4	455.2	450.9	337.9
- Overseas	per tonne in US\$	202.5	222.7	252.0	284.6	237.9	379.6	507.4	669.6	560.0	524.9

* Revenues include prices both inclusive and exclusive of freight cost and are based on the respective USD/EUR spot exchange rates in the case of overseas revenues. Hedging transactions have been concluded for most of these revenues (see page 26). The information on prices is to be understood solely as providing a rough indication.

Foreign currency result in EBIT I

At the end of 2007/beginning of 2008, we reorganised our US dollar hedging system. Options have been used since then, hedging a worst-case scenario for 2008 of about 1.51 USD/EUR including costs for a volume of US\$ 932 million. During the second half of the year, however, we were able to participate in a strengthening US dollar. Following the trend on the foreign currency markets, in comparison to 2007, this resulted overall in a far weaker average exchange rate for the Potash and Magnesium Products business segment of about 1.46 USD/EUR (2007: hedging of US\$ 475 million by means of double-barrier options at 1.33 USD/EUR).

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

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
USD/EUR exchange rate after premiums	1.08	1.00	1.13	2.61	1.33	1.48	1.50	1.50	1.38	1.46
Average USD/EUR spot rate	1.31	1.35	1.37	1.45	1.37	1.50	1.56	1.50	1.31	1.47

USD/EUR hedge transactions currently extend until the beginning of 2010 and have a volume of about US\$ 1,680 million and, in a worst-case scenario, fixed USD hedging rates of about 1.51 USD/EUR in 2009 and, currently, of about 1.50 USD/EUR in 2010.

OTHER OPERATING INCOME/EXPENSES

€ million	Q4/08	Q4/07	12M/08	12M/07
Foreign currency result (from measurement and hedging)	2.6	(57.5)	19.3	(9.5)
Change in provisions	29.0	8.1	17.3	3.7
Other	(12.4)	4.1	(39.5)	12.0
Other operating income/expenses	19.2	(45.3)	(2.9)	6.2

FINANCIAL RESULT

€ million	Q4/08	Q4/07	12M/08	12M/07
Interest income	22.6	1.4	25.1	6.7
Interest expense	7.1	(12.8)	(29.7)	(42.3)
- of which interest expense for pension provisions	(0.5)	(0.8)	(2.3)	(4.0)
- of which interest income/expense for provisions for mining obligations	32.0	(3.7)	20.0	(13.9)
Interest income, net	29.7	(11.4)	(4.6)	(35.6)
Other financing income/costs	0.6	(0.3)	0.1	(0.3)
Income from the disposal of financial investments, net	-	0.4	11.5	0.6
Income from the measuring of financial investments, net	(1.2)	0.1	(0.2)	(0.4)
Other financial result	(0.6)	0.2	11.4	(0.1)
Financial result	29.1	(11.2)	6.8	(35.7)

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

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

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

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

TAXES ON INCOME

€ million	Q4/08	Q4/07	12M/08	12M/07
Corporate income tax	41.4	(8.8)	141.6	0.3
Trade tax on income	32.2	(8.2)	109.6	2.9
Foreign income taxes	(0.5)	3.3	15.1	16.2
Deferred taxes	15.4	(37.8)	61.4	(68.9)
Taxes on income	88.5	(51.5)	327.7	(49.5)

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

Significant changes in individual balance sheet items

Compared with the annual financial statements for 2007, the balance sheet total as of 31 December 2008 was up € 509.0 million. On the asset side, non-current assets rose by € 72.1 million and current assets by € 436.9 million. The increase in non-current assets is mainly attributable to an increase in property, plant and equipment prompted by capital expenditure and foreign currency factors; the increase in current assets largely derives from an increase in inventories as well as a revenue-related rise in trade receivables. On the liabilities side, equity rose by € 786.5 million; this is primarily due to the positive result for the financial year 2008. Debt declined by € 277.5 million, which is mainly due to loan repayments.

Significant changes in equity

Equity is influenced both by business transactions which are either recognised in profit or loss or not as well as capital transactions with shareholders. Compared with the 2007 annual financial statements, the balance sheet profit and other reserves increased by € 733.0 million. The increase was mainly due to the positive result for the financial year 2008 (after taxes and minority interests) of € 870.9 million. The dividend payment of € 82.5 million effected in May 2008 had the effect of reducing equity. In addition, it should be noted that a capital increase from corporate funds was implemented in connection with the share split in the ratio 1:4. Consequently, the share capital increased by € 56.2 million to € 165.0 while other reserves declined to the same extent. Changes in equity without recognition in profit or loss resulted from, for example, the foreign currency translation of subsidiaries in functional foreign currencies.

Differences arising from foreign currency translation are recorded in a separate foreign currency translation reserve, which increased by € 18.7 million as of 31 December 2008 as a result of foreign currency fluctuations. Furthermore, as a result of the revaluation of "available for sale" securities and their subsequent contribution to a contractual trust arrangement, a revaluation reserve in the amount of € 20.3 million was derecognised.

NET DEBT		
€ million	12M/08	12M/07
Net debt as of 1 January	(1,085.1)	(718.2)
Cash on hand and balances with banks	167.8	49.4
Bank overdrafts	(0.5)	(195.7)
Net cash and cash equivalents as of 31 December *	167.3	(146.3)
Securities	–	37.1
Bank loans and overdrafts	(265.9)	(492.6)
Cash and cash equivalents as of 31 December *	(98.6)	(601.8)
Provisions for pensions and similar obligations	(93.1)	(125.7)
Provisions for mining obligations	(378.3)	(357.6)
Net debt as of 31 December *	(570.0)	(1,085.1)

* 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 2007 and they can be classified as immaterial overall.

Related parties

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

Auditor's review

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

Summary by Quarter

REVENUES & OPERATING EARNINGS (IFRSs)

€ million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Potash and Magnesium Products	368.5	339.7	313.5	386.3	1,408.0	522.5	612.8	763.4	498.7	2,397.4
COMPO	217.1	156.9	115.9	127.5	617.4	275.9	205.0	169.2	100.8	750.9
fertiva	150.5	154.0	164.0	179.5	648.0	212.5	228.8	346.4	113.8	901.5
Salt	176.6	98.6	101.0	168.9	545.1	170.3	108.0	131.0	209.3	618.6
Complementary Business Segments	31.9	29.3	32.5	31.4	125.1	31.7	29.6	31.2	32.8	125.3
Reconciliation	0.1	0.1	0.2	0.1	0.5	0.1	0.3	0.2	0.1	0.7
K+S Group revenues	944.7	778.6	727.1	893.7	3,344.1	1,213.0	1,184.5	1,441.4	955.5	4,794.4
Potash and Magnesium Products	52.8	55.9	65.0	4.2	177.9	170.9	291.4	465.6	275.3	1,203.2
COMPO	19.2	9.0	-	3.8	32.0	35.9	29.1	24.7	(10.7)	79.0
fertiva	4.4	5.5	5.2	10.2	25.3	6.7	14.9	15.3	5.5	42.4
Salt	25.0	1.7	3.2	17.9	47.8	14.7	(4.2)	8.5	26.2	45.2
Complementary Business Segments	10.0	8.0	11.9	7.8	37.7	7.1	7.1	5.1	5.8	25.1
Reconciliation	(8.1)	(10.7)	(5.9)	(10.3)	(35.0)	(9.0)	(11.9)	(17.0)	(14.3)	(52.2)
K+S Group EBIT I	103.3	69.4	79.4	33.6	285.7	226.3	326.4	502.2	287.8	1,342.7

INCOME STATEMENTS (IFRSs)

€ million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Revenues	944.7	778.6	727.1	893.7	3,344.1	1,213.0	1,184.5	1,441.4	955.5	4,794.4
Cost of sales	624.6	533.1	472.2	582.1	2,212.0	711.5	635.4	737.3	468.7	2,552.9
Gross profit	320.1	245.5	254.9	311.6	1,132.1	501.5	549.1	704.1	486.8	2,241.5
Selling expenses	203.7	181.8	162.7	204.1	752.3	216.0	194.5	178.6	186.9	776.0
General and administrative expenses	20.1	25.4	19.1	24.8	89.4	23.1	28.0	25.8	27.4	104.4
Research and development costs	4.0	3.5	3.9	4.1	15.5	4.3	4.3	4.6	4.9	18.1
Other operating income/expenses	10.8	34.4	6.3	(45.3)	6.2	(32.0)	3.7	6.2	19.2	(2.9)
Income from investments, net	0.2	0.2	3.9	0.3	4.6	0.2	0.4	0.9	1.0	2.5
Operating earnings (EBIT I)	103.3	69.4	79.4	33.6	285.7	226.3	326.4	502.2	287.8	1,342.7
Market value changes from hedging transactions	3.0	9.0	(233.5)	(171.1)	(392.6)	(107.7)	(6.8)	(34.1)	(1.8)	(150.4)
Earnings after market value changes (EBIT II)	106.3	78.4	(154.1)	(137.5)	(106.9)	118.6	319.6	468.1	286.0	1,192.3
Financial result	(9.8)	(6.3)	(8.4)	(11.2)	(35.7)	(2.3)	(11.9)	(8.1)	29.1	6.8
Earnings before income taxes	96.5	72.1	(162.5)	(148.7)	(142.6)	116.3	307.7	460.0	315.1	1,199.1
Earnings before income taxes, adjusted¹⁾	93.5	63.1	71.0	22.4	250.0	224.0	314.5	494.1	316.9	1,349.5
Taxes on income	31.9	24.2	(54.1)	(51.5)	(49.5)	31.5	81.4	126.3	88.5	327.7
- of which deferred taxes	4.6	6.5	(42.2)	(37.8)	(68.9)	12.9	27.2	5.9	15.4	61.4
Minority interests in earnings	0.1	-	-	0.1	0.2	0.0	0.1	0.2	0.2	0.5
Group earnings after taxes and minority interests	64.5	47.9	(108.4)	(97.3)	(93.3)	84.8	226.2	333.5	226.4	870.9
Group earnings after taxes, adjusted¹⁾	62.6	42.2	47.6	22.9	175.3	162.6	231.1	358.1	227.5	979.3

OTHER KEY DATA (IFRSs)

	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Capital expenditure (€ million) ²⁾	25.2	25.6	45.4	75.4	171.6	24.2	60.5	48.4	64.4	197.5
Depreciation and amortisation (€ million) ²⁾	31.0	31.0	31.2	35.0	128.2	32.5	33.8	39.1	36.3	141.7
Gross cash flow (€ million)	104.1	67.1	116.5	84.4	372.1	243.0	281.5	456.8	196.6	1,177.9
Net debt (€ million)	713.1	741.6	830.3	-	1,085.1	1,002.8	904.4	633.6	-	570.0
Earnings per share, adjusted (€) ^{1), 3)}	0.38	0.26	0.29	0.14	1.06	0.99	1.40	2.17	1.38	5.94
Gross cash flow per share (€) ³⁾	0.63	0.40	0.71	0.51	2.25	1.47	1.71	2.77	1.19	7.14
Book value per share, adjusted (€) ^{1), 3)}	6.74	6.52	6.65	-	6.81	6.03	6.71	9.04	-	10.49
Total number of shares (million) ³⁾	165.00	165.00	165.00	-	165.00	165.00	165.00	165.00	-	165.00
Number of shares outstanding (million) ^{3), 4)}	164.76	165.00	165.00	-	165.00	164.84	165.00	165.00	-	165.00
Average number of shares (million) ^{3), 5)}	164.84	164.92	165.00	165.00	164.94	164.84	164.95	165.00	165.00	164.95
Closing price (XETRA, €) ³⁾	20.59	28.52	32.14	-	40.69	51.83	91.58	48.64	-	39.97
Employees as of the reporting date (number)	11,956	11,912	11,980	-	12,033	12,141	12,145	12,323	-	12,368

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

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

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

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

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

FINANCIAL CALENDAR

	2009/2010
Annual General Meeting, Kassel	13 May 2009
Interim report 31 March 2009	13 May 2009
Dividend payment	14 May 2009
Interim report 30 June 2009	13 August 2009
Interim report 30 September 2009	12 November 2009
Report on business 2009	11 March 2010
Press and analyst conference, Frankfurt am Main	11 March 2010

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