

## **Report of the Board of Executive Directors on the key features of the internal control and risk management system with regard to the Group accounting process (Sec. 315 Para. 2 No. 5 of the German Commercial Code – HGB)**

The internal control system in the K+S Group encompasses principles, procedures and measures designed to ensure the effectiveness, economy and adequacy of accounting procedures as well as to secure compliance with the relevant regulations.

The guidelines for the accounting and reporting of the K+S Group in accordance with IFRSs regulate the uniform accounting and valuation principles for the German and foreign companies included in the consolidated financial statements. In addition, these provisions include rules for the consolidated financial statements as well as detailed and formalised requirements for the companies included.

New provisions and amendments to existing regulations for the accounting are analysed on a timely basis for their effects and are, if relevant to us, implemented into the guidelines and accounting processes.

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

As a result of this standardisation, uniform, regular and timely reporting of key business transactions is ensured. Binding regulations are in place for additional manual recording of business transactions.

Valuations on the balance sheet, such as the calculation of the mining obligations or a review of the impairment of goodwill, are made by internal experts, and only in individual cases, such as with regard to pension obligations, the valuation is carried out by external experts.

Process-integrated and process-independent monitoring measures form the cornerstones of the internal monitoring system. Automatic IT process controls are a key element of the process-integrated measures. Additional control functions apart from manual process controls such as, for example, the “four-eye principle” are ensured through the organisational separation of administrative, executive, settlement and approval functions. Further monitoring tasks are performed through specific Group functions such as the central legal or tax departments.

The Supervisory Board of K+S Aktiengesellschaft, particularly its audit committee, and the internal audit department are integrated into the internal control system with process-independent audit functions. The annual financial statements are audited by the internal audit department. This in particular, is the key process-independent monitoring measure with regard to the Group accounting process.

Kassel, 10 March 2010

The Board of Executive Directors  
K+S Aktiengesellschaft