

# QUARTERLY REPORT Q3/08



July – September

Best quarter so far for the K+S Group

Quarterly revenues rose by 98% to € 1.44 billion

Operating earnings (EBIT I) six times greater at € 502.2 million

Adjusted earnings per share: € 2.17 (+648%)

Free cash flow increased to € 307.3 million (Q3/07: € (79.4) million)

Outlook 2008: Adjusted earnings per share of about € 6.00



Experience growth.

## Key Data Business Development

### KEY FIGURES (IFRSs)

€ million	Q3/08	Q3/07	%	9M/08	9M/07	%
Revenues	1,441.4	727.1	+ 98.2	3,838.9	2,450.4	+ 56.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	541.3	110.6	+ 389.4	1,160.3	345.3	+ 236.0
EBITDA margin in %	37.6	15.2		30.2	14.1	
Operating earnings (EBIT I)	502.2	79.4	+ 532.5	1,054.9	252.1	+ 318.4
Operating EBIT margin in %	34.8	10.9		27.5	10.3	
Earnings after market value changes (EBIT II)	468.1	(154.1)	–	906.3	30.6	> + 1,000.0
Earnings before income taxes	460.0	(162.5)	–	884.0	6.1	> + 1,000.0
Earnings before income taxes, adjusted <sup>1)</sup>	494.1	71.0	+ 595.9	1,032.6	227.6	+ 353.7
Group earnings after taxes	333.5	(108.4)	–	644.5	4.0	> + 1,000.0
Group earnings after taxes, adjusted <sup>1)</sup>	358.1	47.6	+ 652.3	751.8	152.4	+ 393.3
Gross cash flow	456.8	116.5	+ 292.1	981.3	287.7	+ 241.1
Net debt as of 30 Sept. <sup>2)</sup>	–	–	–	633.6	830.3	(23.7)
Capital expenditure <sup>3)</sup>	48.4	45.4	+ 6.6	133.1	96.2	+ 38.4
Depreciation and amortisation <sup>3)</sup>	39.1	31.2	+ 25.3	105.4	93.2	+ 13.1
Working capital as of 30 September	–	–	–	837.5	796.0	+ 5.2
Earnings per share, adjusted (€) <sup>1),4)</sup>	2.17	0.29	+ 648.3	4.56	0.92	+ 395.7
Gross cash flow per share (€) <sup>4)</sup>	2.77	0.71	+ 290.1	5.95	1.74	+ 242.0
Book value per share as of 30 Sept., adjusted (€) <sup>1),4)</sup>	–	–	–	9.04	6.65	+ 35.9
Total number of shares as of 30 Sept. (million) <sup>4)</sup>	–	–	–	165.00	165.00	–
Outstanding shares as of 30 Sept. (million) <sup>4),5)</sup>	–	–	–	165.00	165.00	–
Average number of shares (million) <sup>4),6)</sup>	165.00	165.00	–	164.93	164.92	–
Employees as of 30 Sept. (number) <sup>7)</sup>	–	–	–	12,323	11,980	+ 2.9
Average number of employees <sup>7)</sup>	12,238	11,944	+ 2.5	12,170	11,943	+ 1.9
Personnel expenses	179.4	160.6	+ 11.7	546.9	509.0	+ 7.4
Closing price (XETRA) as of 30 Sept. (€) <sup>4)</sup>	–	–	–	48.64	32.14	+ 51.3
Market capitalisation as of 30 Sept. (€ billion)	–	–	–	8.0	5.3	+ 51.3
Enterprise value as of 30 Sept. (€ billion)	–	–	–	8.7	6.1	+ 42.6

<sup>1)</sup> adjusted for the effect of market value changes in hedging transactions;  
in the case of adjusted Group earnings, the resulting tax effects were also eliminated

<sup>2)</sup> including provisions for pensions and mining obligations

<sup>3)</sup> for or in connection with intangible assets as well as property, plant and equipment

<sup>4)</sup> adjusted to share split in the ratio 1 to 4  
(entry in Commercial Register: 24 June 2008; technical execution: 21 July 2008)

<sup>5)</sup> total number of shares less the own shares held by K+S on the reporting date

<sup>6)</sup> total number of shares less the average number of own shares held by K+S over the period

<sup>7)</sup> total workforce including temporary employees (without students and interns),  
measured on full-time equivalent basis (FTE)

## Management Report

### Macroeconomic environment

Global growth slowed down to a greater extent than foreseen in the Financial Report 2007, especially toward the end of the third quarter. Thus, taking this development into account, worldwide economic growth of 3.7% is now expected for the whole of 2008. The effects of the US property crisis have had an increasingly negative impact on global credit and financial markets. With inflation for the year as a whole in the industrialised countries expected to rise to 3.8%, this has led to a weakening of demand. However, in the emerging market countries the economy expanded strongly, even though signs of a slowdown could be observed there too as a result of the industrialised countries' weak economy.

The US dollar became much stronger in the third quarter, and at the end of September, the exchange rate was USD/EUR 1.41. By contrast, prices of raw materials clearly fell during the same period: The oil price at the end of September was just under US\$ 98 per barrel and thus 30% less than at the end of June 2008.

#### Impact on K+S

The macroeconomic environment had the following impact on the course of business for K+S in the third quarter:

- The economic upturn continued in the emerging market countries, improving the standard of living of the populations in those countries. This increases the global per capita consumption of food, including that of meat, and the pressure on the global agricultural system to meet this challenge. The South American market for industrial salt and salt for chemical use too, which is important for our Chilean subsidiary SPL, grew in line with local economic trends.
- At the end of 2007/beginning of 2008, we had reorganised our US dollar hedging system. Since then, options are used for this and hedge a worst-case scenario for 2008 of about USD/EUR 1.49 including costs, but provide the opportunity to participate in a stronger US dollar. In comparison to the third quarter of 2007, this resulted in a significantly lower average exchange rate of about USD/EUR 1.49 for the Potash and Magnesium Products business segment (Q3/2007: USD/EUR 1.13).
- Due to the energy supply clauses agreed upon with our suppliers, the clear fall in oil prices observed in the third quarter did not yet exert an impact on the K+S Group's energy costs.

## Industry-specific framework conditions

**i** The market position of the individual business segments can be found in our Financial Report 2007 on page 86 et seqq. The industry environment of the individual business segments can be found in the description of K+S Group business segments on page 19 et seqq.

### Fertilizer and Plant Care Business Sector

Following a prolonged and latterly almost euphoric upward movement, commodity exchanges have experienced significant profit-taking from the middle of July onwards, causing major adjustments to the prices of virtually all agricultural products. There is no fundamental explanation for this development because the relationship between grain stocks and demand, which determines prices, is still at an all-time low, even though farmers attained above-average yields in 2008 because of ideal weather conditions.

There was a very strong global demand for fertilizers in the third quarter too, and fertilizer prices continued to rise against the background of a shortage of supply.

### Salt Business Sector

While high stocks held by customers on the Western European de-icing salt market continued to put pressure on prices in the third quarter too, in the North American de-icing salt business current tenders benefited especially from supply bottlenecks after two consecutive heavy winters in the Midwest. In the food grade and industrial salt segments, European demand remained stable, and sales of salt for chemical use remained at a high level. The South American market for industrial salt and salt for chemical use grew in line with local economic trends once again.

## Products and services

For a comprehensive description of our products and services, please see the relevant passages in our Financial Report and Corporate Report for 2007. Since then, there have been no changes in the range of products and services that have had a significant influence on the business performance of the K+S Group. In the future too, no significant changes are to be expected.

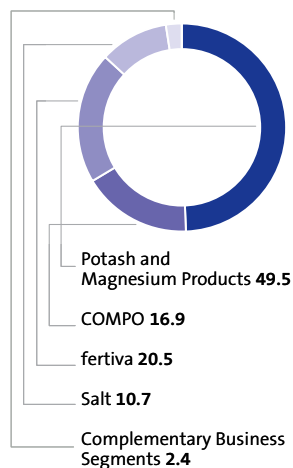
## Revenues and Earnings position

Variance analysis in %	Q3/08	9M/08
<b>Change in revenues</b>	<b>+98.2</b>	<b>+56.7</b>
- volume/structure	(4.1)	(4.1)
- prices	+104.6	+64.2
- exchange rates	(2.3)	(3.5)
- consolidation	–	+0.1

### Revenues almost doubled in the third quarter

At € 1,441.4 million, third quarter revenues exceeded the figure for the same period last year by € 714.3 million or 98%. The increase was attributable to positive price effects that could more than offset moderate currency- and volume-related revenue declines. The Potash and Magnesium Products, fertiva and COMPO business segments attained strong increases in revenues. The Salt business segment also increased its revenues. During the first nine months, revenues rose by 57% to € 3,838.9 million also due to price factors. About 70% of Group revenues were generated in Europe, with the Potash and Magnesium Products business segment accounting for 50% of revenues.

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



### At € 502.2 million, operating earnings increased more than sixfold during the third quarter

EBIT I is free of non-cash changes in the market value of our currency options and other hedging instruments that we use to hedge the US dollar exchange rate and only includes the hedging gains actually achieved in the period under review. The effects of the exercise, expiry and valuation of double-barrier options, which are no longer maintained for the purpose of foreign currency hedging, are not included in the operating earnings either.

In the third quarter of 2008, EBIT I rose by € 422.8 million or 533% to € 502.2 million compared with a year ago; this was mainly attributable to significant earnings increases in the Potash and Magnesium Products business segment in addition to the positive business development for COMPO, fertiva and Salt. During the first nine months, EBIT I of the K+S Group more than quadrupled to € 1,054.9 million. This too was mainly attributable to the strong rise in earnings in the Potash and Magnesium Products business segment.

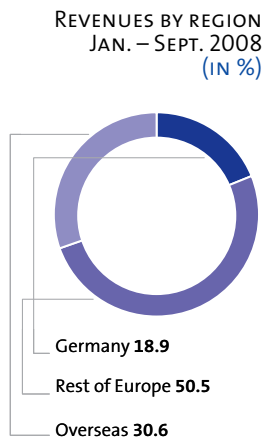
### EBIT II reaches € 468.1 million (Q3/2007: € (154.1) million)

Under the IFRSs, changes in the market value of our foreign currency options as well as of other hedging instruments used to hedge the US dollar exchange rate have to be reported in the income statement. While the cash gains from options already exercised are included in operating earnings EBIT I, we report non-cash changes in the market value of options that are still outstanding as well as losses from forfeited options with due dates in future periods as a reconciliation to EBIT II.

During the quarter under review, earnings after market value changes, EBIT II, amounted to € 468.1 million and thus rose by € 622.2 million. As of the reporting date, a clearly stronger US dollar and tangibly lower freight rates had a negative impact on the market values of the hedging instruments used in this regard. During the first nine months, earnings after market value changes, EBIT II, reached € 906.3 million (9M/2007: € 30.6 million).

### Financial result in the third quarter slightly above previous year's level

During the third quarter, the financial result was € (8.1) million and due to improved interest income thus slightly above the level for the same period last year. Under the IFRSs in addition to the interest expense for pension provisions (9M/2008: € (1.8) million), the financial result includes the interest expense for other long-term provisions mainly related to mining obligations (9M/2008: € (12.0) million); both are non-cash. During the first nine months, the financial result improved by € 2.2 million to € (22.3) million; non-recurrent special income from the disposal of financial investments during the first quarter was able to more than compensate for a weaker interest result. Further details of the financial result can be found in the Notes.



### Adjusted earnings after taxes increase more than sevenfold in third quarter

Given their limited economic meaningfulness as well as the fluctuations to which the market values of our foreign currency options as well as other hedging instruments are subject, we report earnings before taxes as well as after taxes following adjustment for these effects. Thus, the latter also takes account of the impact of market value changes on deferred, non-cash taxes.

Adjusted earnings before taxes for the third quarter amounted to € 494.1 million, which represents an increase of € 423.1 million compared with a year ago. Under the IFRSs, deferred, that is non-cash, income taxes are reported. In the third quarter, of a total of € 126.3 million in income taxes, € 5.9 million were deferred (Q3/2007: € (54.1) million, of which € (42.2) million were deferred). Further details of the income tax expense can be found in the Notes. Between January and the end of September 2008, adjusted earnings before taxes increased by € 805,0 million to reach € 1,032.6 million.

In the third quarter, Group earnings after taxes adjusted for the effect of market value changes amounted to € 358.1 million, following €47.6 million in the previous year. During the first nine months, adjusted Group earnings amounted to € 751.8 million and were thus € 599.4 million or 393% higher than for the same period last year.

### Adjusted earnings per share reach € 2.17 (Q3/2007: € 0.29 per share)

The undiluted, adjusted earnings per share are computed by dividing the 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 discontinued 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 € 2.17 and were thus up 648% on the same period last year (€ 0.29). For the current calculation, an average number of shares outstanding of 165,0 million no-par value bearer shares was assumed; adjusted to the 1 to 4 share split entered in the Commercial Register on 24 June 2008 and executed in terms of securities on 21 July 2008, this corresponds to the average number of shares of 165,0 million that provided the basis for last year's calculation.

As at 30 September 2008, we held no shares of our own; the total number of K+S Group shares outstanding at the end of September thus amounted to 165.0 million no-par value bearer shares.

## Financial position and Capital expenditure

€ million	9M/08	9M/07
Gross cash flow	981.3	287.7
Cash flow from operating activities	726.2	76.7
Cash flow for investing activities	(133.6)	(91.6)
Free cash flow before acquisitions/divestments	592.6	(14.4)
Cash flow for financing activities	(375.5)	(76.5)

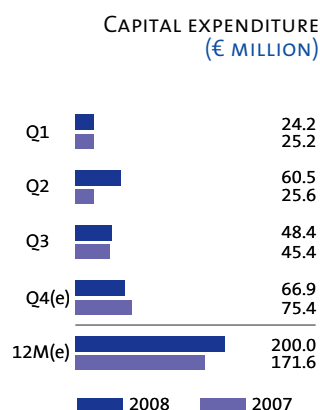
### Free cash flow reaches € 592.6 million after nine months

After nine months, gross cash flow reached € 981.3 million and thus increased more than threefold on a year ago. Substantially higher operating earnings far more than made up for higher income tax and interest payments.

Cash flow from operating activities during the first nine months reached €726.2 million, and thus improved by €649.5 million. Working capital rose relatively more in comparison with the same period last year; the increase in inventories that have to be evaluated at far higher input costs and the price-driven higher increase in receivables was partly offset by an increase in liabilities due to price factors and an increase in short-term provisions. Moreover, the previous year's cash flow from operating activities had been impacted by high premium payments for the double-barrier options used last year for hedging the US dollar.

During the first nine months, cash flow for investing activities amounted to € (133.6) million (9M/2007: € (91.6) million) and thus reflects the increase in capital expenditure during this period.

Between January and September, free cash flow before acquisitions/divestments reached € 592.6 million (9M/2007: € (14.4) million). After taking into consideration the cash flow used in financing activities of € (375.5) million, which primarily includes the settlement of financial liabilities in the amount of € 290.7 million as well as the dividend payment of € 82.5 million in May, as of 30 September 2008, we are reporting net indebtedness including provisions totalling € 633.6 million (previous year: € 830.3 million).



### Capital expenditure on about the previous year's level

At € 48.4 million, the volume of capital expenditure in the third quarter was on about the same level as a year ago (Q3/2007: € 45.4 million). Overall, the main share of our capital expenditure is attributable to the Potash and Magnesium Products business segment; investment in the replacement and expansion of underground infrastructure, measures to expand the capacity for industrial products at the Zielitz site and projects involving further energy savings continued to be the focus here. Further significant projects during the third quarter were the increase in the reutilisation capacity for the receipt of waste in dust form, as well as the regularly repeated overhauls of some SPL ships. In the first nine months, we invested € 133.1 million and thus € 36.9 million more than in the same period last year.

In the Financial Report 2007, we forecasted a capital expenditure level in 2008 of € 240 million. We currently anticipate capital expenditure of about € 200 million for this year – as already announced in the H1/2008 report; this is mainly attributable to delays in the official approval of the construction of the saline water pipeline from the Neuhofo-Ellers site to the Werra site, which was already applied for in July 2007.

Thus, a good € 65 million should be invested in the fourth quarter. The focus shall be placed on projects involving process optimisation, further energy savings and a minimization of solid and liquid production residues in the Potash and Magnesium Products business segment. In 2008, 55 % of total capital expenditure are expected to relate to replacement and the safeguarding of production capacity; this should be entirely financed through the anticipated depreciation charges totalling a good € 140 million.

At about € 200 million, the volume of capital expenditure in 2009 is expected to be on the same level as in 2008 and as predicted in the Financial Report 2007. Measures to expand production capacity for industrial and speciality products as well as projects involving the increasing of yields, further energy savings and a minimization of solid and liquid production residues in the Potash and Magnesium Products business segment shall be the focus next year. A good 60% of total capital expenditure are expected to relate to replacement and the safeguarding of production capacity; this should be entirely financed through the anticipated depreciation charges totalling approximately € 150 million. The results expected in 2009 should lead to cash flow from operating activities far in excess of total capital expenditure outlays.

## Research and Development

There has been no significant change in the goals and focal points of research and development as described in the Financial Report 2007. During the quarter under review, research and development expenses totalled € 4.6 million and were thus up on the same period last year (Q3/2007: € 3.9 million). The increase is attributable to even greater efforts to newly develop and optimise production processes to minimise the quantity of solid and liquid production residues from potash production as well as to the development of plant protection products in the COMPO consumer business in cooperation with Syngenta. During the first nine months, at € 13.2 million, research costs were 16% higher than during the same period last year.

€ million	2008e	2007
Research costs	18.0	15.5
Capitalized development investment	3.0	2.7
Employees as of 31 Dec. (number)	64	58

We expect research costs of close to € 18 million for 2008 (2007: € 15.5 million). At about € 3 million, development-related capital expenditure should also be higher than the figure for the same period last year (2007: € 2.7 million). Research into the influence of potash products on soil water efficiency, the further development of plant protection products as well as cooperation in the Dutch public research project "Wetsus" on the possible use of renewable energy will be among the most significant research projects. At the end of the year, as a result of more intensified research activity, we thus expect to have 64 employees (2007: 58 employees) working on research in the K+S Group.

Next year's research costs should again exceed the 2008 level. The number of employees working on research in the K+S Group is also expected to increase. Again, the focus here will be placed on efforts to develop and optimise production processes to minimise the quantity of solid and liquid production residues from potash production. Attention will also be paid to the development of plant protection products in the COMPO consumer business in cooperation with Syngenta, new developments in stabilised fertilizers and improvements to water-softening salts.

## Employees

### Slight increase in headcount

As at 30 September 2008, a total of 12,323 people were employed by the K+S Group, which means that their number was almost 3% higher than a year ago and reached the level forecast for the end of 2008. Next year, the headcount should increase slightly again. The number of trainees at the end of the third quarter was 616 and thus at last year's level.

### Personnel expenses tangibly up on last year

Third quarter personnel expenses amounted to € 179.4 million and were thus up by almost 12% on the same period last year. In the first nine months too, at € 546.9 million, this figure was up by 7%. The increase is attributable to the collective agreement pay rise that came into effect in the Potash and Magnesium Products and Salt business segments as of 1 January 2008 and to the slightly higher number of employees. For 2008 as a whole, we continue to anticipate an increase in personnel expenses of about € 40 million and thus an increase in the middle of the single-digit percentage range (2007: € 687.3 million). We expect a similar increase in percentage terms next year.

### Changes to the work organisation and personnel measures in Salt and COMPO announced

- In August, esco reached an agreement with the works councils and the IG BCE trade union involving long-term safeguards for the German industrial sites: As of 1 November 2008, agreed weekly working hours will rise by two hours a week on average without any direct wage compensation but with an opportunity for additional profit-sharing. Moreover, the efficiency of the esco sites will be boosted thanks to a cost optimisation programme conducted on best practice principles. These measures should affect about 110 positions around Europe in total. Operational job cuts should be largely excluded by continued employment within the K+S Group.

- Following the restructuring of the business with nitrogenous fertilizers announced on 8 July 2008, an appropriate reorganisation of the business of COMPO was announced. The increases in efficiency sought with these measures will result in a loss of jobs. Because of investigations still in progress, it will probably not be possible to present the exact impact of the foreseen restructuring until the end of this year. The objective is to avoid operational job cuts as much as possible also by means of continued employment within the K+S Group.

## The K+S share

### Debut in the DAX® German share index

The strong economic growth in previous years, especially in the emerging market countries, has caused a tangible increase in the demand for raw materials and thus for mineral fertilizers too. The K+S Group's inclusion among the world's important providers of fertilizers and salt was reflected in its presence on the German capital market in the third quarter of 2008. Stock market trading and market capitalization satisfied the criteria for inclusion in the DAX® index. Since 22 September 2008, K+S has been traded on Germany's most important stock market index as the only commodity stock. We have launched a PR campaign following our inclusion in the most important German share index. Henceforth, we are advertising our Company in the regional and national press, in magazines and the Internet to increase awareness of the K+S Group.

### The K+S share price development in the third quarter

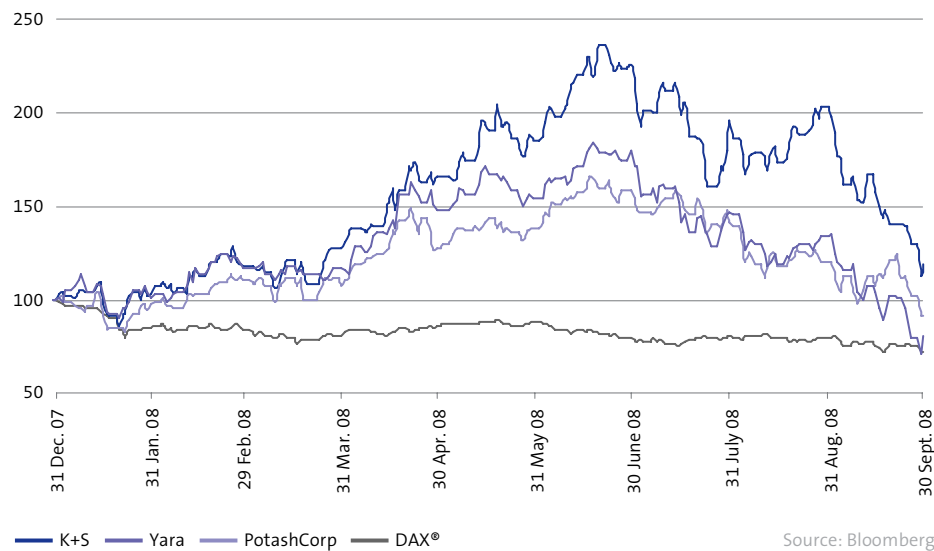
- At the start of the third quarter, the K+S share was quoted at about € 88. Afterwards, mainly due to adjustments to the prices of agricultural raw materials, clear profit-taking occurred, leading to a temporary slump in the share price at € 65 on 24 July. The share split of 1 to 4 performed on 21 July had no impact on this. On that day, every issued share was split into four K+S shares.
- The positive impact of the renewed upward adjustment in the earnings forecast of at least € 1.1 billion to between € 1.4 billion and € 1.6 billion published on 31 July 2008 only pushed the K+S share up temporarily to € 80. In a weak market environment and against the backdrop of a further decline in the prices of agricultural products, this price recovery was exploited for profit-taking, resulting in a fall in the K+S share price to almost € 68 at the beginning of August.
- The favourable quarterly report released on 13 August 2008 eased some of the concerns over dwindling agricultural revenues. At the end of August, the K+S share again reached a high of almost € 83.
- In addition to the continuing low prices of commodities, the problem of credits became more acute in the banking sector, causing turmoil on international financial markets which was also reflected in a continued decline in the price of the K+S share till the end of the third quarter. The value of the K+S share suffered from fears that farmers would be discouraged from investing not only because of the falling prices

**i** Price data is adjusted to the share split entered in the Commercial Register on 24 June 2008 and executed in terms of securities in the ratio 1 to 4 on 21 July.

of grain, but also because of the increased difficulty of obtaining credits. These considerations are also reflected in the share price developments of our competitors.

- On 30 September, the closing price of the K+S share was € 48.65. Despite the difficult market environment, this corresponds to an increase of 19.5% since the beginning of the year. By contrast, the DAX® and our main competitors suffered a fall in share prices during this period. In the third quarter, the share price lay within a relatively large trading range of between € 45.84 and € 88.73. This resulted in an average share price of almost € 72 in the third quarter. On 30 September 2008, market capitalisation amounted to € 8.0 billion (30 September 2007: € 5.3 billion).
- On the basis of the closing price of the K+S share on 5 November 2008 (€ 34.27) and the forecast described in the outlook, a PER of 5.7 emerges for 2008. This in historical terms relatively low share value reflects the current risk aversion of investors. In our latest regularly carried out survey (4 November 2008), 17 banks recommended us for “buy/accumulate”, two for “hold,” and two for “sell/reduce.”

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



Source: Bloomberg

**Shareholder structure**

BASF SE holds about 10.3% of our shares. Apart from that, MCC Holding Ltd., a joint-stock company that manages the industrial holdings of Andrey Melnichenko and, among others, has a majority shareholding in the Russian agro-chemical company EuroChem, holds 10.4% of our shares. Furthermore, on 12 August 2008, Capital Group notified us that its subsidiary Capital Research & Management had fallen below the reportable threshold of 3%. Under the free float definition applied by Deutsche Börse AG, the free float unchanged amounts to 79.3%.

## Subsequent events

Since the close of the quarter under review, the following changes occurred in the general economic environment and in the situation of our industry: In the course of the global financial crisis, following a prolonged and in the end almost euphoric upward turn, commodity exchanges experienced a strong correction too. For instance, commitments in grain, corn and soybeans were abruptly cancelled. Due to this development, unexpected by most market participants, speculative and often debt-financed commitments had been forced to be sold. These sometimes panicky reactions cannot be explained in terms of fundamental circumstances as the relationship between grain stocks and demand is still at a historically very low level. Nonetheless, the expected grain price is one of the decisive factors for farmers because it also determines the size of the land to be farmed in the future and the capacity of operative resources, e.g. fertilizers, to be applied. Thus, increasing concern among farmers and our customers was visible in the first few weeks of the fourth quarter.

In addition, the following event was of particular importance for the K+S Group: Against the background of the debate that has been taking place over the past few months about the future disposal of saline water incurring in potash fertilizer production, K+S has adopted a comprehensive package of measures for water protection for the potash mining district in Hesse-Thuringia. With it, K+S will reduce the volume of saline water as of 2011 already, and gradually halve it to 7 million cubic metres per year by 2015. This K+S package of measures will clear the way to reduce the chloride limit of the Werra river from the present 2,500 mg/l gradually to 1,700 mg/l and the water hardness from 90 to 65 degrees dH as well as considerably reduce the injection of saline water. Thanks to this, the flora and fauna in the Werra and Weser rivers will further improve. The related total capital expenditure on improving the quality of the water will amount to up to € 360 million by 2015.

## Risk report

For a comprehensive description of the risk and opportunity management system or possible risks, please refer to the relevant passages in our Financial Report 2007. Only changes that have occurred since then are described below. The statements about the other 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.

### **Economic performance risks – Production and the environment**

In the Potash and Magnesium Products business segment, liquid residues (saline water) among others arise from ongoing production and from tailings pile precipitation.

They are disposed of by means of discharge, approved under water law, into surface water or sinking into underground layers of rock. This also requires compliance with thresholds and conditions imposed by government agencies in addition to legal requirements. The determination of a significant reduction in the previously forecast capacities for the injection of liquid residues or the earlier than planned complete utilisation of the approved space for injection as well as the proof of a possible influence of the injection on resources of drinking water or usable ground water could lead to a partial or even complete withdrawal of permits for injection for the disposal of liquid residues and would result in substantial additional costs or, in an extreme case, to a considerable cut in production at the affected sites. Thus, for example, the Neuhof-Ellers potash plant had to discontinue the sinking of saline water into the dolomite layer after fully utilising the sinking space. To ensure the proper disposal of tailings pile water arising there, saline water is transported, until the completion of the saline water pipeline already applied for in July 2007, by rail and lorry to the nearest site in accordance with valid permits. In the Werra potash plant at the Unterbreizbach site as well, there is a definite risk that the saline water injection can not be taken up again. A part of the residue water from production, containing  $MgCl_2$ , was injected as part of a trial until October 2007. K+S applied early for a new permit for injection. The issue of this operating permit is dependent on monitoring bores which are to provide an indication on the hydrogeological conditions and at the same time to determine whether the injection of saline water poses a threat to drinking water. Even a monitoring bore performed in October 2008 could not provide sustainable results. Until this issue has been clarified, the saline waters have to be stored in an approved underground storage facility or, within the approved limits, fed into the Werra. If no alternative possibilities of disposal are found at the site by the end of the first quarter of 2009, the only solution will be to transport the water to disused mines.

From today's perspective, an extension of the current injection and discharge permits in the same form after they have expired is not to be expected. Therefore, K+S has presented a package of measures for water protection which contains a sustainable concept of disposal that can also gain long-term approval. This calls for capital expenditure of up to € 360 million and will also increase operating costs. The reduction of solid and liquid production residues in potash production will continue to be one of the main focuses of our R&D activities. All conceivable disposal concepts are checked with the participation of independent experts.

## Opportunity report

For a comprehensive description of possible opportunities, please see the relevant passages in our Financial Report 2007. Even though the price level of most of the agricultural products has fallen in recent weeks as a result of the financial crisis, it should be emphasized that the world food situation remains tense and the basic environment unchanged. These facts will inevitably have to lead to higher prices for agricultural products. The statements about the other opportunities described in the Financial Report essentially remain without change. In addition, the improved US dollar exchange rate is opening up opportunities for an improvement in our foreign trade position. Freight costs which have fallen considerably recently should also have a positive impact on K+S's business in the medium term. There is no offsetting of opportunities and risks as well as positive and negative changes in them.

## Outlook

### Future macroeconomic situation

We expect a further weakening of the world economic situation for the remainder of 2008 and at least the first half of 2009, because the effects of the financial crisis are more drastic than expected. Thus, global economic growth of 3.7% or 3.2% is expected for 2008 and 2009 respectively – in our Financial Report issued in the middle of March, we had assumed that this growth would be at least 4% in both years. The rate of inflation which we forecast at declining 2.4% for 2009 should support purchasing power; however, due to influence of psychological factors on investment and consumer behaviour, these fundamental factors are being forced into the background. Very often it remains unnoticed that companies outside the financial sector have more solid balance sheets and increased competitiveness than in earlier crises. Moreover, the world economy should be further supported by the growth of the emerging market countries, despite its weakening.

The currency and crude oil price forecasts behind our outlook are based on the assumption that the oil price will rise again and the US dollar exchange rate will weaken.

### Impact on K+S

The macroeconomic environment should have the following impact on the course of K+S business:

- Despite the expected weakening in global economic growth, continued increasing prosperity, above all in the emerging market countries, is resulting in their populations having greater expectations of their diet. Moreover, the world's population is continuing to grow without a change. Therefore, just as in earlier crises, the demand for agricultural products should continue to develop largely independent of global economic development.

- The global financial crisis could create worse conditions for borrowing.
- At the end of 2007/beginning of 2008, we reorganised our US dollar hedging system. Since then, options are used for this and hedge a worst-case scenario for 2008 and 2009 of about USD/EUR 1.49 including costs, but provide the opportunity to participate in a US dollar that is currently becoming stronger.
- Because the recent strong decline in energy prices will not impact our costs until six to nine months' time, the K+S Group's energy costs are not expected to fall until the second half of 2009.

#### Future industry situation

Whilst there was still a high demand for potash fertilizers in the third quarter of 2008 and prices went up further in view of the worldwide short supply, the strong decline in grain prices over the past few weeks as a result of the financial crisis has led to muted demand for fertilizers in the farming sector, especially in Europe. Thus, the financial crisis has an impact on the course of our business. Numerous manufacturers of complex fertilizers have cut back their production, and therefore reduced their demand for potash products as well. Moreover, in recent months, European trade has strongly increased its stockpiles of fertilizers in the face of rising prices. Apart from that, farming demand for fertilizers declines due to seasonal factors in the fourth quarter anyway.

Therefore, K+S will cut back production until at least the end of 2008 and produce 400,000 tonnes less potassium chloride. The production of speciality and industrial products will be maintained. Adjustments to production will take place over the next few weeks until the planned site closures during the Christmas holidays and will affect all German potash sites. We will take advantage of the production cutback in order to undertake maintenance work in production plants, which could not always be carried out in full due to the exacting supply and demand situation in recent years. No short-time working or short-term production cutbacks are envisaged for the time being.

In the medium and long term, the trends that positively affect demand for our products in the Fertilizer and Plant Care business sector, such as a continuous rise in the world population and changed eating habits, will continue despite the financial crisis. Moreover, because there is no substitute for mineral fertilizers and any reduction in fertilization – especially following this year's record harvest entailing high nutrient depletion – would unavoidably lead to reduced yields, the already existing global shortage of grain, corn and soybeans would become even more acute. One should bear in mind that only six months ago, when the food situation was similar, some politicians reacted to the possibility that food could become unaffordable by considering the introduction of politically dubious restrictions on exports. However, the current level of prices of agricultural products suggests a food surplus.

In the case of potash fertilizers, global demand can be expected to grow appreciably again soon. It is becoming ever clearer that the growth in capacity in the potash industry over the medium term too will at best only be able to keep up with this growth in demand, so that potash will remain in short supply in the future too. As the fourth-largest single producer in the world, K+S should be able to participate in this to a noticeable extent.

The future industry situation in the Salt business segment described in the Financial Report 2007 remains valid. Additionally, in the fourth quarter, the salt business will again be influenced decisively by winter weather conditions. In this respect, we base our assumptions on average sales figures for a good many years in the case of both the European and North American markets which, however, will not be able to make up for the previous shortfalls in sales of de-icing salt in the current year.

#### Future earnings position

In the financial year 2008, revenues of the K+S Group should increase strongly in comparison to the previous year. This assessment is borne out especially by higher revenues in the Potash and Magnesium Products, fertiva and COMPO business segments as a result of sharp price increases on the global markets for potash and nitrogen fertilizers. Revenues for 2008 as a whole were hitherto expected to reach € 5.3 billion to € 5.5 billion (previous year: € 3.3 billion); but because of the current fall in fertilizer purchases on account of the global financial crisis, revenues are now expected to reach the lower end of the range, i. e. just under € 5.3 billion.

This year, operating costs have been affected primarily by the clear rise in costs for energy and the ingredients required for nitrogenous fertilizer manufacture. Because of this year's wage rises and a moderate increase in the headcount, personnel costs should rise by six to seven percent. Thus, the strongly increased average fertilizer revenues we have already discussed, which exceed the rise in costs by far, should lead to much higher operating earnings, EBIT I, in comparison with last year. Until now, we expected that the K+S Group's operating earnings EBIT I this year would be between € 1.4 billion and € 1.6 billion (previous year: € 285.7 million); but due to the more cautious estimate of quantities for the fourth quarter, which take account of the current mood of restraint in farming, we now expect operating earnings EBIT I for the whole year to be at the lower end of the range, i. e. about € 1.4 billion.

The adjusted Group earnings after taxes should increase significantly during this year in line with the development of operating earnings and, compared with last year, a somewhat improved financial result and a corporate tax rate of about 27 to 28% (2007: 29.9%). But here, because of the more cautious estimates for the fourth quarter, we expect a value at the lower end of the range, i.e. about € 1.0 billion (previous year: € 175.3 million). This would correspond to adjusted earnings per share of about € 6.00/share (previous year: € 1.06/share).

Essentially, our outlook for 2008 is based on the following premises:

- an average US dollar exchange rate of USD/EUR 1.30 in the fourth quarter,
- total sales of potash fertilizers amounting to 7.2 million tonnes for 2008, and
- an average de-icing salt business in Europe and North America in the fourth quarter.

Further growth in our core business sectors remains the focal point of our strategy and encompasses both acquisitions and cooperations.

As already forecast in our Financial Report 2007, revenues should increase further in 2009. This estimate is borne out above all by the expectation of attractive average prices in the Potash and Magnesium Products business segment and an expected normalisation of the de-icing salt business next year. We also perceive an opportunity for further growth in operating earnings, which should also positively affect adjusted Group earnings after taxes. However, should the greatly reduced grain prices not significantly recover over the coming months and fail to adequately reflect the shortage in the supply of food and feed, this could lead to a greater than expected reduction in sales volumes and consequently results. However, this scenario would cause the future grain supply to be noticeably below demand, which has been relatively stable even in times of crisis, and would then again greatly push up the price of agricultural products. In the medium and long term, K+S, as a major global supplier of potash and nitrogen fertilizers, is in a very good position to successfully participate in the growing global demand for mineral fertilizers.

#### **Future dividend policy**

We pursue an earnings-based dividend policy. The K+S share should remain an investment offering strong growth and high yields in the future too. A distribution level of between 40% and 50% of adjusted Group earnings after taxes, 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 expected significant increase in adjusted Group earnings after taxes should also have a positive impact on future dividend payments.

#### Future financial structure

With a current net indebtedness (including long-term provisions) of € 633.6 million and as a result of expected high operating and free cash flow, the K+S Group has a strong financial base. This means that we are able to respond flexibly to investment and acquisition opportunities. In view of the expected significant increase in earnings and without taking into account possible acquisitions, share repurchase transactions or CTA allocations, the level of our indebtedness should fall further towards the end of the year; subject to these conditions, we expect an equity ratio of a good 50% and a level of indebtedness between 20% and 30% at the end of the year.

#### Assurance from the legal representatives of K+S Aktiengesellschaft

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

The Board of Executive Directors, 5 November 2008

#### Forward-looking statements

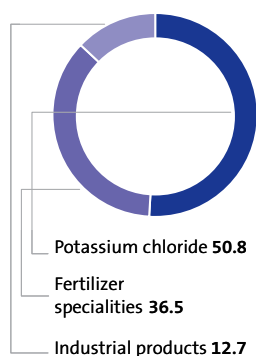
This report contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be 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 %	Q3/08	9M/08	€ million	Q3/08	Q3/07	%	9M/08	9M/07	%
<b>Change in revenues</b>	<b>+ 143.5</b>	<b>+ 85.8</b>	Revenues	763.4	313.5	+ 143.5	1,898.7	1,021.7	+ 85.8
- volume/structure	(15.5)	(13.3)	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	485.3	84.1	+ 477.1	986.8	229.7	+ 329.6
- prices	+ 162.3	+ 103.9	Operating earnings (EBIT I)	465.6	65.0	+ 616.3	927.9	173.7	+ 434.2
- exchange rates	(3.3)	(4.8)	Capital expenditure	31.0	23.9	+ 29.7	66.9	48.9	+ 36.8
- consolidation	–	–	Employees as of 30 September (number)	–	–	–	7,778	7,629	+ 2.0
Potassium chloride	+ 165.8	+ 94.3	<b>Market environment</b>						
Fertilizer specialities	+ 127.8	+ 75.9	There was continued strong global demand for potash fertilizers in the third quarter, with prices for potash fertilizers rising further in the face of the supply shortage. Not until the end of the third quarter, the sharp decline in grain prices as a result of the financial crisis lead to concern among farmers as to possible future earnings and the possibility of taking out loans.						
Industrial products	+ 111.1	+ 83.8	<b>Revenues</b>						

REVENUES BY PRODUCT GROUP  
JAN. – SEPT. 2008  
(IN %)



### Revenues

Third quarter revenues rose by almost 144% to € 763.4 million. The increase is attributable to significant price increases and by far more than made up for volume-related declines as well as a weaker US dollar. In the potassium chloride segment, higher revenues could substantially make up for negative volume and currency effects; revenues rose by about 166% to € 399.5 million. In the case of fertilizer specialities, revenues amounted to € 264.0 million and for price reasons were thus 128% higher than during the same period last year. Revenues generated with industrial products increased by 111% to € 99.9 million due to positive price effects. In the first nine months, revenues of the business segment rose by 86% to € 1,898.7 million due to price factors.

### Development of earnings

In the third quarter, operating earnings amounted to € 465.6 million (Q3/2007: € 65.0 million). Higher average prices for potash and magnesium products were able to clearly more than make up for price-related higher costs, especially in the case of material and energy, as well as reduced volumes. In the first nine months, at € 927.9 million, operating earnings were more than five times higher.

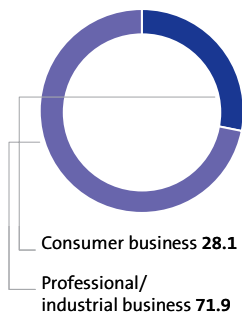
### Outlook

The potash fertilizer prices achieved during 2008 are far higher than the average prices of the past year and will result in a significant rise in revenues due to price factors. For 2008, we expect a sales level of about 7.2 million tonnes of goods, assuming that the reduced order volume caused by the financial crisis will continue in the fourth quarter (2007: 8.22 million tonnes of goods). Volume declines will admittedly have a dampening effect, but the expected price effect should far more than make up for this burden and for the increase in operating costs.

## COMPO Business Segment

Variance analysis in %	Q3/08	9M/08	€ million	Q3/08	Q3/07	%	9M/08	9M/07	%
<b>Change in revenues</b>	<b>+ 46.0</b>	<b>+ 32.7</b>	Revenues	169.2	115.9	+ 46.0	650.1	489.9	+ 32.7
- volume/structure	(15.2)	+ 4.7	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	32.2	2.5	>+1,000.0	102.4	35.7	+ 186.8
- prices	+ 60.9	+ 27.5	Operating earnings (EBIT I)	24.7	0.0	–	89.7	28.2	+ 218.1
- exchange rates	(0.4)	(0.3)	Capital expenditure	3.4	4.3	(20.9)	6.8	8.1	(16.0)
- consolidation	+ 0.7	+ 0.8	Employees as of 30 September (number)	–	–	–	1,247	1,234	+ 1.1
Consumer business	–	+ 1.5	<b>Market environment</b>						
Professional/ industrial business	+ 60.4	+ 50.9	Despite the changing weather conditions, the consumer business was stable. The professional business was once again characterised by high demand and significant price rises.						

REVENUES BY SEGMENT  
JAN. – SEPT. 2008  
(IN %)



### Revenues

Third quarter revenues rose by 46% to € 169.2 million due to price factors. In the consumer sector, at € 27.7 million, revenues were on last year's level. On account of price factors, revenues from professional products rose by 60% to € 141.5 million and more than made up for negative volume effects. In the first nine months, the business segment's revenues rose by just under 33% to € 650.1 million, due to price and volume factors.

### Development of earnings

In the third quarter, operating earnings reached € 24.7 million after breaking even last year. Significant price increases in the professional segment were able to more than make up for higher acquisition costs for the raw materials phosphate, ammonia and potash. In the first nine months, this business segment produced operating earnings of € 89.7 million, about three times higher than a year ago.

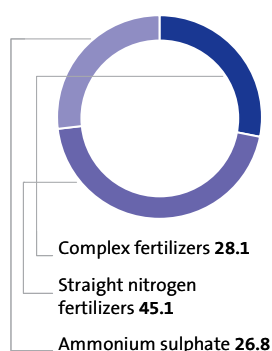
### Outlook

We continue to expect a strong increase in revenues in 2008. Primarily, considerable price increases in the professional segment should contribute to this. Against this backdrop, 2008 operating earnings should rise dramatically in spite of muted demand in the fourth quarter and strongly increased raw material prices.

## fertiva Business Segment

Variance analysis in %	Q3/08	9M/08	€ million	Q3/08	Q3/07	%	9M/08	9M/07	%
<b>Change in revenues</b>	<b>+ 111.2</b>	<b>+ 68.1</b>	Revenues	346.4	164.0	+ 111.2	787.7	468.5	+ 68.1
- volume/structure	(0.7)	(7.5)	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	15.5	5.4	+ 187.0	37.5	15.4	+ 143.5
- prices	+ 115.0	+ 80.3	Operating earnings (EBIT I)	15.3	5.2	+ 194.2	36.9	15.1	+ 144.4
- exchange rates	(3.1)	(4.7)	Capital expenditure	0.1	1.4	(92.9)	0.3	3.8	(92.1)
- consolidation	–	–	Employees as of 30 September (number)	–	–	–	71	59	+ 20.3
Complex fertilizers	+ 94.9	+ 45.8	<b>Market environment</b>						
Straight nitrogen fertilizers	+ 115.9	+ 68.1	The positive development of demand for nitrogenous fertilizers also continued during the third quarter both in Europe and overseas. Against the backdrop of availability bottlenecks as well as higher ammonia, potash and phosphate prices, further significant price increases were implemented.						
Ammonium sulphate	+ 124.6	+ 100.5	<b>Revenues</b>						

REVENUES BY PRODUCT GROUP  
JAN. – SEPT. 2008  
(IN %)



### Revenues

In the third quarter, business segment revenues rose by 111% to € 346.4 million as a result of price factors. Revenues generated by complex fertilizers reached € 100.4 million and thus rose by 95% because of price factors. In the case of ammonium sulphate too, far higher prices resulted in an increase in revenues of 125% to € 78.3 million and in the case of straight nitrogen fertilizers to an increase in revenues of 116% to € 167.7 million. In the first nine months, the business segment's total revenues rose by 68% to € 787.7 million; positive price effects could thus more than make up for negative volume, structure and currency effects.

### Development of earnings

In the third quarter, the fertiva business segment posted operating earnings of € 15.3 million, thus representing an increase of 194%. Far higher raw material acquisition costs could be more than offset by higher prices. Operating earnings thus increased by 144% to € 36.9 million in the first nine months.

### Outlook

In 2008 as a whole, we expect a strong increase in revenues, which is primarily attributable to higher average prices for nitrogenous fertilizers. Following the outstanding result for the previous year, we expect, despite muted demand in the fourth quarter and an anticipated steep rise in overall raw material costs, operating earnings that will be up appreciably in comparison with last year.

## Salt Business Segment

Variance analysis in %	Q3/08	9M/08	€ million	Q3/08	Q3/07	%	9M/08	9M/07	%
<b>Change in revenues</b>	<b>+ 29.7</b>	<b>+ 8.8</b>	Revenues	131.0	101.0	+ 29.7	409.3	376.2	+ 8.8
- volume/structure	+ 37.5	+ 12.2	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	16.2	10.2	+ 58.8	41.7	51.0	(18.2)
- prices	(6.9)	+ 0.2	Operating earnings (EBIT I)	8.5	3.2	165.6	19.0	29.9	(36.5)
- exchange rates	(0.9)	(3.6)	Capital expenditure	9.6	9.6	–	44.9	20.0	+ 124.5
- consolidation	–	–	Employees as of 30 September (number)	–	–	–	2,390	2,274	+ 5.1
Food grade salt	+ 8.3	+ 3.7							
Industrial salt	+ 9.0	+ 5.0							
Salt for chemical use	+ 31.7	+ 6.0							
De-icing salt	+ 95.8	+ 2.4							
Other	+ 52.0	+ 48.8							

### Market environment

Whilst high stocks held by customers on the Western European de-icing salt market continued to put pressure on prices in the third quarter, in the North American de-icing salt business, current tenders were especially affected by supply bottlenecks after two consecutive heavy winters in the Midwest. In the food grade and industrial salt segments, demand in Europe remained stable, and sales of salt for chemical use continued to be at a high level. The South American market for industrial salt and salt for chemical use continued to grow in line with local economic trends.

### Revenues

During the third quarter, at € 131.0 million, revenues of this business segment were just over 30 % higher than during the same period last year; negative price effects were more than made up for by volume-related increases in revenues. Food grade salt revenues rose by 8 % to € 25.4 million as a result of volume factors. In the industrial salt segment, positive volume effects were able to more than make up for negative price effects; at € 39.7 million, revenues were 9 % higher than during the same period last year. While in the case of salts for chemical use revenues rose by € 4.1 million to € 17.0 million due to volume and price factors, revenues for de-icing salt rose strongly to € 26.8 million mainly due to volume factors. The 52 % increase in revenues in the Other segment to € 22.1 million was chiefly the result of volume-related increases in revenue at the logistics company Emprepar. In the first nine months, at € 409.3 million, the business segment's total revenues rose almost 9 % compared to last year.

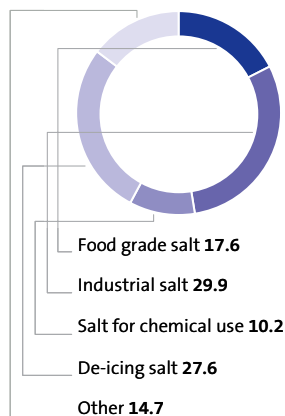
### Development of earnings

Operating earnings in the third quarter reached € 8.5 million and were up € 5.3 million on the same period last year. While esco showed a slight decrease in earnings, the SPL result was improved by price increases and higher sales in the North American de-icing salt business. In the first nine months, at € 19.0 million, EBIT I was significantly lower than in the previous year because of the weak first quarter.

### Outlook

Despite a slow start for de-icing salt due to weather conditions, we anticipate a volume-related, moderate increase in revenues for the year as a whole. Costs will be impacted this year by higher energy and freight costs, and also by a lower currency result. Operating earnings will therefore probably be tangibly lower in 2008.

REVENUES BY PRODUCT GROUP  
JAN. – SEPT. 2008  
(IN %)

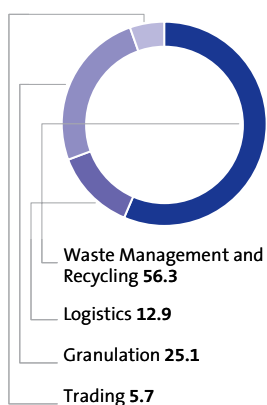


## Complementary Business Segments

Variance analysis in %	Q3/08	9M/08	€ million	Q3/08	Q3/07	%	9M/08	9M/07	%
<b>Change in revenues</b>	<b>(4.0)</b>	<b>(1.3)</b>	Revenues	31.2	32.5	(4.0)	92.5	93.7	(1.3)
- volume/structure	(1.2)	+ 0.6	Earnings before interest, taxes, depreciation & amortisation (EBITDA)	6.7	8.9	(24.7)	23.7	33.0	(28.2)
- prices	(0.3)	+ 0.2	Operating earnings (EBIT I)	5.1	11.9	(57.1)	19.3	29.9	(35.5)
- exchange rates	–	–	Capital expenditure	2.6	4.9	(46.9)	8.6	10.9	(21.1)
- consolidation	(2.2)	(2.0)	Employees as of 30 September (number)	–	–	–	285	266	+ 7.1
Waste Management and Recycling	(0.6)	(1.4)							
Logistics	(13.6)	(10.6)							
Granulation	+ 0.9	+ 11.7							
Trading	+ 9.2	+ 9.7							

Since the start of this year, our IT service activities have been presented in the reconciliation due to the small proportion of third-party revenues; last year's figures were adjusted accordingly. As of 1 January 2008, K+S Consulting GmbH has been removed from the scope of consolidation. biodata ANALYTIK GmbH is also no longer included in the scope of consolidation after it was disposed of in September 2007.

REVENUES BY SEGMENT  
JAN. – SEPT. 2008  
(IN %)



### Revenues

At € 31.2 million, third quarter revenues of the Complementary business segments were 4% below the previous year's level. Under the IFRSs, the revenues deriving from services supplied to K+S Group companies are not included in these figures. Including internal revenues, total revenues in the third quarter amounted to € 42.8 million (Q3/2007: € 43.1 million). In the case of Waste Management and Recycling, revenues amounted to € 17.6 million and were slightly less than those for the same period last year; volume-related growth in the area of reutilisation was not quite able to make up for volume- and structure-related declines in revenues in the operating area of recycling. While revenues for Logistics (€ 3.8 million) were down somewhat on account of volume factors, revenues for granulation, at € 8.0 million, remained stable on the previous year's level and those of the Trading business rose by 9% to € 1.7 million. In the first nine months, the business segment's revenues, at € 92.5 million, were slightly above the previous year's level.

### Development of earnings

In the third quarter, operating earnings of the business segment reached € 5.1 million, € 6.8 million less than last year; last year's figure had benefited from the proceeds from the sale of biodata ANALYTIK GmbH, amounting to a good € 3 million. The decrease, adjusted for this effect, is attributable chiefly to the lower results in the Logistics segment on account of higher forwarding charges. In the first nine months, operating earnings fell by 36% to € 19.3 million.

### Outlook

During the financial year 2008 as a whole, revenues of the Complementary business segments should remain stable. Higher volumes of flue gas cleaning residues for Waste Management and Recycling face lower third-party revenues in the Logistics segment. In terms of operating earnings, due to an anticipated lower share of overseas deliveries, we expect a significant decline in comparison to the same period last year, which had additionally benefited from the proceeds arising from the sale of biodata ANALYTIK GmbH, which amounted to a good € 3 million.

## Financial Section

### INCOME STATEMENT

€ million	Q3/08	Q3/07	9M/08	9M/07
<b>Revenues</b>	<b>1,441.4</b>	<b>727.1</b>	<b>3,838.9</b>	<b>2,450.4</b>
Cost of sales	737.3	472.2	2,084.2	1,629.9
<b>Gross profit</b>	<b>704.1</b>	<b>254.9</b>	<b>1,754.7</b>	<b>820.5</b>
Gross margin in %	48.8	35.1	45.7	33.5
Selling expenses	178.6	162.7	589.1	548.2
General and administrative expenses	25.8	19.1	76.9	64.6
Research and development costs	4.6	3.9	13.2	11.4
Other operating income/expenses	6.2	6.3	(22.1)	51.5
Income from investments, net	0.9	3.9	1.5	4.3
<b>Operating earnings (EBIT I)</b>	<b>502.2</b>	<b>79.4</b>	<b>1,054.9</b>	<b>252.1</b>
Operating EBIT margin in %	34.8	10.9	27.5	10.3
Market value changes from hedging transactions	(34.1)	(233.5)	(148.6)	(221.5)
<b>Earnings after market value changes (EBIT II)</b>	<b>468.1</b>	<b>(154.1)</b>	<b>906.3</b>	<b>30.6</b>
Interest income, net	(8.6)	(9.2)	(34.3)	(24.2)
Other financial result	0.5	0.8	12.0	(0.3)
<b>Financial result</b>	<b>(8.1)</b>	<b>(8.4)</b>	<b>(22.3)</b>	<b>(24.5)</b>
<b>Earnings before income taxes</b>	<b>460.0</b>	<b>(162.5)</b>	<b>884.0</b>	<b>6.1</b>
<b>Earnings before income taxes, adjusted <sup>1)</sup></b>	<b>494.1</b>	<b>71.0</b>	<b>1,032.6</b>	<b>227.6</b>
Taxes on income	126.3	(54.1)	239.2	2.0
- of which deferred taxes	5.9	(42.2)	46.0	(31.1)
<b>Earnings after taxes</b>	<b>333.7</b>	<b>(108.4)</b>	<b>644.8</b>	<b>4.1</b>
Minority interests in earnings	0.2	-	0.3	0.1
<b>Group earnings after taxes and minority interests</b>	<b>333.5</b>	<b>(108.4)</b>	<b>644.5</b>	<b>4.0</b>
Elimination of market value changes after taxes	24.6	156.0	107.3	148.4
<b>Group earnings after taxes, adjusted <sup>1)</sup></b>	<b>358.1</b>	<b>47.6</b>	<b>751.8</b>	<b>152.4</b>
Earnings per share in € (undiluted $\hat{=}$ diluted) <sup>2)</sup>	2.02	(0.66)	3.91	0.02
<b>Earnings per share in €, adjusted <sup>1), 2)</sup></b>	<b>2.17</b>	<b>0.29</b>	<b>4.56</b>	<b>0.92</b>
Average number of shares (million) <sup>2)</sup>	165.00	165.00	164.93	164.92

<sup>1)</sup> adjusted for the effect of market value changes in hedging transactions;  
for adjusted Group earnings, the resulting tax effects were also eliminated

<sup>2)</sup> adjusted to share split in the ratio 1 to 4 (entry in Commercial Register: 24 June 2008; technical execution: 21 July 2008)

STATEMENT OF CHANGES IN EQUITY	Profit retained/ revenue reserves							Equity
	Subscribed capital	Additional paid-in capital	Profit retained/ revenue reserves	Differences from foreign currency translation	Revaluation reserve	Minority interests		
€ million								
Balance as of 1 January 2008	108.8	7.6	829.8	(35.4)	20.2	0.8	931.8	
Consolidation-related effects	-	-	0.6	-	-	-	0.6	
Other neutral changes	-	-	(1.6)	10.8	(20.3)	-	(11.1)	
Total	-	-	(1.0)	10.8	(20.3)	-	(10.5)	
Capital increase out of retained earnings	56.2	-	(56.2)	-	-	-	-	
Dividend for the previous year	-	-	(82.5)	-	-	-	(82.5)	
Subscription of employee shares	-	(4.2)	-	-	-	-	(4.2)	
Earnings after taxes for the period	-	-	644.5	-	-	0.3	644.8	
<b>Balance as of 30 September 2008</b>	<b>165.0</b>	<b>3.4</b>	<b>1,334.6</b>	<b>(24.6)</b>	<b>(0.1)</b>	<b>1.1</b>	<b>1,479.4</b>	
Balance as of 1 January 2007	108.8	7.9	997.4	(15.7)	25.3	0.6	1,124.3	
Market valuation of securities	-	-	-	-	(4.6)	-	(4.6)	
Consolidation-related effects	-	(0.1)	-	-	-	-	(0.1)	
Other neutral changes	-	-	(0.2)	(16.1)	0.2	-	(16.1)	
Total	-	(0.1)	(0.2)	(16.1)	(4.4)	-	(20.8)	
Dividend for the previous year	-	-	(82.5)	-	-	-	(82.5)	
Subscription of employee shares	-	(2.7)	-	-	-	-	(2.7)	
Earnings after taxes for the period	-	-	4.0	-	-	0.1	4.1	
<b>Balance as of 30 September 2007</b>	<b>108.8</b>	<b>5.1</b>	<b>918.7</b>	<b>(31.8)</b>	<b>20.9</b>	<b>0.7</b>	<b>1,022.4</b>	

## BALANCE SHEET - ASSETS

€ million	30.09.2008	30.09.2007	31.12.2007
Intangible assets	168.4	176.9	172.5
- of which goodwill from acquisitions	102.4	100.0	99.7
Property, plant and equipment	1,167.4	1,072.1	1,124.8
Investment properties	7.8	8.0	7.9
Financial assets	20.3	20.1	17.8
Receivables and other assets	8.7	4.2	9.5
Securities	–	37.5	37.1
Deferred taxes	33.8	60.5	70.1
Recoverable income taxes	0.5	0.5	0.5
<b>Non-current assets</b>	<b>1,406.9</b>	<b>1,379.8</b>	<b>1,440.2</b>
Inventories	555.9	352.4	368.6
Accounts receivable – trade	1,139.3	668.9	757.2
Other receivables and assets	142.5	347.7	308.7
- of which derivative financial instruments	32.3	246.1	205.3
Recoverable income taxes	10.7	27.9	37.0
Securities	4.3	12.9	3.7
Cash on hand and balances with banks	70.4	37.9	49.4
<b>Current assets</b>	<b>1,923.1</b>	<b>1,447.7</b>	<b>1,524.6</b>
<b>ASSETS</b>	<b>3,330.0</b>	<b>2,827.5</b>	<b>2,964.8</b>

## BALANCE SHEET - EQUITY AND LIABILITIES

€ million	30.09.2008	30.09.2007	31.12.2007
Subscribed capital	165.0	108.8	108.8
Additional paid-in capital	3.4	5.1	7.7
Other reserves and profit retained	1,309.9	907.8	814.5
Minority interests	1.1	0.7	0.8
<b>Equity</b>	<b>1,479.4</b>	<b>1,022.4</b>	<b>931.8</b>
Bank loans and overdrafts	102.0	188.2	360.2
Other liabilities	13.0	13.9	15.1
Provisions for pensions and similar obligations	93.7	126.6	125.7
Provisions for mining obligations	399.3	343.8	357.6
Other provisions	116.9	115.2	123.9
Deferred taxes	31.6	56.5	21.7
<b>Non-current debt</b>	<b>756.5</b>	<b>844.2</b>	<b>1,004.2</b>
Bank loans and overdrafts	106.2	255.2	328.1
Accounts payable – trade	590.5	379.6	409.1
Other liabilities	60.2	112.6	85.4
- of which derivative financial instruments	9.0	61.5	16.9
Income tax liabilities	71.9	17.9	6.2
Provisions	265.3	195.6	200.0
<b>Current debt</b>	<b>1,094.1</b>	<b>960.9</b>	<b>1,028.8</b>
<b>EQUITY AND LIABILITIES</b>	<b>3,330.0</b>	<b>2,827.5</b>	<b>2,964.8</b>

## NET DEBT

€ million	9M/08	9M/07
Net debt as of 1 January	(1,086.5)	(718.2)
Cash on hand and balances with banks	70.4	37.9
Overdrafts towards financial institutions	(0.7)	(109.3)
Cash received from affiliated companies*	(7.1)	(4.8)
<b>Net cash and cash equivalents as of 30 September</b>	<b>62.6</b>	<b>(76.2)</b>
Securities	4.3	50.4
Liabilities towards financial institutions	(207.5)	(334.1)
Provisions for pensions and similar obligations	(93.7)	(126.6)
Provisions for mining obligations	(399.3)	(343.8)
<b>Net debt as of 30 September</b>	<b>(633.6)</b>	<b>(830.3)</b>

\* companies not included in the scope of consolidation

## CASH FLOW STATEMENT

€ million	Q3/08	Q3/07	9M/08	9M/07
<b>Operating earnings (EBIT I)</b>	<b>502.2</b>	<b>79.4</b>	<b>1,054.9</b>	<b>252.1</b>
Depreciation on fixed assets*	39.1	31.2	105.4	93.2
Increase(+)/decrease(-) in non-current provisions (without interest rate effects)	35.3	(1.5)	21.6	(13.5)
Interest, dividends and similar income received	0.7	0.4	2.5	5.3
Realised gains(+)/losses(-) on the disposal of financial assets and securities	0.2	0.1	11.5	0.2
Interest paid	(4.8)	(5.7)	(22.9)	(16.0)
Other financing income(+)/expenses(-)	(0.5)	0.7	(0.5)	–
Income tax received(+)/paid(-)	(120.4)	11.9	(193.2)	(33.1)
Other non-cash expenses(+)/income(-)	5.0	–	2.0	(0.5)
<b>Gross cash flow</b>	<b>456.8</b>	<b>116.5</b>	<b>981.3</b>	<b>287.7</b>
Gain(-)/loss(+) on the disposal of fixed assets and securities	0.1	(3.1)	(10.5)	(4.4)
Increase(-)/decrease(+) in inventories	(130.0)	(54.2)	(185.9)	17.7
Increase(-)/decrease(+) in receivables and other assets from operating activities	(148.7)	(158.2)	(380.8)	(342.9)
- of which: premium volume for derivatives	(8.3)	(209.5)	(24.1)	(284.6)
Payments from the exercise and sale of options	(17.9)	–	37.6	–
Increase(+)/decrease(-) in liabilities from operating activities	170.3	69.8	225.6	114.7
- of which: premium volume for derivatives	0.8	86.6	0.8	81.8
Increase(+)/decrease(-) of current provisions	27.7	(4.7)	64.8	11.6
Out-financing of provisions	(2.9)	(3.1)	(5.9)	(7.7)
<b>Cash flow from operating activities</b>	<b>355.4</b>	<b>(37.0)</b>	<b>726.2</b>	<b>76.7</b>
Proceeds from disposals of fixed assets	0.6	0.8	1.9	3.5
Disbursements for intangible assets	(1.4)	(4.6)	(3.8)	(9.8)
Disbursements for property, plant and equipment	(47.0)	(40.8)	(129.3)	(86.9)
Disbursements for financial assets	(0.3)	(1.5)	(2.4)	(1.6)
Proceeds from the sale of consolidated companies	–	3.6	–	3.6
Disbursements for the acquisition of consolidated companies	–	–	–	(0.5)
Proceeds from/disbursements for securities included in current assets	–	0.1	–	0.1
<b>Cash flow for investing activities</b>	<b>(48.1)</b>	<b>(42.4)</b>	<b>(133.6)</b>	<b>(91.6)</b>
<b>Free cash flow</b>	<b>307.3</b>	<b>(79.4)</b>	<b>592.6</b>	<b>(14.9)</b>
Dividends paid	–	–	(82.5)	(82.5)
Purchase of own shares	–	–	(6.1)	(5.2)
Sale of own shares	–	–	0.7	–
Payments from allocations to equity	–	–	3.2	2.7
Increase(+)/decrease(-) in liabilities from finance leases	–	–	(0.1)	–
Taking out(+)/repayment (-) of loans	1.1	36.7	(290.7)	8.5
<b>Cash flow from/for financing activities</b>	<b>1.1</b>	<b>36.7</b>	<b>(375.5)</b>	<b>(76.5)</b>
<b>Change in cash and cash equivalents affecting cash flow</b>	<b>308.4</b>	<b>(42.7)</b>	<b>217.1</b>	<b>(91.4)</b>
Change in value of cash and cash equivalents	3.9	(0.6)	(0.7)	(0.9)
Consolidation-related changes	–	(0.3)	(2.4)	(0.3)
<b>Change in cash and cash equivalents</b>	<b>312.3</b>	<b>(43.6)</b>	<b>214.0</b>	<b>(92.6)</b>
<b>Net cash and cash equivalents as of 1 January</b>	<b>–</b>	<b>–</b>	<b>(151.4)</b>	<b>16.4</b>
<b>Net cash and cash equivalents as of 30 September</b>	<b>–</b>	<b>–</b>	<b>62.6</b>	<b>(76.2)</b>

\* on intangible assets as well as on property, plant and equipment, including investments

## Notes

### Explanatory notes; changes in the legal Group and organisational structure

The interim report of 30 September 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 30 September 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. After we sold biodata ANALYTIK GmbH in September 2007, this company is also no longer a consolidated part of the K+S Group. The company K+S Argentina SRL was included in the scope of consolidation during the first quarter due to increased business activities. In 2009, the reorganisation of the business with nitrogenous fertilizers at COMPO and fertiva will also result in corresponding changes in the legal Group and corporate structure.

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

€ million	LTM* 2008	2007
Revenues	4,732.6	3,344.1
EBIT I	1,088.5	285.7
Group earnings after taxes, adjusted	774.7	175.3

\* LTM = last twelve months  
(Q4/07 + 9M/08)

### 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. To improve the forecast quality by eliminating seasonal effects, the figures for the last twelve months (LTM) can be compared with the previous year's figures (see left table).

### Development of revenues, volumes and average prices by region

#### POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

Region	Unit	Q1/07	Q2/07	Q3/07	9M/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	9M/08
<b>Revenues*</b>	€ million	<b>368.5</b>	<b>339.7</b>	<b>313.5</b>	<b>1,021.7</b>	<b>386.3</b>	<b>1,408.0</b>	<b>522.5</b>	<b>612.8</b>	<b>763.4</b>	<b>1,898.7</b>
- Europe	€ million	231.6	194.7	191.0	617.3	237.2	854.5	349.3	387.5	479.8	1,216.6
- Overseas	US\$ million	179.4	195.4	169.1	543.9	215.1	759.0	259.2	351.0	429.9	1,040.1
<b>Volumes</b>	million tonnes	<b>2.30</b>	<b>2.08</b>	<b>1.78</b>	<b>6.16</b>	<b>2.06</b>	<b>8.22</b>	<b>2.11</b>	<b>2.02</b>	<b>1.70</b>	<b>5.83</b>
- Europe	million tonnes	1.41	1.21	1.11	3.73	1.30	5.03	1.43	1.33	1.05	3.81
- Overseas	million tonnes	0.89	0.88	0.67	2.44	0.76	3.19	0.68	0.69	0.65	2.02
<b>Average prices</b>	per tonne in €	<b>160.6</b>	<b>163.1</b>	<b>175.9</b>	<b>165.9</b>	<b>187.7</b>	<b>171.3</b>	<b>247.2</b>	<b>303.1</b>	<b>450.1</b>	<b>325.6</b>
- Europe	per tonne in €	164.4	161.6	171.8	165.7	182.1	170.0	244.4	291.4	455.2	319.0
- Overseas	per tonne in US\$	202.5	222.7	252.0	223.4	284.6	237.9	379.6	507.4	669.6	515.7

\* 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 28). The information on prices is to be understood solely as providing a rough indication.

### Foreign currency result in EBIT I

At the close of 2007/start of 2008, we reorganised our US dollar hedging system. Since then, options have been used for this, which hedge a worst-case scenario for 2008 and 2009 of about USD/EUR 1.49 and USD/EUR 1.51 incl. costs respectively, but providing the opportunity to participate in a strengthening US dollar. For 2008 and 2009, we have hedged US\$ 932 million and US\$ 1,340 respectively for the Potash and Magnesium Products business segment (2007: exchange rate hedging for US\$ 475 million via double-barrier options).

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	1.49	1.49	1.49
Average USD/EUR spot rate	1.31	1.35	1.37	1.45	1.37	1.50	1.56	1.51	–	–

\* The exchange rates specified for 2008 are the decisive “worst case” for the quarter concerned. A comparatively stronger US dollar results in the actually achieved exchange rates being more favourable than shown here.

#### OTHER OPERATING INCOME/EXPENSES

€ million	Q3/08	Q3/07	9M/08	9M/07
Foreign currency result (from measurement and hedging)	27.7	12.7	16.7	48.0
Change in provisions	(5.6)	(11.8)	(11.7)	(4.4)
Other	(15.9)	5.4	(27.1)	7.9
<b>Other operating income/expenses</b>	<b>6.2</b>	<b>6.3</b>	<b>(22.1)</b>	<b>51.5</b>

#### FINANCIAL RESULT

€ million	Q3/08	Q3/07	9M/08	9M/07
Interest income	0.7	0.4	2.5	5.3
Interest expense	(9.3)	(9.6)	(36.8)	(29.5)
- of which interest expense for pension provisions	(0.4)	(1.1)	(1.8)	(3.2)
- of which interest expense for provisions for mining obligations	(4.0)	(2.7)	(12.0)	(10.2)
<b>Interest income, net</b>	<b>(8.6)</b>	<b>(9.2)</b>	<b>(34.3)</b>	<b>(24.2)</b>
Other financing income/costs	(0.5)	0.7	(0.5)	–
Income from the disposal of financial investments, net	0.2	0.1	11.5	0.2
Income from the measuring of financial investments, net	0.8	–	1.0	(0.5)
<b>Other financial result</b>	<b>0.5</b>	<b>0.8</b>	<b>12.0</b>	<b>(0.3)</b>
<b>Financial result</b>	<b>(8.1)</b>	<b>(8.4)</b>	<b>(22.3)</b>	<b>(24.5)</b>

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

- Trend in salary increases: 1.8%
- Trend in pension increases: 1.8%
- Discount factor: 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%
- Discount factor: 5.0%

#### TAXES ON INCOME

€ million	Q3/08	Q3/07	9M/08	9M/07
Corporate income tax	60.3	(9.8)	100.2	9.1
Trade tax on income	58.7	(4.0)	77.4	11.1
Foreign income taxes	1.4	1.9	15.6	12.9
Deferred taxes	5.9	(42.2)	46.0	(31.1)
<b>Taxes on income</b>	<b>126.3</b>	<b>(54.1)</b>	<b>239.2</b>	<b>2.0</b>

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

The balance sheet total as of 30 September 2008 increased by € 365.2 million compared with the annual financial statements for 2007. On the assets side, the decrease in non-current assets by € 33.3 million is more than made up for by an increase in current assets by € 398.5 million. The decrease in non-current assets is predominantly attributable to the shifting of securities into the Contractual Trust Arrangement (CTA) used for the protection of pension obligations and to the use of deferred tax assets; the increase in current assets is mainly due to an increase in trade accounts receivables as a consequence of higher revenues. On the equity and liabilities side, equity increased by € 547.6 million; this is attributable primarily to the positive result for the period of the first nine months. Debt fell by € 182.4 million; this is mainly due to loan repayments.

#### Material changes in equity

Equity is influenced by transactions and events whether recognised in profit or loss or not as well as by capital transactions with the shareholders. Compared with the annual financial statements for 2007, profit retained and other reserves increased by € 495.3 million. The increase is mainly due to the positive result for the period of the first nine months of € 644.5 million. The dividend distribution carried out in May 2008 reduced equity by € 82.5 million. Furthermore, it should be noted that in association with the share split in the ratio 1:4, a capital increase out of retained earnings was carried out. Consequently, the share capital increased by € 56.2 million to € 165.0 million, while the other reserves declined to the same extent by € 56.2 million. Changes in equity that are not recognised in profit or loss result e.g. from the currency translation of subsidiaries in a functional foreign currency.

Differences arising from currency translation are recorded in a separate currency translation reserve; this increased by € 10.7 million as at 30 September 2008 because of exchange rate fluctuations. Furthermore, due to the revaluation of securities of the category "available for sale" and to the subsequent inclusion of these securities in the Contractual Trust Arrangement, a revaluation reserve in the amount of € 20.3 million was derecognised.

#### 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.

#### Auditors' review

The quarterly financial statements and the interim management report were not reviewed by the auditors. (Section 37w, paragraph 5, sentence 1 of the German Securities Trading Act)

## Summary by Quarter

### REVENUES & OPERATING EARNINGS (IFRSs)

€ million	Q1/07	Q2/07	Q3/07	9M/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	9M/08
Potash and Magnesium Products	368.5	339.7	313.5	1,021.7	386.3	1,408.0	522.5	612.8	763.4	1,898.7
COMPO	217.1	156.9	115.9	489.9	127.5	617.4	275.9	205.0	169.2	650.1
fertiva	150.5	154.0	164.0	468.5	179.5	648.0	212.5	228.8	346.4	787.7
Salt	176.6	98.6	101.0	376.2	168.9	545.1	170.3	108.0	131.0	409.3
Complementary Business Segments	31.9	29.3	32.5	93.7	31.4	125.1	31.7	29.6	31.2	92.5
Reconciliation	0.1	0.1	0.2	0.4	0.1	0.5	0.1	0.3	0.2	0.6
<b>K+S Group revenues</b>	<b>944.7</b>	<b>778.6</b>	<b>727.1</b>	<b>2,450.4</b>	<b>893.7</b>	<b>3,344.1</b>	<b>1,213.0</b>	<b>1,184.5</b>	<b>1,441.4</b>	<b>3,838.9</b>
Potash and Magnesium Products	52.8	55.9	65.0	173.7	4.2	177.9	170.9	291.4	465.6	927.9
COMPO	19.2	9.0	–	28.2	3.8	32.0	35.9	29.1	24.7	89.7
fertiva	4.4	5.5	5.2	15.1	10.2	25.3	6.7	14.9	15.3	36.9
Salt	25.0	1.7	3.2	29.9	17.9	47.8	14.7	(4.2)	8.5	19.0
Complementary Business Segments	10.0	8.0	11.9	29.9	7.8	37.7	7.1	7.1	5.1	19.3
Reconciliation	(8.1)	(10.7)	(5.9)	(24.7)	(10.3)	(35.0)	(9.0)	(11.9)	(17.0)	(37.9)
<b>K+S Group EBIT I</b>	<b>103.3</b>	<b>69.4</b>	<b>79.4</b>	<b>252.1</b>	<b>33.6</b>	<b>285.7</b>	<b>226.3</b>	<b>326.4</b>	<b>502.2</b>	<b>1,054.9</b>

### INCOME STATEMENTS (IFRSs)

€ million	Q1/07	Q2/07	Q3/07	9M/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	9M/08
<b>Revenues</b>	<b>944.7</b>	<b>778.6</b>	<b>727.1</b>	<b>2,450.4</b>	<b>893.7</b>	<b>3,344.1</b>	<b>1,213.0</b>	<b>1,184.5</b>	<b>1,441.4</b>	<b>3,838.9</b>
Cost of sales	624.6	533.1	472.2	1,629.9	582.1	2,212.0	711.5	635.4	737.3	2,084.2
Gross profit	320.1	245.5	254.9	820.5	311.6	1,132.1	501.5	549.1	704.1	1,754.7
Selling expenses	203.7	181.8	162.7	548.2	204.1	752.3	216.0	194.5	178.6	589.1
General and administrative expenses	20.1	25.4	19.1	64.6	24.8	89.4	23.1	28.0	25.8	76.9
Research and development costs	4.0	3.5	3.9	11.4	4.1	15.5	4.3	4.3	4.6	13.2
Other operating income/expenses	10.8	34.4	6.3	51.5	(45.3)	6.2	(32.0)	3.7	6.2	(22.1)
Income from investments, net	0.2	0.2	3.9	4.3	0.3	4.6	0.2	0.4	0.9	1.5
<b>Operating earnings (EBIT I)</b>	<b>103.3</b>	<b>69.4</b>	<b>79.4</b>	<b>252.1</b>	<b>33.6</b>	<b>285.7</b>	<b>226.3</b>	<b>326.4</b>	<b>502.2</b>	<b>1,054.9</b>
Market value changes from hedging transactions	3.0	9.0	(233.5)	(221.5)	(171.1)	(392.6)	(107.7)	(6.8)	(34.1)	(148.6)
Earnings after market value changes (EBIT II)	106.3	78.4	(154.1)	30.6	(137.5)	(106.9)	118.6	319.6	468.1	906.3
Financial result	(9.8)	(6.3)	(8.4)	(24.5)	(11.2)	(35.7)	(2.3)	(11.9)	(8.1)	(22.3)
Earnings before income taxes	96.5	72.1	(162.5)	6.1	(148.7)	(142.6)	116.3	307.7	460.0	884.0
<b>Earnings before income taxes, adjusted<sup>1)</sup></b>	<b>93.5</b>	<b>63.1</b>	<b>71.0</b>	<b>227.6</b>	<b>22.4</b>	<b>250.0</b>	<b>224.0</b>	<b>314.5</b>	<b>494.1</b>	<b>1,032.6</b>
Taxes on income	31.9	24.2	(54.1)	2.0	(51.5)	(49.5)	31.5	81.4	126.3	239.2
- of which deferred taxes	4.6	6.5	(42.2)	(31.1)	(37.8)	(68.9)	12.9	27.2	5.9	46.0
Minority interests in earnings	0.1	–	–	0.1	0.1	0.2	–	0.1	0.2	0.3
Group earnings after taxes and minority interests	64.5	47.9	(108.4)	4.0	(97.3)	(93.3)	84.8	226.2	333.5	644.5
<b>Group earnings after taxes, adjusted<sup>1)</sup></b>	<b>62.6</b>	<b>42.2</b>	<b>47.6</b>	<b>152.4</b>	<b>22.9</b>	<b>175.3</b>	<b>162.6</b>	<b>231.1</b>	<b>358.1</b>	<b>751.8</b>

### OTHER KEY DATA (IFRSs)

	Q1/07	Q2/07	Q3/07	9M/07	Q4/07	2007	Q1/08	Q2/08	Q3/08	9M/08
Capital expenditure (€ million) <sup>2)</sup>	25.2	25.6	45.4	96.2	75.4	171.6	24.2	60.5	48.4	133.1
Depreciation and amortisation (€ million) <sup>2)</sup>	31.0	31.0	31.2	93.2	35.0	128.2	32.5	33.8	39.1	105.4
Gross cash flow (€ million)	104.1	67.1	116.5	287.7	84.4	372.1	243.0	281.5	456.8	981.3
Net debt (€ million)	713.1	741.6	–	830.3	–	1,086.5	1,002.8	904.4	–	633.6
Earnings per share, adjusted (€) <sup>1), 3)</sup>	0.38	0.26	0.29	0.92	0.14	1.06	0.99	1.40	2.17	4.56
Gross cash flow per share (€) <sup>3)</sup>	0.63	0.40	0.71	1.74	0.51	2.25	1.47	1.71	2.77	5.95
Book value per share, adjusted (€) <sup>1), 3)</sup>	6.74	6.52	–	6.65	–	6.80	6.03	6.71	–	9.04
Total number of shares (million) <sup>3)</sup>	165.00	165.00	–	165.00	–	165.00	165.00	165.00	–	165.00
Number of shares outstanding (million) <sup>3), 4)</sup>	164.76	165.00	–	165.00	–	165.00	164.84	165.00	–	165.00
Average number of shares (million) <sup>3), 5)</sup>	164.84	164.92	165.00	164.92	165.00	164.96	164.95	164.95	165.00	164.93
Closing price (XETRA, €) <sup>3)</sup>	20.59	28.52	–	32.14	–	40.69	51.83	91.58	–	48.64
Employees as of the reporting date (number)	11,956	11,912	–	11,980	–	12,033	12,141	12,145	–	12,323

<sup>1)</sup> adjusted for the effect of market value changes in hedging transactions; in the case of adjusted Group earnings, the resulting tax effects were also eliminated

<sup>2)</sup> for or in connection with intangible assets as well as property, plant and equipment

<sup>3)</sup> adjusted to share split in the ratio 1 to 4 (entry in Commercial Register: 24 June 2008; technical execution: 21 July 2008)

<sup>4)</sup> total number of shares less the own shares held by K+S on the reporting date

<sup>5)</sup> total number of shares less the average number of own shares held by K+S over the period

## FINANCIAL CALENDAR

	2009
Report on business 2008	12 March 2009
Press and analyst conference, Frankfurt am Main	12 March 2009
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

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