FINANCIAL REPORT 2010

EXPERIENCE GROWTH

Experience growth.

TEN-YEAR SUMMARY K+S GROUP

		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	HGB	HGB	HGB
Revenues, Earnings, Cash Flow											
Revenues	€ million	4,993.8	3,573.8	4,794.4	3,344.1	2,957.7	2,815.7	2,538.6	2,287.8	2,258.5	2,179.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	€ million	975.2	411.8	1,484.4	413.9	401.1	383.1	289.5	223.7	240.1	248.4
Operating earnings (EBIT I)	€ million	726.9	238.0	1,342.7	285.7	278.0	250.9	162.9	115.7	132.8	120.6
Result after operating hedges (EBIT II)	€ million	731.5	241.9	1,192.3	(106.9)	361.6	271.7	136.5	—	—	—
Earnings before taxes	€ million	608.0	126.5	1,199.1	(142.6)	341.5	259.6	123.4	111.6	113.9	121.1
Earnings before taxes, adjusted[1]	€ million	603.4	122.6	1,349.5	250.0	257.9	238.8	149.9	—	—	—
Group earnings	€ million	448.6	96.4	870.9	(93.3)	228.9[2]	174.4	86.8	101.3	103.8	118.3
Group earnings, adjusted[1]	€ million	445.3	93.6	979.3	175.3	176.2[2]	161.3	103.5	—	—	—
Gross cash flow	€ million	830.2	323.9	1,177.9	372.1	342.7	341.5	274.1	209.1	216.9	224.6
Capital expenditure[3]	€ million	201.0	177.6	197.5	171.6	130.5	107.1	131.9	126.6	129.0	157.9
Depreciation[3]	€ million	248.3	173.8	141.7	128.2	123.1	132.2	126.6	108.0	107.3	127.8
Working capital	€ million	959.4	970.5	962.3	570.6	603.1	456.4	333.1	250.9	300.5	262.1
Balance Sheet											
Equity[4]	€ million	2,651.6	2,094.6	1,718.3	931.8	1,124.3	942.1	880.6	584.9	558.8	516.8
Property, plant and equipment and intangible assets	€ million	2,803.3	2,658.0	1,426.9	1,297.3	1,271.6	874.1	883.3	659.8	598.6	592.4
Net indebtedness	€ million	732.5	1,351.3	570.0	1,085.1	718.3	321.4	340.5	220.5	262.7	180.7
Balance sheet total	€ million	5,573.7	5,217.1	3,473.8	2,964.8	2,830.9	2,259.1	2,147.7	1,754.5	1,666.7	1,601.0
Employees											
Employees as of 31 Dec.[5]	number	15,241	15,208	12,368	12,033	11,873	11,012	10,988	10,554	10,536	10,178
– of which trainees	number	647	642	615	614	620	591	591	550	542	533
Average number of employees[5]	number	15,168	13,044	12,214	11,959	11,392	11,017	11,068	10,541	10,439	10,278
Personnel expenses[6]	€ million	1,019.3	756.4	738.5	687.3	663.5	671.1	613.3	562.7	531.2	522.6
Ratios											
Earnings per share, adjusted[1]	€	2.33	0.56	5.94	1.06	1.07[2]	0.95	0.61	0.61	0.61	0.68
Dividend per share[7]	€	1.00	0.20	2.40	0.50	0.50	0.45	0.33	0.25	0.25	0.25
Dividend yield[7]	%	1.8	0.5	6.0	1.2	2.4	3.5	3.3	4.6	5.8	4.6
EBITDA margin	%	19.5	11.5	31.0	12.4	13.6	13.6	11.4	9.8	10.6	11.4
EBIT margin	%	14.6	6.7	28.0	8.5	9.4	8.9	6.4	5.1	5.9	5.5
Return on revenues	%	8.9	2.6	20.4	5.2	6.0[2]	5.7	4.1	2.8	4.6	5.4
Return on capital employed (ROCE)	%	20.9	9.3	64.0	15.5	17.4	19.5	14.2	12.7	14.7	14.1
Return on total investment	%	14.7	6.9	44.9	11.0	12.3	12.7	9.1	7.2	7.7	8.5
Return on equity after taxes	%	18.7	8.4	68.6	16.1	17.7[2]	17.8	12.1	17.3	18.6	22.9
Book value per share	€	13.85	10.94	10.41	5.65	6.81	5.54	5.18	3.44	3.10	2.87
Gross cash flow per share	€	4.34	1.95	7.14	2.25	2.08	2.02	1.61	1.25	1.27	1.30
The Share											
Closing price as of 31 Dec.[8]	XETRA, €	56.36	39.99	39.97	40.69	20.55	12.76	9.78	5.44	4.33	5.48
Market capitalisation	€ billion	10.8	7.7	6.6	6.7	3.4	2.1	1.7	0.9	0.8	1.0
Enterprise value as of 31 Dec.	€ billion	11.5	9.0	7.2	7.8	4.1	2.4	2.0	0.9	0.8	1.0
Total number of shares as of 31 Dec.	million	191.40	191.40	165.00	165.00	165.00	170.00	170.00	170.00	180.00	180.00
Outstanding shares as of 31 Dec.[9]	million	191.40	191.40	165.00	165.00	165.00	165.00	170.00	170.00	166.08	173.20
Average number of shares[10]	million	191.34	166.15	164.95	164.94	164.96	169.24	170.00	167.08	171.28	173.60

BUSINESS SEGMENTS AT A GLANCE

POTASH AND MAGNESIUM PRODUCTS

in € million	2010	2009	2008	2007	2006
Revenues	1,844.7	1,421.7	2,397.4	1,407.9	1,238.9
EBITDA	567.1	317.2	1,286.3	255.1	235.7
EBIT I	475.9	231.7	1,203.2	177.9	158.6
Capital expenditure	96.9	107.4	111.1	79.7	83.8
Employees (number)	7,900	7,818	7,845	7,672	7,601

Potash and magnesium crude salts are extracted at six mines. We use them to produce a wide range of fertilizers and, in addition, we process our raw materials into products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as elements of feed.

NITROGEN FERTILIZERS

in € million	2010	2009	2008	2007	2006
Revenues	1,286.2	1,016.2	1,652.4	1,265.4	1,108.6
EBITDA	67.4	(94.4)	133.9	68.2	56.5
EBIT I	55.7	(108.1)	121.4	57.3	45.9
Capital expenditure	12.9	11.2	10.7	16.8	12.1
Employees (number)	1,226	1,249	1,318	1,311	1,321

The Nitrogen Fertilizers business segment distributes fertilizers for almost all agricultural crops. In addition to products for home and garden, plant care and plant protection, speciality fertilizers for public green areas, nurseries, horticulture and various special crops are offered.

SALT

in € million	2010	2009	2008	2007	2006
Revenues	1,728.7	1,014.6	618.6	545.1	485.8
EBITDA	369.7	200.3	77.6	76.5	92.0
EBIT I	238.1	140.4	45.2	47.8	67.6
Capital expenditure	79.0	48.0	58.6	47.9	21.2
Employees (number)	5,235	5,279	2,394	2,294	2,194

Salt products of the highest purity and quality are used as food grade salt, industrial salt and salt for chemical use as well as de-icing salt by winter road clearance services to ensure safety on the roads. They are produced in Germany and in other Western European countries as well as in North America and South America.

COMPLEMENTARY BUSINESS SEGMENTS

in € million	2010	2009	2008	2007	2006
Revenues	133.7	120.7	125.3	125.1	123.9
EBITDA	27.7	21.7	31.2	42.4	41.8
EBIT I	21.2	15.2	25.1	37.7	37.1
Capital expenditure	4.2	4.6	10.0	17.2	7.7
Employees (number)	280	278	285	273	306

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

← Footnotes Ten-Year Summary

[1] The adjusted key figures unalteredly only include the realised result from operating forecast hedges of the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings. Related effects on deferred and cash taxes are also eliminated; tax rate for 2010: 28.2 % (2009: 27.9 %).
[2] Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
[3] Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.
[4] Up to the end of 2003 incl. 50 % special reserves and balance from capital consolidation.
[5] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.
[6] Personnel expenses also include expenditures connected with partial retirement and early retirement.
[7] The figure for 2010 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.
[8] The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.
[9] Total number of shares less the number of own shares held by K+S as of the balance sheet date.
[10] Total number of shares less the average number of own shares held by K+S.

← COVER PICTURE

EXPERIENCE GROWTH WITH THE K+S GROUP: WE EXTRACT, REFINE AND MARKET NATURAL RAW MATERIALS SUCH AS POTASH AND SALT. OUR FERTILIZERS FACILITATE RICH AND HIGH-QUALITY HARVESTS WORLDWIDE.

LETTER TO OUR SHAREHOLDERS
KASSEL, 1 MARCH 2011

CONTENT

Dear Shareholders,

When I wrote my letter to you last year, we still remembered the financial and economic crisis quite well, but already observed the first indications of a revival in demand in the fertilizer business. Correspondingly, at that time, I had expressed the expectation that this and the first-time consolidation of MORTON SALT for a whole year should have a positive impact on our business. In comparison to the admittedly rather low starting point for 2009, at the final count, I raised the prospect of a significantly better result.

Today, one year later, I am happy to be able to report to you as follows:

+ In 2010, the K+S GROUP generated revenues of € 5.0 billion, an increase of 40 % year on year;
+ Operating earnings EBIT I just about tripled, reaching € 727 million;
+ Adjusted earnings per share stand at € 2.33, having improved by a factor of 4;
+ The Board of Executive Directors will propose to the Annual General Meeting that a dividend of € 1.00 per share be paid for the past financial year (previous year: € 0.20). This corresponds to a payout ratio of 43 % and is within our target corridor of 40 to 50 % that we essentially seek to achieve. That way we ensure that our shareholders participate fairly in profits and that the Company can create reserves for future growth, but also for temporary crises that cannot be ruled out;
+ we have advanced the integration of MORTON SALT in a purposeful and task-oriented manner and
+ have made a decisive strategic step forward with the acquisition of POTASH ONE in the Potash and Magnesium Products business segment.

Already at this point, I would like to thank you for your confidence in the K+S GROUP and our team, because over the past three years you have greatly supported us in remaining on course during a period of considerable fluctuation and turmoil.

The capital market clearly appears to approve of this course, when one considers that our share price rose by more than 40 % last year alone and by an annual average of 13.5 % during the past three years.

But what were the specific reasons for this impressive performance, which most of us would scarcely have dared to imagine a year ago?

In our core business sector fertilizers, the trade sector had a lot of catching up to do at the beginning of 2010 in order to again build up the very low stocks of fertilizers ahead of the spring season. But this alone would not have been sufficient to speak of a normalisation of the demand for fertilizer, because for this it was also necessary that farmers too returned to sustained consumption behaviour. Happily, this did happen, because the considerably lower use of fertilizers in 2009 had resulted in relatively low nutrient content in the soil and thus to a greater risk of lower yields in coming harvests. The sharp increase in international cereal prices that started in the second half of the year and the accompanying improved income situation of farmers then further boosted the demand for fertilizers. Both effects have resulted in an increase in our sales volumes of fertilizer of more than 40 %. Thus, we were able to moderately raise potash prices in a series of steps in light of the resurgence of demand and in line with the price trend on overseas markets. Even though many participants in the capital market in particular are looking for a rapid return to the potash prices seen in the boom year 2008, we have learned a lesson from the negative experiences made in the years 2008/09: A sustainable pricing policy is what matters!

In the Salt business segment, the year 2010 was no less exciting. Of course, the integration of the North American salt producer MORTON SALT acquired on 1 October 2009 was our main focus. Perhaps you will now be asking yourself why you did not hear very much about this last year. Now, that is mainly due to the limited operational overlaps with our existing salt activities, so that the site closures and redundancies that frequently occur in other takeover transactions were not necessary in this case. But it is also simply our responsibility to ensure that in the day-to-day business we do not bother our customers, even if in the background, on both sides of the Atlantic, a large number of project teams are working on the quickest possible integration. Therefore, I am pleased that from day one of its having become part of the K+S GROUP, MORTON SALT has provided significantly positive contributions, quarter by quarter, from revenues to net earnings. I believe we can all be proud of that!

However, the year 2010 was exceptional in another respect too: Both at the start and at the end of the year we experienced a winter in Europe of an intensity that had not been seen for many years. While the long-term average and thus the sales volume budget for our European salt subsidiary ESCO is about 2 million tonnes of de-icing salt, more than twice that much was sold here alone last year. The fact that we are able to not only perform such a feat, but also to profit from such peaks in demand, can be attributed to three factors: The de-icing salt production in our European plants, which over the years has become increasingly flexible and ever better at responding to seasonal effects, the lived synergies between the salt and the potash production, as well as the production network now not only covering Europe but also stretching to South and North America, which this winter, for example, made possible 15 deliveries by ship of de-icing salt for Europe from our sites in Chile and on the Bahamas. Over the past ten years, we have not only simply created the largest producer of salt but, above all with regard to the product and country portfolio, the most broadly-based salt producer in the world!

Why is this distinction so important to me? Well, because it makes it clear that we by no means understand our claim "Experience growth" only one-dimensionally.

Growth simply for growth's sake is no objective for us. Growth should be based on values and a sense of proportion. Two criteria that we want to be judged by. The example of the disposal of saline waste water from our Werra plant makes it clear that K+S, with the € 360 million package of measures, is fulfilling its responsibilities. We have developed a lasting approach for the disposal of future residual saline waste water and want to implement this, as promised, when the corresponding public law permits have been granted. Over the next four years, the concept will result in a 50 % reduction in saline waste water as well as a 30 % reduction in the salt concentration of the Werra. The package of measures comprises real innovative and sophisticated processes, which so far have not been implemented on a large scale anywhere in the world by any other potash producer. We are thus committing ourselves to Germany as a location for business and, with the package of measures, are going to the limit of what is technically possible and commercially viable. However, as this lasting local waste disposal is not yet enough for some parties and its approval for the long term can therefore not be regarded as certain, we are at the same time preparing applications for approval of saline waste water pipelines to the Upper Weser and the North Sea. This is being done regardless of the fact that the test criteria for pipelines defined with the federal states of Hesse and Thuringia and agreed on by the Round Table are currently not fulfilled in our view. However, this has to be the case before any decision on the construction of a pipeline can be made. Such a decision is therefore not related to the preparation of the applications. Nevertheless, I guarantee that these applications will be handled with care and without prejudice, whatever the outcome.

Where does the K+S GROUP stand today in terms of strategy, and why does the year 2010 have a particular significance for the decades to come?

In comparison to our international fertilizer competitors, thanks to the combination of potash and salt, the K+S GROUP is almost unique in the world, since it offers e. g. considerable synergies on the production side in terms of technology, mining and geology, and is almost perfectly complementary on the sales side: Thus, the fertilizer business, which is dependent on the economic cycle, is balanced by the relatively crisis-proof, but weather-dependent salt business. We find this combination is so convincing that in the middle of last year we decided to proceed further with our two-pillar strategy. This provides for growth in the Potash and Magnesium Products and the Salt business segments in particular and for focussing our management resources and financial means on this.

Those of you who have known us for rather longer know that the Board of Executive Directors had made it a point to expand our own potash capacities over the medium term in light of globally rising demand for potash. In the past years, we have carefully analysed many potash projects all over the world. With the successful takeover of the Canadian potash exploration company POTASH ONE, with its rich potash deposits, we have now taken a decisive strategic step. Now we can and will construct a new potash plant in Saskatchewan, which will supply the first products starting from 2015 and, from today's perspective, should produce at least 2.7 million tonnes of potassium chloride per year when it has been fully developed. The estimated volume of capital expenditure for this amounts to some US$ 2.5 billion, but will be spread over a number of years and thus will not overstrain the K+S GROUP financially. To that extent, the acquisition of POTASH ONE is completely in line with our growth strategy, which in addition to the expansion of our potash capacities, provides for the extension of the average useful lives of our potash mines. Furthermore, together with our existing domestic potash mines, the new raw material deposits will significantly strengthen our international competitiveness and consequently benefit the entire K+S GROUP in Europe and overseas.

With a view to our two-pillar strategy, in June 2010, we initiated the examination of a sale of COMPO. In preparation for this, we have since worked out a concept for a company-law and corporate carve-out of COMPO from the K+S GROUP and started a bidding process. The outcome should be available in the middle of this year.

What are the prospects now for 2011?

The year 2011 should be another good year for our K+S GROUP. Global demand for potash fertilizers will increase further, and a potash sales volume worldwide of 57 to 60 million tonnes (2010e: 57 million tonnes) appears quite realistic to us. Sustained high prices for agricultural raw materials and, consequently, very attractive income prospects for farmers should make a key contribution in this regard. Also, as concerns straight nitrogen and complex fertilizers, we expect a continuation of the positive demand trend. In the salt business we are anticipating a stable volume of business on a high level based on the weather-related good start of the de-icing salt business in Europe as well as North America compared to the peak seen last year. Overall, in financial year 2011, revenues of the K+S GROUP should increase tangibly, while there are even opportunities for a significant increase in operating earnings. This and an improved financial result should also lead to a significant rise in adjusted earnings per share and thus further increase the capacity for dividend distributions.

CONTENT

Also on behalf of my fellow members of the Board of Executive Directors, I would like to thank our employees wholeheartedly for their extraordinary commitment, their entrepreneurial thinking and their remarkable team spirit.

I would once again like to thank you, dear shareholders, customers and partners of the K+S GROUP for your trust, support and the open dialogue of the past financial year. We want to continue to work together with you, shape the future together, grow in a controlled way and convince you with our achievements!

Norbert Steiner

NORBERT STEINER
CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

CONTENT

TO OUR SHAREHOLDERS

SOURCE OF GROWTH AND LIFE THROUGH NUTRIENTS AND MINERALS.

1

1.1 VISION/MISSION

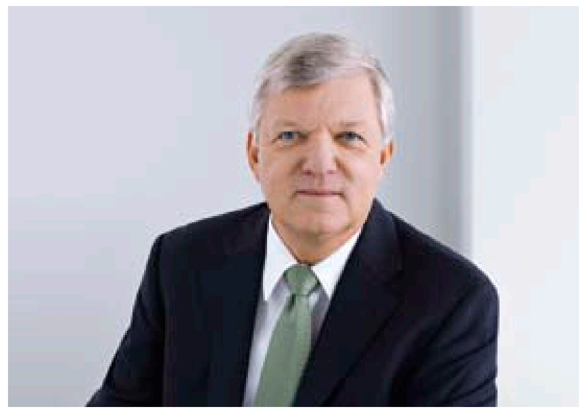
ON THE BASIS OF OUR CORE VALUES, WE WANT:

+ to mine and process raw materials and improve nutrition, health and quality of life with our products and services
+ to occupy leading positions in the markets
+ to be our customers’ preferred partner
+ to strengthen our raw material and production base and expand it globally
+ to further increase the value added by developing new products and more efficient processes
+ to achieve a fair balance of economic, ecological and social concerns
+ to create sustainable values for our stakeholders and take on responsibility in society
+ to be an attractive employer for employees from all over the world

1.2 BOARD OF EXECUTIVE DIRECTORS

NORBERT STEINER
LAWYER, CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS

Born in Siegen in 1954. After studying law in Heidelberg and a traineeship within the district of the Higher Regional Court in Karlsruhe, in 1983, he began his career in the tax department of BASF AG, whose sub-department of customs and excise duties he headed from 1988 onwards. In 1993, he became head of the legal affairs, tax and insurance department of K+S AKTIENGESELLSCHAFT. In May 2000, Norbert Steiner became a member of the Board of Executive Directors, in January 2006, Deputy Chairman and on 1 July 2007, Chairman of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT. He has responsibility for the Salt business segment as well as Corporate Development and Controlling, Legal Affairs / Compliance, Investor Relations, Communications and International HR Coordination.



JOACHIM FELKER
INDUSTRIAL BUSINESS MANAGER

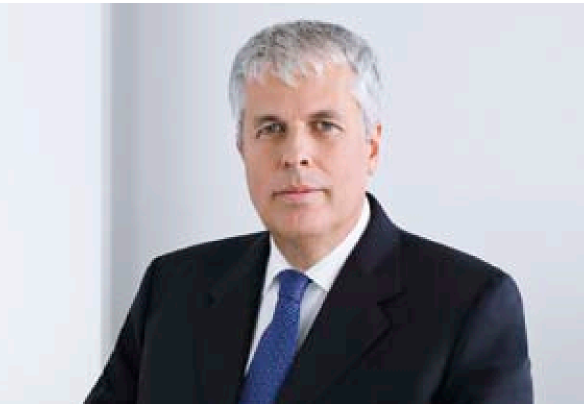
Born in Bad Godesberg in 1952. After matriculating in 1974, he did his training in industrial business management at BASF AG and worked there as a commercial assistant. Between 1980 and 1999, he held several management and marketing positions within the BASF GROUP, including in Asia. He lastly worked as senior director of the fertilizers sector. Since 2000, Joachim Felker has been working within the K+S GROUP, initially as managing director of FERTIVA GMBH and from 2003 onwards as a senior management member of K+S KALI GMBH. In October 2005, he became a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT. He is responsible for the Potash and Magnesium Products as well as Nitrogen Fertilizers business segments.

GERD GRIMMIG
ENGINEERING GRADUATE

Born in Freden in 1953. After studying mining at Clausthal Technical University, he worked in mining operations at various plants and in the mining division at the head office of KALI UND SALZ AG (NOW K+S AKTIENGESELLSCHAFT). Between 1990 and 1996, he held several plant manager positions in the mining division. Between January 1997 and September 2001, Gerd Grimmig was managing director of KALI UND SALZ GMBH and responsible for the mining department. Since October 2000, he has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT. His areas of responsibility are Mining, Geology, Technology / Energy, Research and Development, Environment, Occupational Safety, Quality Management, Inactive Plants, Waste Management and Recycling, Animal Hygiene Products, MSW CHEMIE, and Consulting.

DR. THOMAS NÖCKER
LAWYER

Born in Neukirchen-Vluyn in 1958. After studying law and subsequently obtaining a doctorate from Münster University, he completed legal traineeships e.g. in Düsseldorf and Montreal, Canada. In 1991 he started his professional career at RAG AG, where he held various positions. In 1998, he was appointed member of the Board of Executive Directors of RAG SAARBERG AG and assigned responsibility for personnel, legal affairs and IT management/organisation. Dr. Thomas Nöcker has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT since August 2003. He is Personnel Director with responsibility for Personnel, IT-Services, Organisation and Project Management, Property Management, Knowledge Management, Health Management, Logistics, and Trading Business (CFK).



JAN PETER NONNENKAMP
ECONOMICS GRADUATE

Born in Bremen in 1963. After completing his training as a bank clerk, he graduated in economics from the Private University of Witten/Herdecke in 1990. He then worked in consumer and capital goods industry companies, including FIELMANN AG and LEOPOLD KOSTAL GMBH & CO. KG, holding various financial positions. As of 2004, as a member of the Board of Executive Directors of KNORR-BREMSE AG, he was responsible for the finance, accounting and tax departments. Since 1 June 2009, he has been a member of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT with responsibility for the areas Finance and Accounting, Purchasing, Materials Management and Warehousing, Tax, Audit, and Insurance.

Further information about the members of the Board of Executive Directors, their responsibilities and appointments can be found in the 'Corporate Governance' section on pages 26 et seq.

1.3 SUPERVISORY BOARD REPORT

Dear Shareholders,

Pursuant to Section 171 Para. 2 of the German Stock Corporation Act (AktG), the following report gives information about the activities of the Supervisory Board during financial year 2010 and the findings of the audit of the 2010 annual financial statements and consolidated financial statements. The main focuses of our meetings and discussions with the Board of Executive Directors were the again significantly improving business position of the K+S GROUP following the economic and financial crisis, the discussion of the K+S GROUP strategy, the expansion of the production and raw materials base particularly through acquiring the Canadian exploration company POTASH ONE, the possible sale of COMPO, the disposal of saline waste water in the Hesse-Thuringia potash district and the new remuneration system for the Board of Executive Directors.

CONTINUOUS DIALOGUE TO THE BENEFIT OF THE K+S GROUP

In financial year 2010 too, the Supervisory Board diligently performed control and consultancy tasks imposed on it by law, the Articles of Association and its bylaws. A large number of matters were discussed in depth and resolutions were adopted regarding business transactions requiring approval. We have advised the Board of Executive Directors on an ongoing basis on managing the Company and monitored the latter's executive management. We were constantly involved in a timely and appropriate fashion in all decisions of basic importance. The Board of Executive Directors informed us regularly, promptly and comprehensively about the course of business, the earnings and financial position, the employment situation, planning and the further strategic development of the Company. Deviations from planning were explained in detail to the Supervisory Board. Thereby, the risk situation and risk management were constantly in our focus.

The Supervisory Board regularly received written reports from the Board of Executive Directors for the preparation of meetings. After thorough review and detailed discussion, the Supervisory Board, where necessary, adopted resolutions regarding the reports and proposed resolutions. Also between meetings, the chairman of the Supervisory Board maintained close contact with the Board of Executive Directors and discussed important events and upcoming decisions with it. The shareholders' and employee representatives discussed important matters on the agendas at separate meetings prior to the Supervisory Board meetings.

With regard to business transactions, which were of key importance to the Company, the Supervisory Board was also immediately and comprehensively informed in writing by the Board of Executive Directors between regular meetings.

Attendance at the Supervisory Board meetings during the period under review was, on average, 98%. Two Supervisory Board members were unable to participate in one meeting each, so that in 2010 too, no Supervisory Board member participated in fewer than half the meetings. The committees met with all members in attendance except for one meeting each of the audit committee and the personnel committee, at each of which one Supervisory Board member was prevented from attending.

SUPERVISORY BOARD MEETINGS

A total of six Supervisory Board meetings, of which two were extraordinary, were held during financial year 2010. Additionally, the Supervisory Board adopted one written resolution.

At the meeting held on 10 March 2010, we reviewed the annual financial statements, the consolidated financial statements, the management reports and the proposal of the Board of Executive Directors for the appropriation of profits for financial year 2009, and approved both sets of financial statements on the recommendation of the audit committee. Within the framework of the review, we particularly concerned ourselves with the effects of the first-time inclusion of MORTON SALT in the consolidated financial statements. The business situation and the outlook for the current year were discussed in depth. On the recommendation of the personnel committee, it was decided to extend the Board of Executive Directors mandates of Mr. Felker and Mr. Grimmig, each ending 30 September 2010, by two and three years respectively. Furthermore, also in relation to innovations resulting from the German Act on the Appropriateness of Management Board Remuneration, on the recommendation of the personnel committee, the Supervisory Board resolved to modify parts of the remuneration system. This particularly concerns the incentive system for sustainable corporate development (long-term incentive) and pension commitments. Detailed information regarding the level of remuneration of the Board of Executive Directors in 2010 as well as the structure of the remuneration system, which has not changed since its approval by the Annual General Meeting on 11 May 2010, can be found on pages 31 et seqq. of the financial report. Moreover, the chairman of the Supervisory Board explained the recommendation made by the nomination committee to propose to the Annual General Meeting the election of Mr. Cardona to the Supervisory Board, whose court appointment expired on the close of the Annual General Meeting on 11 May 2010. Furthermore, the resolutions proposed for the Annual General Meeting 2010 were approved. In this connection, the proposal for the choice of the auditor was based on a corresponding recommendation of the audit committee. The Board of Executive Directors then reported on the status of and prospects for saline waste water disposal in the Hesse-Thuringia potash district.

On 11 May 2010, the Board of Executive Directors informed about the results and business developments during the first quarter.

At a meeting held on 24 and 25 August 2010, the Supervisory Board initially concerned itself with the business situation of the first six months of the year and with the outlook for 2010 as a whole. In doing so, the Board of Executive Directors also went into the current market situation and, in particular, the speculations regarding a merger of the Russian potash producers and the targeted takeover of POTASHCORP by BHP BILLITON. The Board of Executive Directors then provided an overview of further developments regarding the question of saline waste water disposal. Subsequently, the Board of Executive Directors explained the newly developed vision of the future for the K+S GROUP. The strategic directions of the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments were presented in detail by the Board of Executive Directors. A potential reactivation of the Siegfried-Giesen reserve mine and the acquisition of POTASH ONE were also dealt with, as was the question of a possible follow-on regulation for the nitrogen fertilizer agreement with BASF, which will expire in 2014. After extensive discussion, the Board of Executive Directors and the Supervisory Board agreed on strategic objectives for the K+S GROUP. The chairman of the audit committee then reported on its most recent meeting at which, among other things, it dealt with matters including the internal control system and compliance management of the K+S GROUP. In the opinion of the committee and the plenum, both issues were handled appropriately by the Board of Executive Directors.

At extraordinary meetings held on 24 September and 7 October 2010, the Supervisory Board mainly dealt with the acquisition of POTASH ONE. The Board of Executive Directors provided detailed information about the profile of the company, the related strategic strengthening of the raw materials base for the K+S GROUP, the main findings of the due diligence audit including the anticipated environmental permit from the relevant Ministry of the Environment in Saskatchewan, the financing and the technical realisation of the new potash capacities. During the internal value-finding for POTASH ONE, which was supported by an external expert opinion conducted by a reputable auditing company, the Supervisory Board critically queried the projected figures also on the basis of demanding stress tests. The Board of Executive Directors explained that by the acquisition of POTASH ONE the cost position and thus the international competitiveness of the Potash and Magnesium Products business segment will be tangibly strengthened, the average remaining useful life of the potash deposits will be increased and the business segment will thus become more robust overall, even in the face of temporary turmoil on the potash market. Against the backdrop of the strategic objectives agreed between the Board of Executive Directors and the Supervisory Board and following detailed discussion, the Supervisory Board agreed to the submission of a binding offer for the acquisition of 100% of the shares of POTASH ONE.

At the last meeting of the year on 24 November 2010, the Supervisory Board decided, on the recommendation of the personnel committee, to extend the Board of Executive Directors mandate of Dr. Nöcker, ending on 31 July 2011, by a further five years and to re-appoint him as Personnel Director for that period. The chairman of the Supervisory Board then reported on his visit to MORTON SALT and the positive impressions gained at the different sites. The Board of Executive Directors next explained the current business situation and provided an outlook on the expected revenues as well as the earnings of the K+S GROUP in 2010. Moreover, the Supervisory Board dealt with the planning for 2011 as well as with the medium-term outlook, including the framework for investment and financing for subsequent years. The plans were carefully examined for whether they agreed with the strategic objectives, and acknowledged and approved. Furthermore, the Supervisory Board was informed by the Board of Executive Directors of the status of saline waste water disposal of the Werra and Neuhof-Ellers plants on the basis of a report sent to the Supervisory Board members ahead of the meeting. In particular, the precautionary drafting of application documents for long-distance pipeline variants to the Weser and the North Sea was discussed intensively, and acknowledged and approved. The chairman of the audit committee then reported on the results of the audit committee meeting held on the morning of the same day. The focus here was on the defined main topics to be covered by the audit, the internal audit and the regulations on donations and sponsoring. The chairman of the Board of Executive Directors then reported on the key points of the agreements concluded with POTASH ONE on 21/22 November 2010, the first positive reactions of the capital market and the government of the province of Saskatchewan as well as on further action. Finally, the Board of Executive Directors explained the plan to propose to the coming Annual General Meeting that bearer shares be converted to registered shares. The Supervisory Board supported this plan.

COMMITTEE MEETINGS

In addition to the mediation committee required by law, the Supervisory Board established three further committees for the performance and support of its responsibilities: the audit committee, the personnel committee and the nomination committee. The committees prepare resolutions of the Supervisory Board and topics, which are to be dealt with at plenary sessions. Apart from the audit committee, the chairman of the Supervisory Board chairs the committees. The content and results of the committee meetings are reported on at the respective subsequent plenary session. An overview of the committees together with their composition can be found in the 'Corporate Governance' section of the 2010 financial report on page 30 and on the website of K+S AKTIENGESELLSCHAFT under 'Corporate Governance'.

The audit committee met three times in 2010. On 2 March 2010, in the presence of the auditor, the chairman of the Board of Executive Directors and the chief financial officer, the committee examined the 2009 annual financial statements of K+S AKTIENGESELLSCHAFT, the 2009 consolidated financial statements, the respective management reports and the proposal for the appropriation of profits. In doing so, the balance sheet effects of the acquisition of MORTON SALT, the consequences of the sharply declining fertilizer business as compared to 2008 on the net assets and results of operations, and the capital measures adopted were discussed in detail. Moreover, the recommendation to the plenary session for the nomination of the auditor for financial year 2010 to be proposed to the Annual General Meeting was resolved. In this context, the declaration of independence from DELOITTE & TOUCHE GMBH was obtained that is provided for by Item 7.2.1 of the German Corporate Governance Code. On 25 August 2010, the committee discussed the main focuses for the 2010 audit of the financial statements. At the last meeting of the year on 24 November 2010, the audit committee acquainted itself with the work of the internal audit of the current financial year and particularly with the organisational integration of MORTON SALT and SPL into the internal audit system. The committee also dealt with the nomination of the auditor to be proposed to the 2011 Annual General Meeting. Furthermore, on 3 May, 4 August and 2 November, the members of the audit committee, the chairman of the Board of Executive Directors and the chief financial officer held telephone conferences in which they discussed the respective quarterly reports awaiting publication.

The personnel committee, which prepares personnel decisions of the Supervisory Board and is responsible for other matters concerning the Board of Executive Directors, also met a total of three times in 2010. It dealt with the achievement and agreement of targets, the remuneration system of the Board of Executive Directors, the expiration of mandates, long-term succession planning, the issue of diversity as well as with the pensions and the regulation of travelling expenses of the Board of Executive Directors.

The members of the nomination committee agreed to two proposed resolutions by phone or in writing.

For the mediation committee formed in accordance with the German Co-Determination Act (Mitbestimmungsgesetz), no meeting was called in the past financial year.

CORPORATE GOVERNANCE

At regular intervals the Supervisory Board considers the application and further development within the Company of provisions of the German Corporate Governance Code. Detailed information concerning the Supervisory Board can be found in the 'Corporate Governance' section of the 2010 financial report on pages 23 et seqq.

In the past year, the Supervisory Board and the Board of Executive Directors discussed the German Corporate Governance Code in its revised version of 26 May 2010, and at the meeting held on 24 November 2010, resolved the joint declaration on conformity 2010/2011 which, with only one exception, corresponds to all recommendations of the respective version of the Code. The suggestions of the Code are also being followed, with only two exceptions. The declaration on conformity can be found on the website of K+S AKTIENGESELLSCHAFT under 'Corporate Governance' and on page 21 of the 2010 financial report. At the same meeting, the chairman of the Supervisory Board discussed the proposed resolution of the nomination committee on the objective for the composition of the Supervisory Board pursuant to Item 5.4.1 of the German Corporate Governance Code, which was adopted by the plenary session after detailed discussion. The objective can be found on the website of K+S AKTIENGESELLSCHAFT under 'Corporate Governance' and on page 24 of the financial report. The Supervisory Board also discussed the outcome of the assessment of the questionnaire responded to by its members regarding the annual efficiency review. The findings provided valuable individual ideas for future work in the Supervisory Board and its committees.

No conflicts of interest on the part of members of the Board of Executive Directors or the Supervisory Board about which the Annual General Meeting would have to be informed were disclosed to the Supervisory Board during the period under review. To prevent potential conflicts of interest, Mr. Cardona and Dr. Sünner did not participate in two plenary sessions each on discussions on issues which could also affect interests of OAO EUROCHEM and BASF SE. Mr. Vassiliadis declared that if corresponding issues were to be dealt with in the Supervisory Board of BASF SE, he would not participate in its discussions. No resolutions were adopted in relation to these issues.

AUDIT OF THE 2010 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

DELOITTE & TOUCHE GMBH, Hanover, audited the annual financial statements and management report of K+S AKTIENGESELLSCHAFT, which were prepared by the Board of Executive Directors in accordance with the rules of the German Commercial Code (HGB), as well as the consolidated financial statements and the Group management report for financial year 2010, which were prepared in accordance with the International Financial Reporting Standards (IFRS), and issued unqualified audit certificates for both of them. The aforementioned documents, the Board of Executive Director's recommendation concerning the appropriation of the retained profit and the audit reports of DELOITTE & TOUCHE GMBH, each of which had been submitted to the members of the audit committee and the Supervisory Board on time, were dealt with comprehensively at the audit committee meeting held on 1 March 2011 as well as at the Supervisory Board meeting held on 9 March 2011, at which the chairman of the audit committee and the auditor DELOITTE & TOUCHE GMBH reported on the result of their audits in depth. Neither DELOITTE & TOUCHE nor the audit committee identified weaknesses in the control and risk management system relating to the accounting process. All questions raised at the meeting were answered exhaustively by the Board of Executive Directors and the auditor. After its own examination and discussing the annual financial statements, the consolidated financial statements, the management report and the Group management report, the Supervisory Board did not find grounds to raise objections. It agreed with the Board of Executive Directors in its assessment of the position of K+S AKTIENGESELLSCHAFT and of the Group, and also followed the proposal made by the audit committee to the extent that it approved the financial statements for financial year 2010. The 2010 annual financial statements of K+S AKTIENGESELLSCHAFT were thus ratified. The resolution on appropriation of profits proposed by the Board of Executive Directors was also examined with regard to the present and future expected financial situation of the K+S GROUP. Following extensive discussion, the Supervisory Board approved the proposal made by the Board of Executive Directors.

The Supervisory Board thanks the members of the Board of Executive Directors as well as all employees and their representatives for their high commitment and very successful work done in the past financial year.

KASSEL, 9 MARCH 2011

DR. RALF BETHKE
CHAIRMAN OF THE SUPERVISORY BOARD

K+S ON THE CAPITAL MARKET

SHARE PRICE GAINED 40.9% IN 2010 (INCL. DIVIDEND +41.4%) / A € 5,000 investment in K+S shares yielded € 26,157 in five years; +39.2 % p. a. / Corresponding to higher earnings, proposed dividend of € 1.00/share significantly above that of the previous year (€ 0.20/share) / At the end of 2010, bond was quoted at 107.476 % (+2.170 percentage points year on year; yield as at the balance sheet date was 2.868 %) / Analyst coverage again slightly extended

2

CAPITAL MARKET KEY INDICATORS

TAB: 2.0.1

		2010	2009	2008	2007	2006
Earnings per share, adjusted[1]	€/share	2.33	0.56	5.94	1.06	1.07[2]
Gross cash flow per share	€/share	4.34	1.95	7.14	2.25	2.08
Book value per share	€/share	13.85	10.94	10.41	5.65	6.81
Year-end closing price (XETRA)[3]	€	56.36	39.99	39.97	40.69	20.55
Highest price (XETRA)[3]	€	56.65	53.04	95.90	40.69	20.55
Lowest price (XETRA)[3]	€	35.94	29.85	27.72	18.50	13.05
Year-end market capitalisation	€ billion	10.8	7.7	6.6	6.7	3.4
Total stock exchange turnover	€ billion	16.8	16.9	33.4	10.2	4.3
Average daily turnover	€ million	65.7	66.4	131.6	40.6	16.9
Index weighting as of 31 Dec.: DAX; 2006–2007: MDAX	%	1.3	1.1	1.2	5.9	3.2
Total number of shares as of 31 Dec.	million	191.40	191.40	165.00	165.00	165.00
Outstanding shares as of 31 Dec.[4]	million	191.40	191.40	165.00	165.00	165.00
Average number of shares[5]	million	191.34	166.15	164.95	164.94	164.96
Dividend per share[6]	€/share	1.00	0.20	2.40	0.50	0.50
Total dividend payment[6]	€ million	191.4	38.3	396.0	82.5	82.5
Payout ratio[6,7]	%	43.0	40.9	40.4	47.1	46.8
Dividend yield (closing price)[6]	%	1.8	0.5	6.0	1.2	2.4
Return on equity after taxes	%	18.7	8.4	68.6	16.1	17.7[2]
Return on capital employed (ROCE)	%	20.9	9.3	64.0	15.5	17.4
Enterprise value (EV) as of 31 Dec.	€ billion	11.5	9.0	7.2	7.8	4.1
Enterprise value to revenues (EV/revenues)	x	2.3	2.5	1.5	2.3	1.4
Enterprise value to EBITDA (EV/EBITDA)	x	11.8	21.8	4.8	18.8	10.2
Enterprise value to EBIT (EV/EBIT)	x	15.8	37.8	5.3	27.3	14.8

[1] The adjusted key figures unalteredly only include the realised result from operating forecast hedges of the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings. Related effects on deferred and cash taxes are also eliminated; tax rate for 2010: 28.2 % (2009: 27.9 %).
[2] Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.
[3] The price of the K+S share since the capital increase in December 2009 has been traded ex subscription right. Historical values were not adjusted.
[4] Total number of shares less the number of own shares held by K+S as of the balance sheet date.
[5] Total number of shares less the average number of own shares held by K+S.
[6] The figure for 2010 corresponds to the dividend proposal; the dividend yield is based on the year-end closing price.
[7] Refers to adjusted earnings after taxes.

K+S SHARE

Type of shares: no-par value shares
Total number of shares: 191,400,000 units
WKN/ISIN: 761 200/DE0007162000
Market segment: Prime Standard
Prime industry: chemicals
Industrial group: chemicals, commodities
Listing: all exchanges in Germany
Bloomberg ticker symbol:
SDF GR and SDF GY
Reuters ticker symbol: SDFG
ADR CUSIP: 48265W108

K+S BOND

WKN/ISIN: A1A 6FV/DE000A1A6FV5
Stock exchange listing:
Luxembourg Stock Exchange
Issuing volume: € 750 million
Denomination: € 1,000
Issue price: 99.598 %
Interest coupon: 5.000 %
Maturity: 24 Sept. 2014
Rating: S&P: BBB; Moody's: Baa2

COMPANY RATING

S&P: BBB (outlook: positive)
Moody's: Baa2 (outlook: stable)

2.1 THE SHARE

RECOVERY ON THE STOCK EXCHANGES

In the stock exchange year 2010, the recovery which began in 2009 after the significant losses of the previous year continued on the international stock markets, albeit to a lesser extent. In 2010, the important US S&P 500 share index experienced an increase, gaining 12.8 % after having gained 23.5 % in 2009. Germany's leading index, the DAX, was able to record an increase of 16.1 % due to strong economic growth (2009: 23.8 %). However, the mood on the stock markets was temporarily negatively affected by debt crises, caused particularly by the development in Greece and Ireland, as well as stronger regulation of the financial sector. On account of their stronger and more dynamic economic growth and largely sound budgetary situations, the stock markets of the emerging market countries were able to develop better than those of the industrial countries.

Commodity prices also increased significantly in 2010; palm oil and corn in particular benefited from a strong demand. At the end of the year, the price of gold stood at US$ 1,423.60 per troy ounce (an increase of 19.5 %). The price of oil also profited from the recovery of the global economy; by the end of the year, it rose by 21.6 % to US$ 94.75 per barrel.

THE K+S SHARE IS PERFORMING BETTER THAN THE DAX, DJ STOXX 600 AND MSCI WORLD STANDARD

The important German share benchmark index for K+S, the DAX, closed on 31 December 2010 at 6,914 points and thus rose by 16.1 % in the course of the year (previous year: + 23.8 %). The European stock index DJ STOXX 600 rose by 8.6 % to 276 points, and the global MSCI WORLD STANDARD index was up by 9.6 % to 1,280 points. Over the course of the year, with an increase of 40.9 %, the performance of the K+S share was thus significantly better than that of those comparative indices. The picture is also similar over a longer time perspective. Thus, the value of the K+S share has more than quadrupled over the past five years, whereas the DAX and the MSCI WORLD STANDARD could only increase by 27.8 % and 1.8 % respectively and the DJ STOXX 600 even experienced a loss of 11.0 %. This effect becomes even clearer when compared with the past ten years. / TAB: 2.1.1

PERFORMANCE TAB: 2.1.1

in %	1 year 2010	5 years 2006 – 2010	10 years 2001 – 2010
K+S share (excluding dividends)	+ 40.9	+ 366.1	+ 1,221.8
K+S share (including dividends)	+ 41.4	+ 396.4	+ 1,338.1
DAX (performance index)	+ 16.1	+ 27.8	+ 7.5
DJ STOXX 600	+ 8.6	(11.0)	(23.3)
MSCI World Standard	+ 9.6	+ 1.8	+ 4.8

K+S SHARE PERFORMANCE IS +40.9 % OVER THE YEAR (INCL. DIVIDEND +41.4 %)

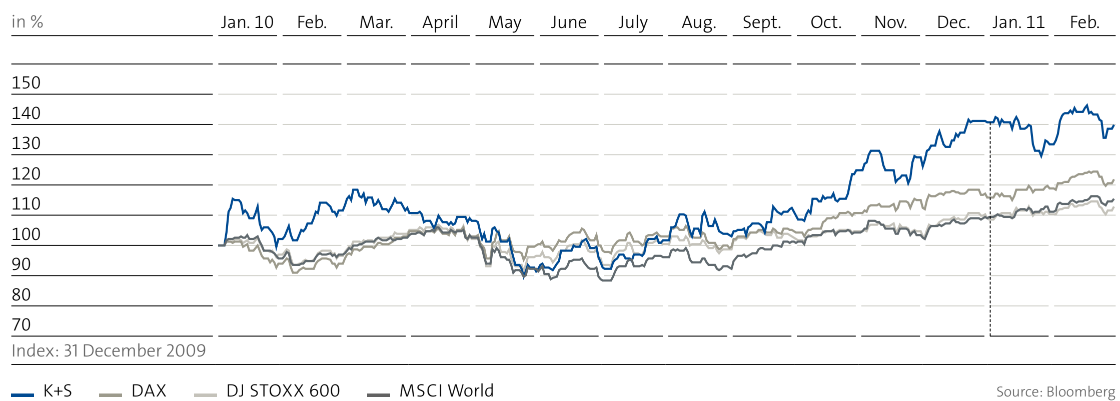
At € 56.36, the 2010 closing price was significantly higher than the price at the end of the previous year (€ 39.99). The price performance was initially very positive, but was temporarily slightly subdued in the summer months as a result of a generally weak environment on the stock markets and the continued declining price trend for agricultural raw materials until the middle of the year. Then, the K+S share recovered strongly from August onwards. / FIG: 2.1.1, 2.1.2

The following important events impacted the price trend in 2010:

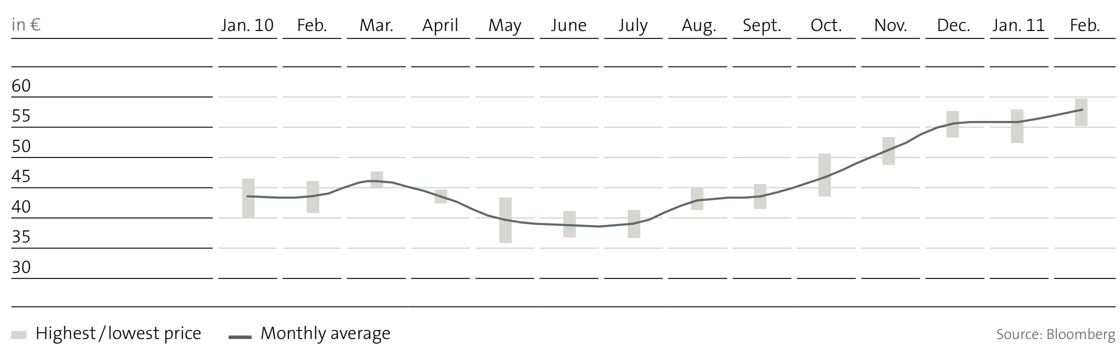
+ At the beginning of the year, the K+S share price was quoted at approximately € 40. Supported by positive analysts' comments regarding the prospects for the fertilizer business in 2010, the share increased to € 47 until the beginning of March also on account of a favourable market environment as well as the cold weather conditions in Europe. Following the publication of the figures for the 2009 financial year on 11 March which matched expectations, the price of the K+S share initially moved sideways until the end of April.

+ The figures published on 11 May managed to exceed analysts' expectations; however, the cautious outlook given by the K+S GROUP impelled several analysts to reduce their estimates. The share closed at an annual low of € 35.94 on 25 May in a stock market environment that was weak overall.
+ At the start of June, the price increase announced by K+S for granulated potassium chloride of € 8 to € 305 per tonne, and the announcement that it would examine the sale of COMPO within a year, had a positive impact on the K+S share price, which rose to € 41. At the beginning of August, the K+S share displayed a strong upward trend and profited above all from increasing prices for agricultural products.
+ In connection with the publication of figures for the second quarter on 12 August, K+S again raised the sales forecast for potash and magnesium products and again gave a quantitative revenues and earnings outlook. Assuming a slightly lower average price for the potash and magnesium products portfolio for the second half of the year, compared with the first half, led to a modification of several analysts' estimates and the K+S share price being slightly muted.
+ The British-Australian mining company BHP BILLITON's bid for the Canadian potash producer POTASHCORP, announced on 17 August, drew the attention of market participants to the sustainable attractiveness of the potash market and fuelled speculation about possible further takeovers in the fertilizer industry.
+ In the weeks that followed, the K+S share also profited from a generally positive mood on the stock market as well as from the continually increasing agricultural prices. Also, POTASHCORP announced price increases for granulated potassium chloride for the American market and BPC for Asia and Brazil.
+ The results for the third quarter, pre-published in an ad hoc notification on 2 November, which to some extent significantly surpassed the consensus expec-

PERFORMANCE OF THE K+S SHARE IN RELATION TO DAX, DJ STOXX 600 AND MSCI WORLD FIG: 2.1.1



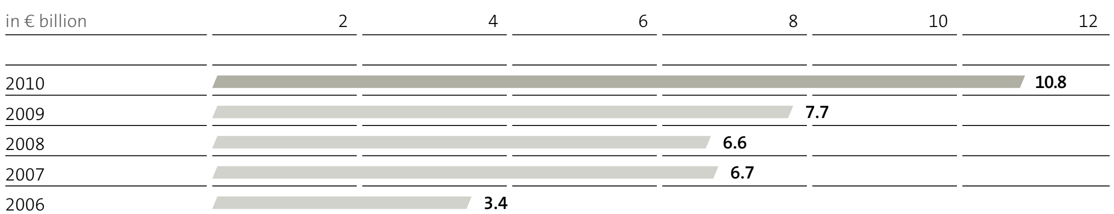
MONTHLY HIGHEST, LOWEST AND AVERAGE PRICE OF K+S SHARE FIG: 2.1.2



tations, and the simultaneous raising of the earnings forecast resulted in a further increase of the K+S share.

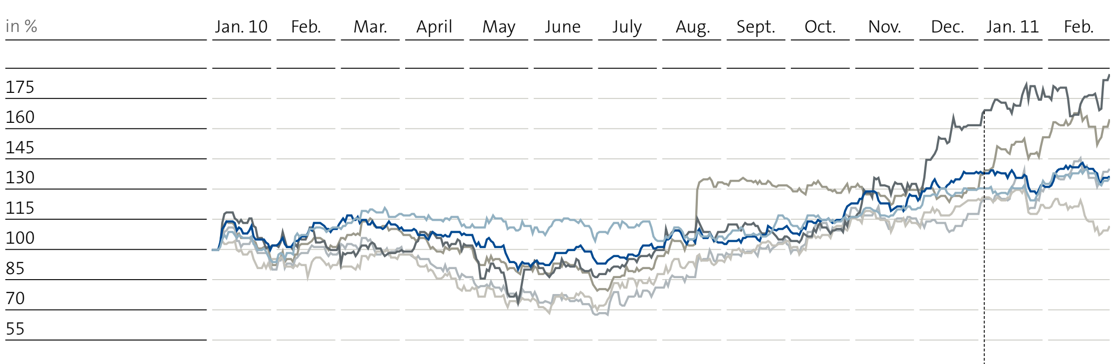
+ This development was given additional backing at the end of November by the intention of K+S to friendly take over the Canadian potash exploration and development company POTASH ONE, which will lead to an expansion of the potash capacities of the K+S GROUP in the medium term within the framework of the growth strategy and to a prolongation of the average life of the mines.
+ At the end of the year, the share was finally given another stimulus by K+S' announcement of an increase in the price of granulated potassium chloride by a further € 18/t to € 335/t in Europe, as well as by the early onset of winter in Europe, and on 31 December it closed at € 56.36 with an increase of 40.9 % compared with the end of 2009 (€ 39.99). If the dividend paid in May 2010 is taken into consideration, the growth in value amounted to 41.4 % in total.

MARKET CAPITALISATION OF THE K+S AKTIENGESELLSCHAFT FIG: 2.1.3



as of 31 December; Basis: XETRA

PERFORMANCE OF THE K+S SHARE IN RELATION TO PEERS FIG: 2.1.4



Index: 31 December 2009

K+S PotashCorp Yara Compass Mosaic Uralkali

Source: Bloomberg

AT THE START OF 2011, THE K+S SHARE PRICE IS MOVING SIDEWAYS

2011 started with a sideways movement for the K+S share. On 28 February 2011, at about € 56, the K+S share was quoted at roughly the same level as at the end of 2010. The DAX rose by about 5 % during this period.

PERFORMANCE OF THE K+S SHARE SINCE THE START OF THE YEAR IN RELATION TO COMPETITORS

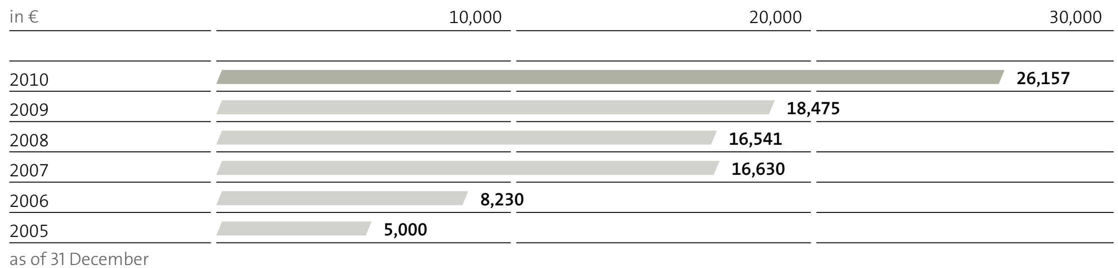
We are consistently following the relative performance of our share compared to our publicly traded competitors, the so-called peer group. Among others, it includes North American fertilizer producers POTASHCORP and MOSAIC, Russian potash producer URALKALI, Norwegian fertilizer supplier YARA, and salt manufacturer COMPASS from the United States. / **FIG: 2.1.4**

The positive price development of the shares of international fertilizer producers, already ensuing in the first quarter due to an improving market environment, was curbed for a short time in the second quarter by the declining prices for agricultural raw materials. In the third and fourth quarters, however, the price development was favoured by takeover speculations in the fertilizer industry and by soaring cereal prices. In 2010, the K+S share was able to maintain its position very well and closed with an increase of 40.9 % on 31 December 2010. Apart from the slightly stronger performance of the share of our competitor POTASHCORP (+42.7 %), which had significantly increased in the meantime as a result of the hostile takeover bid announced by BHP BILLITON on 17 August 2010, only the share of our competitor URALKALI fared better with an increase of 74.9 % against the background of the consolidation of the Russian potash producers.

FINANCIAL INVESTMENT IN K+S SHARES HAS GROWN ON AVERAGE BY 39.2 % PER YEAR OVER THE PAST FIVE YEARS

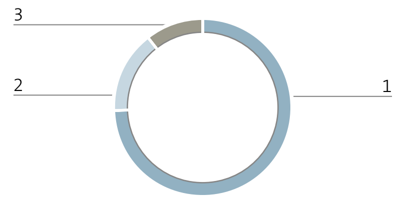
An investment in K+S shares has paid off extraordinarily well during the last five years. The shareholder, who has acquired K+S shares for € 5,000 on 31 December 2005 and reinvested dividend payments made and subscription rights allocated over the following five years in K+S shares, found his portfolio worth € 26,157 on 31 December 2010. The value of the portfolio rose by on average 39.2 % per year over those five years. By comparison: The DAX only achieved an annual yield of +5.0 % in the same period. / FIG: 2.1.5

PERFORMANCE OF PORTFOLIO OF K+S SHARES [1] FIG: 2.1.5



[1] Including reinvestment of dividends on the day after the AGM and assuming the exercise of granted subscription rights without effecting expenditure within the framework of the 2009 capital increase; plus cash remaining.

SHAREHOLDER STRUCTURE AS OF 28 FEBRUARY 2011 FIG: 2.1.6



	in %	2010	2009
1	Freefloat	74.8	74.7
2	Meritus Trust Company Limited	14.9	15.0
3	BASF SE	10.3	10.3

SHAREHOLDER STRUCTURE WITH HIGH FREE FLOAT

Several reallocations were made in our shareholder structure in 2010. On 17 May 2010, in accordance with § 21 of the German Securities Trading Act (WpHG), the BANK OF N.T. BUTTERFIELD AND SON LIMITED, Bermuda, via MCC HOLDING PUBLIC COMPANY LIMITED, notified us that it had fallen below the threshold of 15.0 % and held 14.989 % of the shares as at 14 May. MERITUS TRUST COMPANY LIMITED, Bermuda, notified us on 22 September, that it had taken over the voting rights previously attributable to the BANK OF N.T. BUTTERFIELD AND SON LIMITED, Bermuda, and held through the EUROCHEM GROUP SE (previous name: MCC HOLDING PUBLIC COMPANY LIMITED), therefore exceeding the threshold of 10 %, and was holding 14.86 % of the shares at that time. MERITUS manages the industrial shareholdings of Andrey Melnichenko on a fiduciary basis. BASF SE continues to hold about 10 % of our shares. After BLACKROCK INC. had initially informed us on 2 September that it had fallen below the threshold of 3 %, on 13 September, the company announced that this threshold had again been exceeded and that its shareholding was 3.63 %. On 26 November, we were informed by AXA S.A. that it held 3.06 % of K+S shares. **/ FIG: 2.1.6**

Under the free float definition applied by DEUTSCHE BÖRSE AG, the free float is unchanged and amounts to just under 75 %. A shareholder identification survey carried out in October 2010 by an external service provider also revealed that apart from the permanent holding just under 19 % of the shares are held by domestic institutional investors and a good 35 % by foreign ones. We continue to assume that approximately 20 % of the shares which could not be unambiguously allocated under the shareholder identification survey are held by predominantly domestic private investors. It is estimated that approximately 1 % of those shares are held by K+S employees.

Geographically speaking, approximately 50 % of our shares are held in Germany, if one takes into account the German institutional investors as well as BASF SE and our employees, and if one again assumes that private shareholders are exclusively German residents. Worldwide, investors can be divided as follows: Russia (15 %), the USA and Canada (11 %) and the UK and Ireland (9 %). About 6 % are in France and Benelux, and the other 9 % in the rest of the world.

AMERICAN DEPOSITARY RECEIPTS FOR TRADING IN THE UNITED STATES

In North America, we offer our shareholders an AMERICAN DEPOSITARY RECEIPTS (ADR) programme, to enable investors there to trade in K+S securities and therefore to expand the international shareholder basis. As the ADRS are listed in US dollars and the dividends are also paid in US dollars, their form is essentially similar to that of US stocks. Two ADRS underlie one K+S share. The ADRS are traded on the OTC (over-the-counter) market in the form of a "level 1" ADR programme. The K+S ADRS are listed on OTCQX, a trading platform which offers issuers an efficient possibility of increasing the liquidity of their ADRS.

/ FURTHER INFORMATION ON THE ADR PROGRAMME is available on our homepage at www.k-plus-s.com in the Investor Relations / Share / ADR programme section, as well as on the website of the trading platform OTCQX www.otcqx.com.

LISTING IN STOCK MARKET INDICES

According to the stock exchange ranking of February 2011, we are currently in 22nd place on the DAX in terms of market capitalisation (previous year: 21st) and, in terms of trading volume, in 19th place (previous year: 16th). Furthermore, the K+S share is quoted on the following stock market indices:

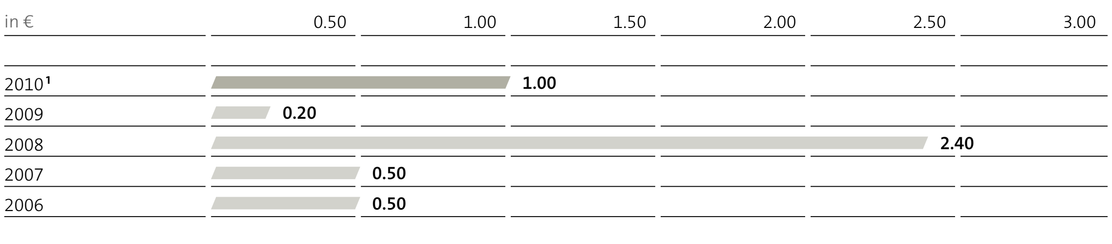
+ DAX
+ DJ STOXX 600
+ DJ EURO STOXX
+ HDAX
+ CDAX GESAMTINDEX
+ PRIME SECTOR CHEMICALS
+ INDUSTRY GROUP CHEMICALS/COMMODITY
+ MSCI WORLD STANDARD
+ MSCI EUROPE STANDARD
+ MSCI GERMANY STANDARD
+ ECPI ETHICAL INDEX GLOBAL

AT € 1.00, DIVIDEND PROPOSAL IS SIGNIFICANTLY HIGHER THAN PREVIOUS YEAR

We pursue a basically earnings-based dividend policy. With this measure, a dividend payout ratio of between 40 and 50 % of the adjusted Group earnings forms the basis for the amount of the future dividend proposals to be determined by the Board of Executive Directors and the Supervisory Board. The Board of Executive Directors will thus propose to the Annual General Meeting that a dividend of € 1.00 per share be paid for the past financial year following an upward adjustment for the significantly higher earnings. **/ FIG: 2.1.7**

This corresponds to a dividend payout ratio of about 43 %. With 191.4 million shares outstanding, this therefore results in a total dividend payment of € 191.4 million. Based on a share price of € 56.36 at the end of the year, the dividend proposal will lead to a dividend yield of 1.8 %.

DIVIDEND PER K+S SHARE FIG: 2.1.7



[1] The figure for 2010 corresponds to the dividend proposal.

2.2 BOND AND RATING

THE K+S BOND

K+S AKTIENGESELLSCHAFT placed its first bond on the capital market in September 2009. The bond has a volume of € 750 million and a term of five years. With an interest coupon of 5.0 % p.a. and an issue price of 99.598 %, the yield on issue was 5.093 % p.a. The proceeds from the bond issue were used to finance part of the purchase price for the takeover of MORTON SALT. The placing enabled the Company to create a balanced maturity structure of the outstanding financing instruments.

Continued low risk premiums for corporate bonds contributed to the K+S bond being quoted at 107.476% on 31 December 2010. This corresponds to an increase of 2.170 percentage points since the end of 2009. This means that the yield as at the balance sheet date was 2.848% p.a.

RATING

At the start of 2009, we submitted ourselves to an external rating process for the first time. MOODY's rating is currently "Baa2" and the outlook "stable". This rating was confirmed on 29 November 2010 after the announcement of the takeover of POTASH ONE and justified by an improving market environment for fertilizers, financing extending over a longer period of time, the diversification of the country portfolio, the longer availability of potash capacities as well as the improvement of the cost position. On 17 January 2011, STANDARD & POOR's confirmed its "BBB" rating taking the announced takeover of POTASH ONE into consideration; the outlook improved from "stable" to "positive" due to the stabilisation of potash sales volumes and prices.

2.3 INVESTOR RELATIONS

RESEARCH COVERAGE OF K+S EXTENDED SLIGHTLY FURTHER

The already very extensive research coverage about K+S has again increased in comparison to the previous year. The spectrum of the banks regularly analysing us ranges from investment boutiques with regional expertise to major banks with an international approach.

The following 34 banks analyse K+S on a regular basis:

+ B. METZLER SEEL. SOHN & CO.
+ BANKHAUS LAMPE
+ BANK OF AMERICA | MERRILL LYNCH
+ BERENBERG BANK
+ BHF-BANK
+ BMO CAPITAL MARKETS
+ CA CHEUVREUX
+ CITIGROUP
+ COMMERZBANK
+ CREDIT SUISSE
+ DEUTSCHE BANK
+ DZ BANK
+ EQUINET
+ EQUITA
+ EXANE BNP PARIBAS
+ GOLDMAN SACHS
+ HSBC TRINKAUS & BURKHARDT
+ INDEPENDENT RESEARCH
+ J.P. MORGAN CAZENOVE
+ LBBW

+ MACQUARIE SECURITIES EUROPE (new)
+ MAIN FIRST BANK
+ MEITAV INVESTMENT HOUSE (new)
+ M.M. WARBURG & CO
+ MORGAN STANLEY
+ NOMURA
+ REDBURN PARTNERS (new)
+ SCOTIA CAPITAL (new)
+ SILVIA QUANDT RESEARCH
+ SOCIÉTÉ GÉNÉRALE
+ SRH ALSTER RESEARCH
+ UBS INVESTMENT RESEARCH
+ UNICREDIT EQUITY RESEARCH
+ WESTLB

In the last of the research surveys that we carry out regularly, fifteen banks gave us a "buy / accumulate" recommendation, seven a "hold / neutral" recommendation and four a "reduce / sell" recommendation. The 'Investor Relations' section of our homepage carries a constantly updated overview of current research recommendations as well as consensus forecasts for revenues and earnings.

/ MORE INFORMATION on this is available on our homepage at www.k-plus-s.com in the Investor Relations / Share section.

K+S INVESTOR RELATIONS OFFERS A COMPREHENSIVE RANGE OF INFORMATION

In the past year, we have responded to the ever greater need for information on the part of the capital market with an offer of 43 roadshows and conference days (2009: 44). We held investor meetings in the USA, in Germany, the UK, Ireland, Switzerland, France, Canada, Italy, Japan, Luxembourg, the Netherlands, Austria, Singapore and Scandinavia. We also organised numerous one-on-one interviews as well as conference calls. As part of the K+S-Capital Markets Day in Berlin in December 2010 and an accompanying visit to a potash mine, we made extensive information available to institutional investors and securities analysts and made direct dialogue possible with the Board of Executive Directors and senior management. We intensified contact with private shareholders through participation in three share forums in Hanover, Göppingen and Kiel. The aim of our Investor Relations work is transparent and fair financial communication with all market participants, in order to maintain and strengthen confidence in the quality and integrity of our management, and provide comprehensive, fast and optimally objective information about our strategy as well as about all events relevant to the capital markets that concern the K+S GROUP.

AWARDS

Our efforts were once again recognised last year by third parties:

+ For the first time, the K+S 2009 Financial Report came top among 30 stocks quoted on the DAX in the highly regarded competition held by the German manager magazine (previous year: 5th place) and top (previous year: 7th place) in the total ranking of about 160 companies examined from the DAX, MDAX, SDAX and TECDAX.
+ In May, we were for the first time awarded the ARC (ANNUAL REPORT COMPETITION) AWARD for the Online Financial Report 2009 out of about 2,000 companies from 30 countries.
+ CAPITAL magazine, together with the DVFA and on the basis of comprehensive evaluations by banks and fund management companies from all over Europe, awarded our IR work with 9th place in the DAX (previous year: 13th place).
+ In the case of the THOMSON REUTERS EXTEL SURVEY Beste IR Deutschland 2010 we ranked 18th in the DAX (2009: 15th place).

We are very pleased with the awards we have received; they act both as an incentive and an obligation for us to continue to improve our service to our shareholders, bond holders and other stakeholders.

Finally, annual anonymous surveys of our shareholders and analysts show a high degree of satisfaction with our investor relations work and, furthermore, provide us with good ideas for constantly improving our financial market communication. The keen interest in K+S is also evident from the fact that in 2010, a total of approximately 50,000 financial and quarterly reports, of which 23,000 in English language, were downloaded from our homepage.

IT PAYS TO VISIT OUR NEW HOMEPAGE

Our redesigned homepage has been online since 1 July 2010; the main focus of the relaunch was on a needs-based structure and a fresh design, in order to provide Internet visitors with an even better service offer. Anyone wishing to find out more will find on the Investor

Relations page, among other things, all our financial and interim financial reports, answers to frequently asked questions, as well as current Company presentations, recordings of conference calls and video webcasts. It is also possible to subscribe to podcasts. A special newsletter also ensures an automatic and immediate supply of current press releases and news concerning the Company by e-mail. Just give it a try!

/ **MORE INFORMATION** available on our homepage at www.k-plus-s.com in the 'Investor Relations' section.

K+S AKTIENGESELLSCHAFT
INVESTOR RELATIONS

Bertha-von-Suttner-Straße 7, 34131 Kassel, Germany
phone: 0561 / 9301 - 1100
fax: 0561 / 9301 - 2425
e-mail: investor-relations@k-plus-s.com
Internet: www.k-plus-s.com/de/investor-relations

CORPORATE GOVERNANCE

THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE form the basis of our internal decision-making and control processes / Only one deviation from Code recommendations and two deviations from Code suggestions / Pro-active and transparent communication is our demand

3

K+S targets a responsible and transparent management and control oriented towards the creation of long-term value creation. These principles form the basis of our decision-making and control processes.

In accordance with Sec. 289a of the German Commercial Code (Handelsgesetzbuch – HGB), the Board of Executive Directors issues the following declaration on corporate governance in the management report of K+S AKTIENGESELLSCHAFT; together with this declaration, a report in accordance with Item 3.10 of the German Corporate Governance Code is also provided:

3.1 DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT

DECLARATION ON CONFORMITY 2010/2011

In December 2010, the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT submitted the following joint declaration on conformity in accordance with Sec. 161 of the German Stock Corporation Act (Aktiengesetz – AktG):

"We declare that the recommendations of the Government Commission on the German Corporate Governance Code published by the German Ministry of Justice in the official section of the electronic Federal Gazette were complied with in 2010 and will be complied with in 2011, in each case subject to the following:

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

2011
The recommendations of the German Corporate Governance Code, as amended on 26 May 2010, will be complied with in 2011, except that merely for the Supervisory Board's audit committee, the chairmanship and membership are taken into account for remuneration purposes (Item 5.4.6 of the Code); for the remaining committees, no additional remuneration beyond the payment of a separate meeting remuneration is deemed necessary."

/ **THIS AND ALL EARLIER DECLARATIONS ON CONFORMITY** are published under www.k-plus-s.com in the 'Corporate Governance' section.

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

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

COMPLIANCE

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

The Board of Executive Directors has entrusted a Chief Compliance Officer, who reports directly to the Chairman of the Board of Executive Directors, with coordinating and documenting compliance activities across the Group. He heads the central compliance committee to which the compliance representatives of the holding and the business segments as well as the heads of the holding units belong, who perform compliance-relevant tasks (e.g. internal audit, risk management, legal affairs, personnel, environmental protection, work safety, quality management).

For K+S, the relevant legal provisions, especially the legislation that governs stock corporations, co-determination and the capital markets, our Articles of Association, the German Corporate Governance Code as well as the bylaws of the Supervisory Board and of the Board of Executive Directors form the basis on which management and control within the Company has been shaped. Over and above the legal obligations, we have defined for ourselves core values and principles of conduct derived from them which form a compulsory framework for our conduct and our decisions as well as provide orientation for our corporate actions. Our core values and the principles of conduct are published on our homepage at www.k-plus-s.com in the section 'About K+S'. Every employee is made familiar with these core values and principles of conduct (the Code of Conduct) applying throughout the Group, as well as with the Company guidelines derived from them. Obligatory training sessions for potentially affected employees are held in relation to specific issues (e.g. anti-trust law, anti-corruption measures, environmental protection, work safety law). The employees have the possibility of seeking advice in compliance-related matters through internal helplines. Moreover, we have set up external help- and hotlines (ombudsmen) to give advice, who can also be notified of breaches, anonymously if desired.

CORPORATE BODIES

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

SHAREHOLDERS AND THE ANNUAL GENERAL MEETING

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

/ YOU CAN FIND FURTHER INFORMATION ABOUT THE ANNUAL GENERAL MEETING on our homepage www.k-plus-s.com/hv.

OPERATIONS OF THE BOARD OF EXECUTIVE DIRECTORS

The Board of Executive Directors is responsible for managing the Company in accordance with the law, the Articles of Association and its bylaws, taking into account the resolutions adopted by the Annual General Meeting. The Board of Executive Directors represents the Company in its dealings with third parties. The K+S GROUP is managed through regular strategic consultations at the Board of Executive Directors level as well as with the heads of the business segments and heads of the holding units, in order to then systematically and in a timely manner implement the appropriate results in the form of annual and medium-term plans as well as agreed targets. The Board of Executive Directors and senior management of the business segments are informed about the development of essential financial indicators as well as of operational early indicators of the Group and its business segments on a monthly basis – with focus on the commentaries on developments and divergences from targets with respect to production, sales volume, revenues, costs, earnings, personnel and capital expenditure. More information on Enterprise management can be found on pages 89 et seqq.

/ THE BYLAWS OF THE BOARD OF EXECUTIVE DIRECTORS can be found on our website in the 'Corporate Governance' section.

The Board of Executive Directors has taken appropriate measures, and particularly established a monitoring system, so that developments that might place the continued existence of the Company at risk can be identified at an early stage. This system is being continually further developed and adjusted to take account of changed conditions.

/ **DETAILS ABOUT RISK AND CHANCE MANAGEMENT** can be found in the Risk Report on pages 129 et seqq.

The Board of Executive Directors consists, in accordance with Art. 5 Para. 1 of the Articles of Association of the Company, of at least two members. The number of members is determined by the Supervisory Board; the Board of Executive Directors currently consists of five members. The bylaws govern its cooperation and the allocation of business responsibilities. The members of the Board of Executive Directors affected must be informed about matters of importance that concern more than one organisational division; measures, which also affect other organisational divisions or whose scope deviates from the normal course of day-to-day business must be agreed about with the other members of the Board of Executive Directors. Such matters should be discussed at meetings of the Board of Executive Directors as far as possible, and measures decided on there, if necessary; a vote or resolution should always be passed concerning important personnel and structural organisational measures as well as business transactions and measures requiring the consent of the Supervisory Board.

/ **FURTHER INFORMATION ON THE COMPOSITION OF THE BOARD OF EXECUTIVE DIRECTORS** and distribution of divisional responsibilities can be found on pages 26 et seqq. and on our website in the 'Corporate Governance' section.

OPERATIONS OF THE SUPERVISORY BOARD

The Supervisory Board of the Company is composed in accordance with Art. 8 Para. 1 of the Articles of Association of the Company, pursuant to statutory provisions. It currently consists of 16 members and is subject to co-determination in accordance with the German Co-Determination Act (Mitbestimmungsgesetz). The Supervisory Board members are elected as representatives of the shareholders by the Annual General Meeting and as employee representatives by the employees of the K+S GROUP in Germany on a 50-percent basis. They are each elected for a period of five years.

/ **FURTHER INFORMATION ON THE COMPOSITION OF THE SUPERVISORY BOARD AND IS COMMITTEES** can be found on pages 27 et seqq. and on our website in the 'Corporate Governance' section.

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

/ **MORE DETAILS ON THE SUPERVISORY BOARD'S ACTIVITIES** in the 2010 financial year can be found in the Supervisory Board Report on pages 6 et seqq. of this financial report.

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

+ The audit committee has the tasks arising from the German Stock Corporation Act as well as Code Item 5.3.2 of the German Corporate Governance Code. It is particularly involved in monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the compliance system and the audit of the financial statements. It also discusses the half-yearly and quarterly financial reports with the Board of Executive Directors prior to publication. On the basis of his professional experience as head of the Central Department Legal Affairs, Tax and Insurance (until the end of 2007) and as Chief Compliance Officer of BASF SE, Dr. Sünner, chairman of the audit committee, possesses comprehensive knowledge and experience with respect to the application of accounting principles and internal control procedures. The audit committee consists of five members, namely three shareholder and two employee representatives.

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

/ **THE BYLAWS OF THE SUPERVISORY BOARD** can be found on our website under 'Corporate Governance'.

OBJECTIVE FOR THE COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of the Company currently comprises 16 members, eight of which were elected by the Annual General Meeting and the other eight by the employees of the German companies of the K+S GROUP (two of these members are representatives of the trade unions). The term of office of the chairman ends at the close of the 2012 ordinary Annual General Meeting, that of Mr. Cardona at the close of the 2015 ordinary Annual General Meeting and those of the remaining members at the close of the 2013 ordinary Annual General Meeting.

The last joint declaration on conformity of the Company states that, for example, the recommendation under Code Item 5.4.1 of the German Corporate Governance Code is followed, according to which the Supervisory Board should name specific goals for its composition. It should be noted that the Supervisory Board does not itself decide on its composition and therefore may only promote the realisation of the objectives pursued by it by proposing corresponding nominations to the Annual General Meeting. As a governing body, it must not influence proposals for the election of employee representatives.

In the light of this, at its meeting of 24 November 2010, the Supervisory Board decided on the following:

"The Supervisory Board shall ensure that its members are persons of integrity, associated with the social market economy, and have competence and many years of experience in the management of and/or consulting services to commercial enterprises or business-oriented institutions. Experience and specific knowledge of the main fields of activity of the Company are desirable. At least one independent financial expert must belong to the Supervisory Board.

On the basis of his or her nationality or professional experience, at least one member of the Supervisory Board should take particular account of the increased internationality of the Company. Experience in relation to the regions in which the K+S GROUP has a particular presence is especially desirable.

Within this framework, the aim is for the Supervisory Board to include a percentage share of female members that corresponds at least to the percentage share of women in the total number of employees of the K+S GROUP.

A further aim is that at least half of the shareholder representatives on the Supervisory Board are independent. This assumes in particular that the persons concerned do not hold a governing or advisory position with significant customers, suppliers, lenders, other business partners or main competitors and also otherwise do not have a significant business or personal relationship to the Company or its Board of Executive Directors. Potential conflicts of interest on the part of the persons proposed for election to the Supervisory Board should be prevented, where possible.

The Supervisory Board shall only submit candidates to propose to the Annual General Meeting who will have not yet completed their 70th year at the time of their election."

The Supervisory Board believes that the aforementioned objectives are currently fulfilled, with one exception: with Ms. Benner-Heinacher, the Supervisory Board has only one female member. In light of the current proportion of women of approx. 10 % in the total workforce of the K+S GROUP, the aim is the membership of at least two women.

BOARD OF EXECUTIVE DIRECTORS AND SUPERVISORY BOARD COOPERATION

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

CONFLICTS OF INTEREST

No conflicts of interest on the part of members of the Board of Executive Directors or the Supervisory Board about which the Annual General Meeting would have to be informed were disclosed to the Supervisory Board during the period under review. In order to prevent potential conflicts of interest, Mr. Cardona and Dr. Sünner did not participate in two plenary sessions each on discussions on issues, which could also affect interests of OAO EUROCHEM and BASF SE. Mr. Vassiliadis declared that if corresponding issues were to be dealt with in the Supervisory Board of BASF SE, he would not participate in these discussions. Resolutions were not adopted in relation to these issues.

D&O INSURANCE

K+S takes out D&O insurance e.g. in case, members of the Board of Executive Directors or of the Supervisory Board are held liable on the basis of statutory liability provisions for damages for financial losses due to a breach of duty committed in the exercise of their activities. The deductible is 10 % of the respective damage up to a maximum of the amount of one-and-a-half times the fixed annual remuneration. The D&O insurance is also applied to the senior management and to other senior executives.

SHARE TRANSACTIONS OF MEMBERS OF THE SUPERVISORY BOARD AND OF THE BOARD OF EXECUTIVE DIRECTORS

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

In 2010, five members of the governing bodies notified directors' dealings to K+S AKTIENGESELLSCHAFT.

/ TAB: 3.1.1, 3.1.2

/ **A CONSTANTLY UPDATED TABLE** can be found on our homepage at www.k-plus-s.com/en/meldungen/directors-dealings/.

DIRECTORS' DEALINGS OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS TAB: 3.1.1

	Date	Transaction	Number	Price in €	Amount in €
Norbert Steiner	15 Nov. 2010	Sale of shares	5,000	49.79	248,950.00
Joachim Felker	15 Nov. 2010	Sale of shares	3,956	49.14	194,397.84
Gerd Grimmig	15 Nov. 2010	Sale of shares	3,000	49.79	149,370.00
Dr. Thomas Nöcker	19 May 2010	Purchase of shares	1,300	39.54	51,404.60

DIRECTORS' DEALINGS OF MEMBERS OF THE SUPERVISORY BOARD TAB: 3.1.2

	Date	Transaction	Number	Price in €	Amount in €
Dr. Ralf Bethke	11 Mar. 2010	Sale of shares	6,004	45.65	274,104.69

As of 31 December 2010, the members of the Board of Executive Directors and of the Supervisory Board held fewer than 1% of the total number of shares issued by K+S AKTIENGESELLSCHAFT.

ACCOUNTING AND AUDIT POLICIES

International financial reporting Standards (IFRS) have been applied since the beginning of 2005 in preparing the consolidated financial statements of K+S AKTIENGESELLSCHAFT. Audits for 2010 have been conducted by DELOITTE & TOUCHE GMBH, Hanover, and it has issued a declaration of independence pursuant to Code Item 7. 2. 1 of the German Corporate Governance Code. The auditor is appointed by the Supervisory Board, acting on a recommendation submitted by the audit committee, after the main topics to be covered by the audit and the fees have been agreed with the auditor elected by the Annual General Meeting. The chairman of the Supervisory Board and the chairman of the audit committee are to be immediately advised by the auditor of any grounds giving rise to exclusions or objections that may arise during the audit if they cannot be eliminated immediately. Furthermore, the auditor should immediately advise of all findings and developments of relevance to the tasks of the Supervisory Board that may arise during the audit. In addition, the auditor is required to advise the Supervisory Board or make an appropriate note in the audit report if, during the course of the audit, the auditor ascertains any facts suggesting incompatibility with the declaration on conformity issued by the Board of Executive Directors and the Supervisory Board in accordance with Sec. 161 of the German Stock Corporation Act.

TRANSPARENCY

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

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

3.2 MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

Norbert Steiner (56), lawyer, Baunatal, Chairman

+ Corporate Development and Controlling
+ Legal Affairs/Compliance
+ Investor Relations
+ Communications and Media
+ Senior Management/International HR Coordination
+ Salt

In office until 11 May 2015
First appointed: 12 May 2000

Supervisory Board appointments:
+ E.ON MITTE AG, Kassel
+ K+S KALI GMBH (chairman), Kassel

Joachim Felker (58), industrial business manager, Munich

+ Potash and Magnesium Products
+ Nitrogen Fertilizers

In office until 30 September 2012
First appointed: 1 October 2005

Supervisory Board appointments:
+ K+S KALI GMBH, Kassel

Gerd Grimmig (57), engineering graduate, Söhrewald

+ Mining
+ Geology
+ Technology/Energy
+ Research and Development
+ Environment, Work Safety, Quality Management
+ Inactive plants
+ Waste Management and Recycling
+ Animal hygiene products
+ Consulting
+ MSW CHEMIE

In office until 30 September 2013
First appointed: 1 October 2000

Supervisory Board appointments:
+ K+S KALI GMBH, Kassel

Dr. Thomas Nöcker (52), lawyer, Kassel, Personnel Director

+ Personnel
+ IT-Services
+ Organisation and Project Management
+ Property Management
+ Knowledge Management
+ Health Management
+ Global Logistics Strategy
+ Logistics Purchasing
+ KALI-TRANSPORT GMBH (KTG)
+ Trading Businesses (CFK)

In office until 31 July 2016
First appointed: 1 August 2003

Supervisory Board appointments:
+ K+S KALI GMBH, Kassel

Other appointments to supervisory bodies:
+ Advisory Board of RAG BILDUNG GMBH, Essen – until July 2010

Jan Peter Nonnenkamp (47), economics graduate, Munich

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

In office until 31 May 2012
First appointed: 1 June 2009

HONORARY CHAIRMAN OF THE SUPERVISORY BOARD

Gerhard R. Wolf (75), business administration graduate, Worms

Former member of the Board of Executive Directors of BASF AG, Ludwigshafen
Former Chairman of the Supervisory Board of K+S AKTIENGESELLSCHAFT

In office and chairmanship until the close of the ordinary Annual General Meeting on 14 May 2008

3.3 MEMBERS OF THE SUPERVISORY BOARD

As of 31 December 2010

Dr. Ralf Bethke (68), business administration graduate, Deidesheim, Chairman of the Supervisory Board Shareholder representative

Former Chairman of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT

Supervisory Board chairman since 14 May 2008
In office until the close of the ordinary AGM 2012
First appointed: 1 July 2007

Further Supervisory Board appointments:
+ BENTELER INTERNATIONAL AG, Salzburg (vice chairman)
+ DR. JENS EHRHARDT KAPITAL AG, Pullach (Supervisory Board chairman)
+ SÜDDEUTSCHE ZUCKERRÜBENVERWERTUNGS-GENOSSENSCHAFT EG, Stuttgart-Ochsenfurt
+ SÜDZUCKER AG, Mannheim

Michael Vassiliadis (46), chemical laboratory technician, Hanover, Vice Chairman
Employee representative

Chairman of IG BCE (Mining, Chemicals and Energy Trade Union), Hanover

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Further Supervisory Board appointments:
+ BASF SE, Ludwigshafen
+ EVONIK STEAG GMBH, Essen (vice chairman)
+ HENKEL AG & CO. KGAA, Düsseldorf

Ralf Becker (45), trade union secretary, Lindwedel
Employee representative

State District Manager North of IG BCE (Mining, Chemicals and Energy Trade Union), Hanover

In office until the close of the ordinary AGM 2013
First appointed: 1 August 2009

Further Supervisory Board appointments:
+ CONTINENTAL REIFEN DEUTSCHLAND GMBH, Hanover

Jella S. Benner-Heinacher (50), lawyer, Meerbusch
Shareholder representative

Federal Manager of the DEUTSCHE SCHUTZVEREINIGUNG FÜR WERTPAPIERBESITZ E.V., Düsseldorf

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Further Supervisory Board appointments:
+ A.S. CRÉATION TAPETEN AG, Gummersbach
+ TUI AG, Hanover

George Cardona (59), economist, Monaco
Shareholder representative

Member of the Board of Directors of OJSC EUROCHEM MINERAL AND CHEMICAL CO., Russia

In office until the close of the ordinary AGM 2015
First appointed: 9 October 2009

Other appointments to supervisory bodies:
+ Board of CARDONA LLOYD HEDGE PORTFOLIO LTD., Guernsey, Channel Islands – until July 2010
+ Board of CARDONA LLOYD LTD., Guernsey, Channel Islands – until July 2010
+ Board of DIVERSIFIED MACRO SOLUTIONS PLC, Ireland
+ Board of DONALINK LTD., Cyprus
+ Board of ERGLIS LTD., Cyprus (chairman)
+ Board of EUROCHEM GROUP SE, Cyprus (chairman, until 22 September 2010: MCC HOLDING PLC)
+ Board of HAMILTON ART LTD., Isle of Man (chairman)
+ Board of HAMILTON JETS LTD., Bermuda (chairman)
+ Board of HAREWOOD HOUSE LTD., Jersey, Channel Islands (chairman)
+ Board of LINEA LTD., Bermuda (chairman)
+ Board of LINETRUST PTC LTD., Bermuda (chairman)
+ Board of Directors of OJSC SIBERIAN COAL ENERGY CO., Russia
+ Board of VALISE LTD., Bermuda (chairman)
+ Board of VALTON LTD., Bermuda – since December 2010 (chairman)

Harald Döll (46), power plant electronic technician, Philippsthal
Employee representative

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

In office until the close of the ordinary AGM 2013
First appointed: 1 August 2009

Dr. Rainer Gerling (52), engineering graduate, Heringen (Werra)
Employee representative

Head of K+S KALI GMBH's Werra plant

In office until the close of the ordinary AGM 2013
First appointed: 14 May 2008

Rainer Grohe (70), engineering graduate, Otterstadt
Shareholder representative

Assistant Professor at the Bundeswehr University, Munich

In office until the close of the ordinary AGM 2013
First appointed: 6 May 1998

Further Supervisory Board appointments:
+ AURUBIS AG, Hamburg
+ GRAPHIT KROPFMÜHL AG, Hauzenberg (vice chairman)
+ PFW AEROSPACE AG, Speyer

Other appointments to supervisory bodies:
+ Advisory committee VRD GMBH and VRD GBR, Heidelberg

Dr. Karl Heidenreich (69), business administration graduate, Mannheim
Shareholder representative

Former member of the Board of Executive Directors of LANDESBANK BADEN-WÜRTTEMBERG Stuttgart/Karlsruhe/Mannheim

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Rüdiger Kienitz (50), mining technologist, Geisa
Employee representative

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

In office until the close of the ordinary AGM 2013
First appointed: 26 March 1998

Klaus Krüger (56), mining technologist, Wolmirstedt
Employee representative

Chairman of the Works Council of K+S KALI GMBH's Zielitz plant
Chairman of the Joint Works Council of the K+S GROUP

In office until the close of the ordinary AGM 2013
First appointed: 9 August 1999

Dieter Kuhn (52), mining engineer, Bernburg
Employee representative

Chairman of the Works Council of ESCO GMBH & CO. KG's Bernburg plant
First deputy of the Joint Works Council of the K+S GROUP

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Dr. Bernd Malmström (69), jurist, Berlin
Shareholder representative

Lawyer

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Further Supervisory Board appointments:
+ HHLA INTERMODAL GMBH, Hamburg
+ IFCO-SYSTEMS N.V., Amsterdam (chairman)
+ LEHNKERING GMBH, Duisburg (chairman)
+ SBB SCHWEIZER BUNDESBAHNEN AG, Berne (Administrative Board)
+ VTG AG, Hamburg

Other appointments to supervisory bodies:
+ DAL – DEUTSCHE-AFRIKA-LINIEN GMBH & CO. KG, Hamburg
+ TIME:MATTERS GMBH, Neu-Isenburg (chairman)

Dr. Rudolf Müller (67), agricultural engineering graduate, Ochsenfurt
Shareholder representative

Former member of the Board of Executive Directors of SÜDZUCKER AG, Mannheim

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Other appointments to supervisory bodies:
+ University Council Fachhochschule Weihenstephan-Triesdorf, Freising (chairman)
+ University Coucil of the Universität Hohenheim, Stuttgart

Renato De Salvo (46), shop fitter, Auhagen
Employee representative

Shop fitter at the K+S KALI GMBH's Sigmundshall plant

In office until the close of the ordinary AGM 2013
First appointed: 7 May 2003

Dr. Eckart Sünner (66), lawyer, Neustadt a. d. Weinstraße
Shareholder representative

Chief Compliance Officer of BASF SE, Ludwigshafen

In office until the close of the ordinary AGM 2013
First appointed: 28 April 1992

Further Supervisory Board appointments:
+ INFINEON TECHNOLOGIES AG, Neubiberg

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

SHAREHOLDER REPRESENTATIVES
+ Dr. Eckart Sünner (chairman)
+ Dr. Ralf Bethke
+ Dr. Karl Heidenreich

EMPLOYEE REPRESENTATIVES
+ Klaus Krüger
+ Michael Vassiliadis

NOMINATION COMMITTEE

SHAREHOLDER REPRESENTATIVES
+ Dr. Ralf Bethke (chairman)
+ Jella S. Benner-Heinacher
+ Dr. Bernd Malmström
+ Dr. Rudolf Müller

PERSONNEL COMMITTEE

SHAREHOLDER REPRESENTATIVES
+ Dr. Ralf Bethke (chairman)
+ Rainer Grohe

EMPLOYEE REPRESENTATIVES
+ Klaus Krüger
+ Michael Vassiliadis

MEDIATION COMMITTEE

SHAREHOLDER REPRESENTATIVES
+ Dr. Ralf Bethke (chairman)
+ Dr. Eckart Sünner

EMPLOYEE REPRESENTATIVES
+ Klaus Krüger
+ Michael Vassiliadis

3.4 REMUNERATION REPORT

With the following remuneration report, the Board of Executive Directors meets its reporting obligations under Sec. 315 Para. 2 No. 4 of the German Commercial Code (HGB) and under Item 4.2.4, 4.2.5 and 5.4.6 Para. 3 of the German Corporate Governance Code.

ILLUSTRATIVE CALCULATION OF THE ANNUAL REMUNERATION OF AN ORDINARY MEMBER OF THE BOARD OF EXECUTIVE DIRECTORS TAB: 3.4.1

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

[1] Return on total investment ≙ minimum return; personal achievement of target ≙ 100 %.
[2] Return on total investment ≙ 0 %; personal achievement of target ≙ 0 %.
[3] Return on total investment ≥ minimum return + 20 percentage points; personal achievement of target ≙ 150 %.

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS

REMUNERATION STRUCTURE

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

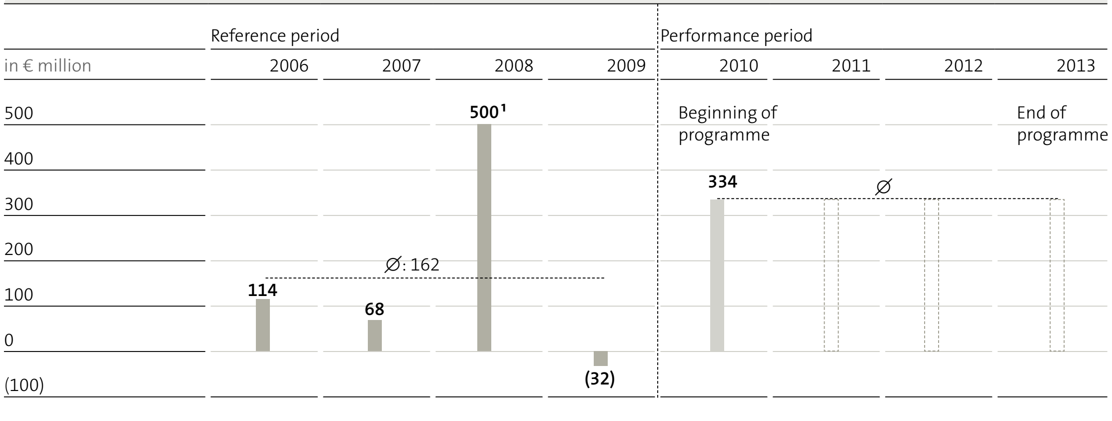
The remuneration for the members of the Board of Executive Directors consists of annual elements and elements with a long-term incentive character. The annual remuneration elements include both components not related to performance and performance-related components. The components not related to performance consist of the fixed remuneration as well as in-kind and other benefits; the bonus is the performance-related part. There is also a variable remuneration component based on key figures, with a long-term incentive (LTI). Furthermore, the members of the Board of Executive Directors have received pension commitments.

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

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

The structure of the annual remuneration in a normal year provides for a fixed remuneration of 40 % and variable, short-term performance-related components of 60 %. Of the variable component, 80 % is linked to the performance of the Company, i.e. to the return on total investment achieved; the remaining 20 % is dependent on personal performance. Remuneration of 100 % is reached if, on the one hand, the return on total investment achieved reaches at least 115 % of the respective cost of capital rate and, on the other hand, personal performance was assessed as being 100 %. Remuneration on the basis of return on total investment is capped at a value of 20 percentage points above the minimum return. The ranges for target accomplishment of the two variable remuneration components are between 0 and about 150 %. The amount of the remuneration on the basis of a normal year is reviewed annually. / TAB: 3.4.1

LTI PROGRAMME 2010 FIG: 3.4.1



¹ Cap.

In addition, as of 2010, it is possible for income to be obtained from a long-term incentive programme based on key figures as a variable component of remuneration with a long-term incentive and a risk character. It is based on a multi-annual assessment basis in accordance with the value contribution achieved. The contribution of the Board of Executive Directors to the Company's success is thus determined on the basis of four-year periods. The value contribution is derived as follows:

Operating earnings (EBIT I)
+ Interest income of the financial year
– Cost of capital (before taxes) of the financial year
= Value contribution

There is a cap for the value contribution at ± € 500 million per financial year.

To determine the result of an LTI tranche, two four-year periods are compared ("reference period" and "performance period"). The reference period covers the four years before the commencement of the particular LTI, while the performance period covers the four years of the LTI term. Figure 3.4.1 illustrates the time periods of the 2010 programme. / FIG: 3.4.1

At the beginning of an LTI, the average of the four value contributions of the reference period is computed, and after the expiry of the programme, the average of the four value contributions of the performance period is determined. The difference between these average value contributions is reflected as a percentage on a scale from € (200) million to € +200 million. A stable development, i.e. a difference of € 0 million, corresponds to 100 % and is defined as a normal year. In such a normal year the variable component of remuneration with a long-term incentive for an ordinary member of the Board of Executive Directors is € 350,000. In the case of an underperformance, the payment decreases on a straight-line basis to 0 % in line with the percentage deviation. In the case of an overperformance, the payment increases correspondingly up to an upper limit of 200 % (= € 700,000). For the chairman of the Board of Executive Directors, the component of remuneration is one-and-a-half times as much, i.e. € 525,000 in a normal year and € 1,050,000 on attaining the upper limit.

Payment is made in the April of the year following the end of the programme. In the event of termination of the employment contract or retirement, a discounted payment on a pro rata basis of all current tranches is made at the end of the following year.

For the gaps in inflow arising as a result of switching the variable remuneration component with a long-term incentive effect from a two-year to a four-year term in 2012 and 2013, the new LTI Programme was already started virtually in 2008 and 2009 with a tranche in each particular case.

The new system of remuneration of the Board of Executive Directors was approved by a large majority by the Annual General Meeting of 2010 and signalised by EUROSHAREHOLDERS, the organisation of European Shareholders Associations, as a particularly shareholder-friendly remuneration system.

The LTI Programme replaces the system in place between 1999 and 2009 with the possibility for income to be obtained by exercising stock options as a variable component of remuneration with a long-term incentive and risk character. As part of a virtual stock option programme, whose structure is identical to that for the remaining stock option programme participants, members of the Board of Executive Directors could use 30 % of their performance-related remuneration for own investments in K+S shares for the last time in 2009. By acquiring such basic shares, the participants received virtual options that trigger a cash payment when exercised. The amount of the cash payment is determined according to the performance of the K+S share in relation to the DAX benchmark. The basic prices of the K+S share and the DAX decisive for the calculation of performance correspond to the average share price during the 100 trading days until the respective base reference date (the third from last Friday before the ordinary Annual General Meeting). A subsequent change of the success targets or comparison parameters is impossible.

The options granted up to 2009 expire after a period of five years, after which the unexercised options expire without compensation. After a lock-up period of two years, it is possible to exercise the options within two time windows per year, in May and November, following the publication of the quarterly figures. In order to be able to exercise the options, the basic shares must be held in succession until the day the option is exercised. In the event of a change of control, a special window opens up for the exercise of all still outstanding options.

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

REMUNERATION OF THE BOARD OF EXECUTIVE DIRECTORS TAB: 3.4.2

		Annual income			Options granted		
in € thousand		Fixed remuneration	Benefits	Bonus	Number	Value[1]	Total
Norbert Steiner	2010	590.0	24.7	1,017.7	–	–	1,632.4
	2009	590.0	24.1	527.7	190,000	959.3	2,101.1
Joachim Felker	2010	380.0	19.9	645.0	–	–	1,044.9
	2009	380.0	20.5	320.0	152,900	772.0	1,492.4
Gerd Grimmig	2010	380.0	30.1	645.0	–	–	1,055.1
	2009	380.0	26.8	325.7	153,060	772.8	1,505.3
Dr. Thomas Nöcker	2010	380.0	23.5	645.0	–	–	1,048.5
	2009	380.0	22.2	320.0	152,900	772.0	1,494.2
Jan Peter Nonnenkamp[2]	2010	380.0	23.2	645.0	–	–	1,048.2
	2009	221.7	42.6	186.7	–	–	451.0
Total	**2010**	**2,110.0**	**121.4**	**3,597.7**	**–**	**–**	**5,829.1**
	2009	**1,951.7**	**136.1**	**1,680.1**	**648,860**	**3,276.1**	**7,044.0**

[1] At the date of granting; exercise of the options is possible no earlier than two years after they have been granted.
[2] Since 1 June 2009.

AMOUNT OF REMUNERATION

Details of the remuneration of the Board of Executive Directors for the financial year 2010 are provided in individualised form in table 3.4.2. / TAB: 3.4.2

In the year under review, the total remuneration of the Board of Executive Directors accounted for five board members, all of whom were in office for twelve months. In the previous year all members had been in office for twelve months, with the exception of Mr Nonnenkamp, who had been appointed by the Supervisory Board as a member of the Board of Executive Directors with effect from 1 June 2009. For 2009, Mr Nonnenkamp earned no claim arising from option rights, because he had not yet

REMUNERATION WITH LONG-TERM INCENTIVE CHARACTER TAB: 3.4.3

		Option programme 2009	
		Number of options	Value in € thousand on 31.12.
Norbert Steiner	2010	190,000	531.8
	2009	190,000	387.0
Joachim Felker	2010	152,900	427.9
	2009	152,900	311.4
Gerd Grimmig	2010	153,060	428.4
	2009	153,060	311.7
Dr. Thomas Nöcker	2010	152,900	427.9
	2009	152,900	311.4
Jan Peter Nonnenkamp	2010	–	–
	2009	–	–
Total	**2010**	**648,860**	**1,816.0**
	2009	**648,860**	**1,321.5**

been appointed on the effective date of 31 December 2008. The increase in bonuses in comparison to the previous year is in particular the result of the significantly higher return on total investment in 2010. The decline in the total remuneration as compared with the previous year is to be attributed to the option rights granted for the last time in 2009 under the stock option programme. In 2010, there is no disclosure of the new LTI programme, as it has to be disclosed as a remuneration component at the time of payment.

The payments for the virtual options of the 2008 option programme exercised in full in 2010 by members of the Board of Executive Directors were, for individual members (figures for the previous year in brackets): Mr Steiner € 278.2 thousand (€ 650.5 thousand), Mr Felker € 525.9 thousand (€ 596.2 thousand), Mr Grimmig € 526.8 thousand (€ 597.9 thousand) and Dr Nöcker € 525.9 thousand (€ 596.2 thousand).

The values of the stock options acquired but not yet exercised in the framework of the option programme offered for the last time in 2009 are shown in table 3.4.3 (value had they been exercised on 31 December 2010). / TAB: 3.4.3

PENSION COMMITMENTS

The pensions of the active members of the Board of Executive Directors are based on a modular system, i.e. for each year of service, a pension module is created.

In 2010, the basis for determining the pension modules was separated from variable remuneration and based exclusively on the fixed income of the particular member of the Board of Executive Directors. In order to create a module on the basis of the remuneration for a normal year, the basis for calculation is 40 % of the fixed remuneration. The annual total pension under this modular system was limited upwards, in order to avoid unreasonable pensions in the case of long-standing appointments (> 15 years). The upper limit for an ordinary member of the Board of Executive Directors is € 225,000, and for the chairman of the Board of Executive Directors it is € 300,000. The figures will be reviewed in a three-year cycle – beginning with financial year 2014 – and adjusted if necessary.

The amount is computed in accordance with actuarial principles and put aside for retirement; the factors for the creation of the modules for 2010 for the members of the Board of Executive Directors are between 16.5 % and 10.0 %, depending on their age; these factors decrease with increasing age. The individual pension modules earned during the financial years are totalled and, when the insured event occurs, the respective member of the Board of Executive Directors or, if applicable, his survivors, receives the benefit he is entitled to. Only on payment are pension benefits adjusted in line with changes in the "consumer price index for Germany". Claims on the modules acquired are vested.

If a Board of Executive Directors mandate ends, the retirement pension starts on completion of the 65th year of life, unless it is to be paid on the basis of an occupational or a general disability or as a survivor's pension in the case of death. In the case of occupational or general disability of a member of the Board of Executive Directors before pensionable age has been reached, that member receives a disability pension in the amount of the pension modules created by the time that such disability occurs. If the disability occurs before the 55th year of life has been reached, modules are fictitiously created on the basis of a minimum value for the years

PENSIONS TAB: 3.4.4

in € thousand		Age	Fair value as of 1.1.	Pension expenses [1]	Fair value as of 31.12. [3]
Norbert Steiner	2010	56	2,033.5	466.5	2,721.6
	2009		1,734.3	300.8	2,033.5
Joachim Felker	2010	58	1,321.5	304.9	1,738.9
	2009		1,126.6	194.2	1,321.5
Gerd Grimmig	2010	57	2,006.6	354.6	2,544.8
	2009		1,771.3	235.6	2,006.6
Dr. Thomas Nöcker	2010	52	1,129.3	296.8	1,553.9
	2009		942.5	187.8	1,129.9
Jan Peter Nonnenkamp [2]	2010	47	98.6	264.7	393.7
	2009		—	89.0	98.6
Total	2010		**6,589.5**	**1,687.5**	**8,952.9**
	2009		**5,574.7**	**1,007.4**	**6,589.5**

[1] Including interest expenses.
[2] Since 1 June 2009.
[3] Due to the application of the "corridor method", under which actuarial gains and losses are only recorded if they exceed the 10 % corridor in the income statement, the projected unit credits as of 1 January 2010 are not transferable to the corresponding values as of 31 December 2010 by using the 2010 pension expenses.

that are missing before the 55th year of life. In the event of death of an active or a former member of the Board of Executive Directors, the surviving spouse receives 60 %, each half-orphan 15 % and each orphan 30 % of the benefit. The maximum amount for the benefit for surviving dependents must not exceed 100 % of the benefit. If this amount is reached, the benefit is reduced proportionately. If a member of the Board of Executive Directors departs after completing his 60th year of life, this is regarded as insured event within the meaning of the benefit commitment. For members of the Board of Executive Directors, the amounts shown in table 3.4.4 were allocated to the pension provisions in 2010. / TAB: 3.4.4

The significant increase in pension expenses compared with the previous year's level is due to the earnings-related smaller pension modules in the previous year, which were determined on the basis of the old calculation method.

EARLY TERMINATION OF BOARD OF EXECUTIVE DIRECTORS' CONTRACTS

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

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

MISCELLANEOUS

In the year under review, with regard to their activity as members of the Board of Executive Directors, the members were not promised or granted benefits by third parties. Apart from the service contracts mentioned, there are no contractual relationships between the Company or its Group companies with members of the Board of Executive Directors or persons closely related to them.

The total remuneration of the previous members of the Board of Executive Directors and their surviving dependants came to € 987.8 thousand (previous year: € 2,288.7 thousand) during the year under review. The decrease in emoluments in comparison to the previous year is particularly the result of the exercise of stock options by the former chairman of the Board of Executive Directors in 2009 for the last time.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is regulated in Sec. 12 of the Articles of Association. A member of the Supervisory Board receives annual fixed remuneration of € 55,000 as well as annual variable remuneration, which is determined in the following way by the amount of the return on total investment achieved by the K+S GROUP in the respective financial year: The prerequisite for the claim to payment of variable remuneration is the achievement of a minimum return; this corresponds to 115 % of capital costs before taxes of the K+S GROUP in the financial year concerned, on the achievement of the minimum return, a member of the Supervisory Board receives remuneration of € 15,000; for each percentage point by which the return on total investment exceeds the minimum return, a member of the Supervisory Board receives further variable remuneration of € 1,500. The variable remuneration is limited to a maximum amount of € 45,000 per year. The chairman of the Supervisory Board receives twice the amount and the deputy chairman one-and-a-half times the amount of the remuneration. The members of the audit committee receive a further remuneration of € 7,500 per year.

REMUNERATION OF THE SUPERVISORY BOARD [1] TAB: 3.4.5

in €		Fixed remuneration	Variable remuneration	Audit committee	Attendance allowances	Total
Dr. Ralf Bethke (Chairman)	2010	110,000	39,000	7,500	6,000	162,500
	2009	110,000	—	7,500	8,000	125,500
Michael Vassiliadis (Vice Chairman)	2010	82,500	29,250	7,500	5,500	124,750
	2009	82,500	—	7,500	7,000	97,000
Ralf Becker (since 1 August 2009)	2010	55,000	19,500		3,000	77,500
	2009	22,917	—		1,500	24,417
Jella S. Benner-Heinacher	2010	55,000	19,500		3,000	77,500
	2009	55,000	—		3,500	58,500
Dr. Uwe-Ernst Bufe (until 31 August 2009)	2010	—	—		—	—
	2009	36,616	—		2,500	39,116
George Cardona (since 9 October 2009)	2010	55,000	19,500		3,000	77,500
	2009	12,658	—		500	13,158
Harald Döll (since 1 August 2009)	2010	55,000	19,500		3,000	77,500
	2009	22,917	—		1,500	24,417
Dr. Rainer Gerling	2010	55,000	19,500		3,000	77,500
	2009	55,000	—		4,000	59,000
Rainer Grohe	2010	55,000	19,500		3,500	78,000
	2009	55,000	—		6,000	61,000
Dr. Karl Heidenreich	2010	55,000	19,500	7,500	4,500	86,500
	2009	55,000	—	7,500	4,500	67,000

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

REMUNERATION OF THE SUPERVISORY BOARD[1] (CONTINUED) TAB: 3.4.5

in €		Fixed remuneration	Variable remuneration	Audit committee	Attendance allowances	Total
Rüdiger Kienitz	2010	55,000	19,500		3,000	77,500
	2009	55,000	—		3,500	58,500
Klaus Krüger	2010	55,000	19,500	7,500	6,000	88,000
	2009	55,000	—	7,500	8,000	70,500
Dieter Kuhn	2010	55,000	19,500		3,000	77,500
	2009	55,000	—		4,000	59,000
Heinz-Gerd Kunaschewski (until 31 July 2009)	2010	—	—		—	—
	2009	32,083	—		2,000	34,083
Dr. Bernd Malmström	2010	55,000	19,500		3,000	77,500
	2009	55,000	—		3,500	58,500
Dr. Rudolf Müller	2010	55,000	19,500		2,500	77,000
	2009	55,000	—		3,000	58,000
Friedrich Nothhelfer (until 31 July 2009)	2010	—	—		—	—
	2009	32,083	—		3,000	35,083
Renato De Salvo	2010	55,000	19,500		3,000	77,500
	2009	55,000	—		4,000	59,000
Dr. Eckart Sünner	2010	55,000	19,500	15,000	4,500	94,000
	2009	55,000	—	15,000	5,500	75,500
Total	**2010**	**962,500**	**341,250**	**45,000**	**59,500**	**1,408,250**
	2009	**956,774**	**—**	**45,000**	**75,500**	**1,077,274**

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

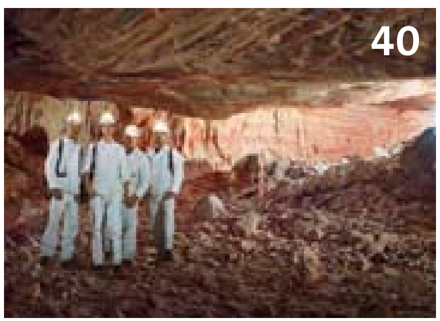
The chairman of this committee also receives twice the amount of this remuneration. The Company pays an attendance fee of € 500 to each member of the Supervisory Board for attending a meeting of the Supervisory Board or of a Supervisory Board committee to which they belong, but in the event of more than one meeting being attended on one day a maximum of € 1,000 per day will be paid. The members of the Supervisory Board are entitled to the reimbursement from the Company of any expenses necessary and reasonable for the performance of their duties. Furthermore, they are entitled to the reimbursement of any VAT to be paid as a consequence of their activities in the capacity of Supervisory Board members.

Details of the remuneration of the Supervisory Board for the 2010 financial year are provided in individualised form in table 3.4.5. / TAB: 3.4.5

In addition to this, members of the Supervisory Board were reimbursed expenses totalling € 29.7 thousand in 2010 (previous year: € 20.7 thousand). In financial year 2010, no remuneration was paid for activities on the Supervisory Board of subsidiaries; neither were benefits for personally performed services, in particular consultancy or brokerage services, granted to the members of the Supervisory Board.

THE K+S GROUP IS ORIENTED TOWARDS LONG-TERM AND SUSTAINABLE GROWTH. IN THIS REGARD, WE AIM TO ACHIEVE A FAIR BALANCE BETWEEN ECONOMIC, ECOLOGICAL AND SOCIAL CONCERNS. WITH THE EXTRACTION, REFINING, AND MARKETING OF RAW MATERIALS, WE MAKE AN IMPORTANT CONTRIBUTION WORLDWIDE TO IMPROVING NUTRITION, HEALTH AND QUALITY OF LIFE.

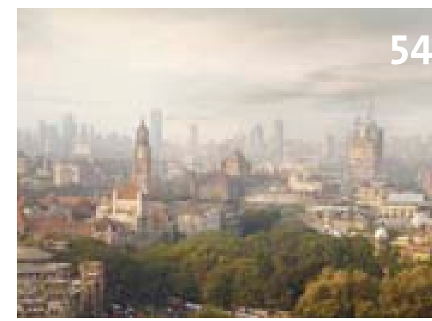
EXPERIENCE GROWTH



GROWTH NEEDS RAW MATERIALS

GROWTH NEEDS EXPERIENCE

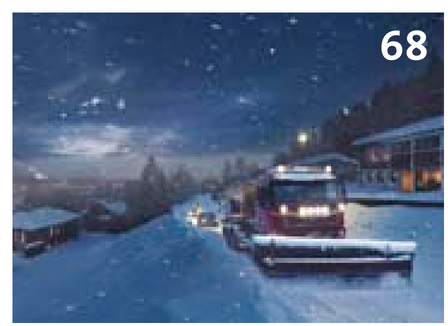
GROWTH NEEDS LOGISTICS



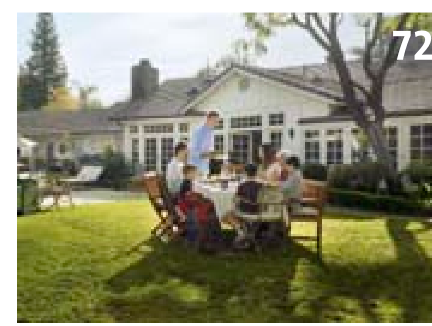
GROWTH NEEDS PROSPECTS

GROWTH NEEDS RESPONSIBILITY

GROWTH NEEDS DEPTH



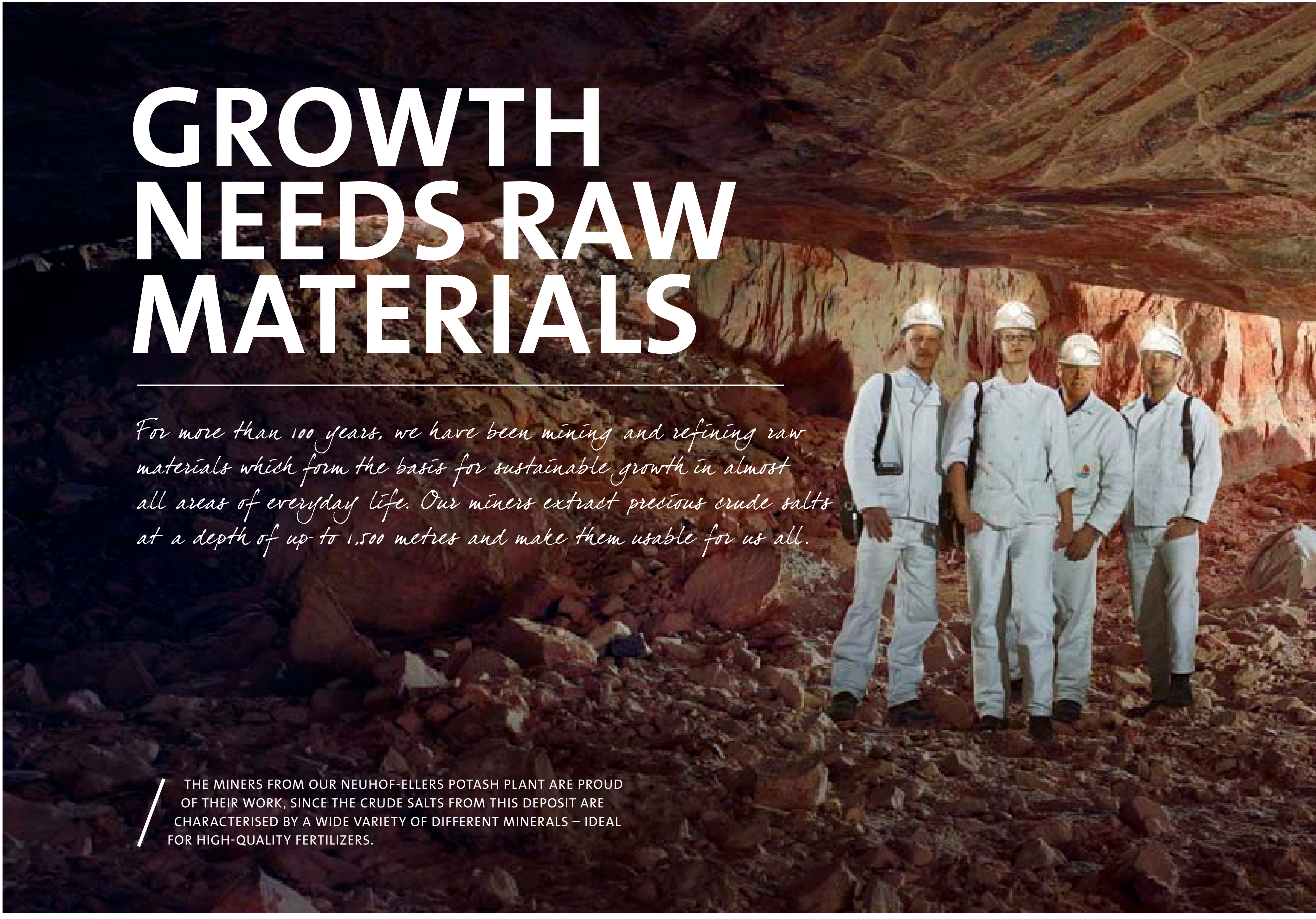
GROWTH NEEDS RELIABILITY



GROWTH NEEDS A HOME

GROWTH NEEDS RAW MATERIALS

For more than 100 years, we have been mining and refining raw materials which form the basis for sustainable growth in almost all areas of everyday life. Our miners extract precious crude salts at a depth of up to 1,500 metres and make them usable for us all.



/ THE MINERS FROM OUR NEUHOF-ELLERS POTASH PLANT ARE PROUD OF THEIR WORK, SINCE THE CRUDE SALTS FROM THIS DEPOSIT ARE CHARACTERISED BY A WIDE VARIETY OF DIFFERENT MINERALS – IDEAL FOR HIGH-QUALITY FERTILIZERS.


APPLICATION AREAS OF POTASH AND SALT
Carragenan production
Conservation
Low-sodium foods
FOOD INDUSTRY
Dishwasher salt
Pond salt
Pool salt
Water softening
WATER TREATMENT
POTASH
SALT
FERTILIZERS
WINTER ROAD CLEARANCE
INDUSTRIAL APPLICATIONS
Animal feed
Biotechnology
Cellulose industry
Detergent industry
Electrolysis
Metallurgy
Oil/gas drilling
Paint industry
Pharmaceutical/cosmetics industry
Plastics recycling
Production of glass and plastics
Textile/leather industry
TABLE SALT

"With our raw materials, which we refine to create high-quality products, we make an important contribution to improving nutrition, health and quality of life."

NORBERT STEINER
CHAIRMAN OF THE BOARD OF EXECUTIVE DIRECTORS OF THE K+S GROUP

WITH A COMPUTER-GUIDED DRILL CARRIAGE, A MINER DRIVES SEVEN-METRE-DEEP HOLES INTO THE ROCK, AND THUS PREPARES FOR THE DETONATION OF THE CRUDE SALT. THIS REQUIRES GREAT SENSITIVITY IF THE BOREHOLES ARE TO BE ARRANGED OPTIMALLY.

OUR NATURAL RAW MATERIALS ARE THE BASIS OF OUR GROWTH

The K+S GROUP is one of the world's leading suppliers of speciality and standard fertilizers as well as salt products. The raw materials we extract are the basis of our activities worldwide. We mine potash and magnesium crude salts for annual production output of up to 7.5 million tonnes of goods in six German mines. Moreover, we offer the whole range of nitrogenous fertilizers for use in the cultivation of field crops, vegetable, fruit, and in viniculture. The second pillar of the K+S GROUP is salt – in this sector, we are the world's number 1. Our miners on both sides of the Atlantic work at depths of up to 750 metres to extract it. An effort that pays off. With our know-how gathered over 100 years, we make the earth's resources efficiently usable for all of us. The result is a range of food grade and industrial salt, salt for chemical use and de-icing salt for industry and for private consumers – a selection that is practically unrivalled in its breadth. "The combination of our natural raw materials – potash, magnesium and salt – makes us almost unique in the world, because it offers considerable synergies e.g. in technology, mining and geology on the production side, while supplementing the strategic orientation of the Group almost perfectly on the sales side too," is how Norbert Steiner, Chairman of the Board of Executive Directors of K+S AKTIENGESELLSCHAFT, sums it up.

GROWTH THROUGH POTASH AND MAGNESIUM SALTS

As one of the few world-ranking German raw material producers, we make an important contribution to sustainably feeding the global population. More and more people need more and more food. This means that cereal and food production too has to constantly grow. Here, potassium is a particularly important element, because it regulates the water balance of plants, increases their stability, makes them more resistant to frost, drought, fungal diseases and pests and improves quality and taste.

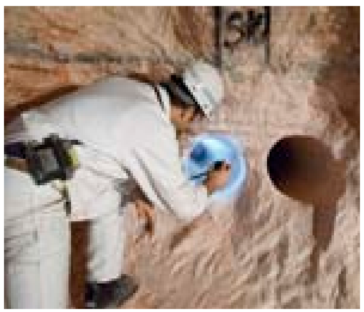
Locating the coveted raw materials begins with multiple exploratory drillings and is continued with a detector not even as big as a hand. In seconds, the display shows the ore grade. Our predecessors were still unable to work so precisely: A broken-off piece of rock was submitted to a taste test: If it tingled on the tongue, something useable had been found. Today, high tech is used instead of the pickaxe to get to the potash-containing rock. State-of-the-art drilling vehicles eat their way through the deposits left by primeval oceans that existed up to 250 million years ago. These giant machines are operated by trained miners. Underground, every employee is a specialist at his workplace. And so is the mining blaster: After the drilling, he fills the holes with rock blasting explosives. When all the men have left the mine at the end of the shift, the explosives are ignited remotely. Each day and per extraction site, up to 70,000 tonnes of minerals are moved. The crude salt containing up to 30 % potash now has to be transported to the surface for further processing. Here, kilometre-long conveyor belts come into play, transporting the white gold to the mine shaft and then to the light of day. To get to the sought-after potassium and the other important nutrients, the crushed mineral is separated into its elements.

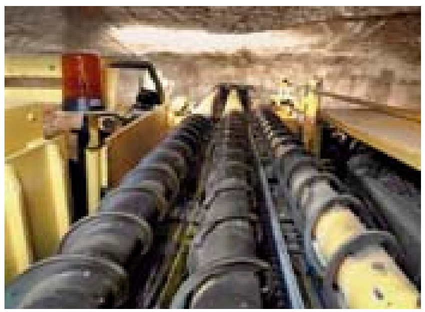
GROWTH THROUGH THE VARIETY OF OUR RAW MATERIALS

We make the riches of nature usable for all of us. Along with potassium, we can also mine magnesium and sulphur at our domestic deposits. Processed into special-

A pit foreman checks the rock's composition to plan further mining. With the aid of modern diagnostic instruments, the specialist can then establish the precise location of the raw material components before detonation can be prepared.

INCONSPICUOUS CHUNKS OF SALT ARE PROCESSED TO CREATE VALUABLE SPECIALITY FERTILIZERS BY MEANS OF OUR MODERN MINING AND PROCESSING TECHNOLOGIES. THE UNIQUE COMBINATION IN GERMANY OF NUTRIENTS FROM POTASSIUM, MAGNESIUM AND SULPHUR FACILITATES RICH HARVESTS.





ity fertilizers, these nutrients are a prerequisite for rich harvests.

We are the fourth largest producer of potash and magnesium products in the world and the largest such producer in Europe. To expand our raw material base over the long term too, we have gained access to rich potash deposits in Canada with the acquisition of POTASH ONE.

GROWTH THROUGH SALT

Our success is also based on another essential raw material – sodium chloride. Because we cannot imagine life without salt. It aids our health and is used for seasoning, dyeing and preservation. It is also indispensable for ensuring road safety and an important component in the production of glass, paper, textiles and synthetic materials. Our subsidiary ESCO is Europe's largest producer of salt. This useful mineral, with a purity grade of up to 99 % is obtained in rock salt mines and brine plants. This level of purity occupies a top position within the European competition. An advantage that becomes especially important in the production of medicinal products, because salt of this quality is urgently needed for infusions and dialysis fluids. A real treasure can also be found in the deposits of our subsidiary SPL in Chile's Atacama desert: The reserves there alone are sufficient to supply the world's population for the next 200 years. They arose from the residue of former salt lakes, whose water vaporised due to strong solar radiation. There, we have unique access to marine logistics, because the ports and loading facilities are located in the close proximity. In 2009, the K+S GROUP finally became the world's largest producer of salt through the purchase of the established US salt producer MORTON SALT. An acquisition that has strengthened the competitiveness of the whole K+S GROUP. In international terms, we are now very well positioned in the salt business. This was shown particularly clearly in the extremely cold winter of 2010 / 2011: MORTON SALT, SPL and ESCO successfully supported each other across three continents by supplying salt to each other.

GROWTH THROUGH GREAT DEPTH OF VALUE ADDED

The core competence of the group of companies is the extraction and refining of raw materials as well as the distribution of the products obtained from them. In the Fertilizers sector, we manufacture products that meet the needs of agriculture and industry from the mined potash and magnesium crude salts. In the area of mineral fertilizers, nobody beats the wide variety of our products: We produce suitable fertilizers for every type of soil and crop. In the Salt sector, the quality, granulation, processing and packaging of the extracted salt are tailored to the respective needs of our customers. So that everything receives our customers of high quality and reliable, we have a worldwide logistics network like our own loading terminal in Hamburg, the port in Chile near the production site and ISCO's and MORTON SALT's numerous distribution centres in North America.

GROWTH THROUGH SUSTAINABLE MANAGEMENT

We face up to the challenges raised by economics, ecology and social responsibility. The main component of our strategy is to respond at an early stage to opportunities and challenges, which arise from the megatrends of population growth, changed eating habits and rising demand for agricultural raw materials. This orientation towards tomorrow's markets enables us to secure many thousands of jobs, above all in areas that suffer from structural weaknesses. Our production and the resultant value added are an important economic impulse for many regions. In the sphere of environmental protection, we have been successfully working for many years to increase the average efficiency of our power plants to over 90 %. Thus, the sites work close to the level of energy efficiency that is theoretically attainable. Furthermore, we will additionally invest a total of up to €360 million in regional water protection. Because growth and sustainability are not mutually exclusive – they are a mutually prerequisite for an economically successful group of companies – now and in future.

In their huge shovels, robust wheel-mounted loaders transport up to 20 tonnes of mined crude salt, the so-called debris, to the filling point in the mine. There, the chunks of salt are broken in a crusher before they are transported on long conveyor belts to the mine shaft and then to the surface.

GROWTH NEEDS EXPERIENCE

We pass on the experience that we have gathered over 100 years to farmers – in individual talks. With our fertilizers based on potassium, magnesium and nitrogen, ripe, more rich grapes are the reward for all our efforts.

WITH A PRACTISED EYE, THE WINEGROWER CHECKS HOW HE HAS TO CUT BACK HIS VINES IN ORDER TO OBTAIN GOOD YIELDS. THE FERTILIZER SPECIALITIES OF THE K+S GROUP HELP HIM TO OPTIMALLY SUPPLY HIS PLANTS WITH NUTRIENTS.


INFLUENCE OF POTASSIUM FERTILIZATION ON PLANT GROWTH
The yield of a plant is determined by the element which is available in the lowest amount.
B
Zn
H_2O
N
Mg
K
Ca
P
CO_2
S
O_2
Boron
Zinc
Water
Nitrogen
Magnesium
Potassium
Calcium
Phosphorus
Carbon dioxide
Sulphur
Oxygen

IN A DIALOGUE WITH USERS, WE DEVELOP A STRATEGY FOR WHAT WE CAN DO TOGETHER TO OBTAIN BETTER YIELDS AND HIGHER QUALITY. IN VINICULTURE, THE MAIN ISSUES ARE OPTIMAL FERTILIZATION AND HOW TO CARE FOR THE VINE.

EXPERIENCE THROUGH THE KNOWLEDGE WE HAVE DEVELOPED

A feeling for the right moment, combined with many years of experience with plants, soil and the effects of the climate: That's how winegrowers can create great wines. But to do so, they need reliable partners at their side.

With its over 100 years of experience, the K+S GROUP has the competence to support farmers to overcome their day-to-day challenges with know-how that has grown over many generations.

We offer both long-term application advice and needs-based fertilizers, creating a partnership that, like the cultivation of good grapes, is not based on short-term success. To ensure that potassium, magnesium and sulphur, which are processed into high-quality mineral fertilizers on the basis of the latest insights from science and research, also produce optimal yields, K+S GROUP consultants visit users on site worldwide. Because just as the winegrower only has to cut his precious vines carefully to achieve the right ratio of quantity to quality for his grapes, the provision of nutrients also has to be calculated precisely. Continued dialogue with our customers contributes to building their trust and jointly identifying individual solutions. Therefore, the K+S GROUP is currently running about 250 field tests all over the world.

EXPERIENCE THROUGH OWN RESEARCH

The main objective of modern vine nutrition is to optimise the application of fertilizer in harmony with soil fertility, yield and quality. Ultimately, the winegrower is not just interested in yields, but primarily in quality. Here, the needs-based provision of potassium has a demonstrably positive impact on the quality of the wine. The flavour of the wine is improved by increasing the extractive and sugar content of the berries. Moreover, the increased proportion of sugar lowers the freezing point of the grapes and thus reduces the risk of frost damage. In addition, the vine can better cope with dry periods if it has a good supply of potassium.

How successful our speciality products are in practice is also shown by the successful history of our nitrogen fertilizers in viniculture. With the products in our ENTEC® range, the conversion of ammonium nitrogen into nitrate in the soil is delayed. This means that the release of nitrogen is adjusted to meet the needs of the plant and thus increases the efficient fertilization. Numerous test findings demonstrate that high additional yields can therefore be achieved economically.

With a precise dosage of individual nutrients, the K+S GROUP is following exactly in the footsteps of Justus von Liebig. At the start of the 19th century, the German chemist discovered that the imbalanced application of fertilizer can strongly affect plant growth. If only one important nutrient is missing or too little of it is applied, this already has an impact on the growth and therefore the yield of the plant. He called this insight the "law of the minimum" – the basis for today's fertilizing practice.

EXPERIENCE THROUGH ADVICE

So that our customers can also efficiently plan their use of fertilizers, K+S GROUP additionally provides farmers with free-of-charge, interaction consultancy software. Based on the input data, the programme calculates optimal nutrient requirements for the respective crop. Many farmers also use our illustrated diagnostics manual ("The Small Nutrient-1x1"), which helps them to identify deficiency symptoms. The goal of all our efforts is to achieve rich harvests all over the world, which, like a good wine, rest on experience, competence and sustainability.

We are constantly further developing our fertilizers. In cooperation with universities, we research into how plants can make still better use of nutrients, even under difficult conditions. With this wealth of experience, we are in demand as partners in agriculture.

GROWTH NEEDS LOGISTICS

Reliable worldwide delivery to our customers on competitive terms is a constant challenge for our logistics system too. Each year, we transport more than 60 million tonnes worldwide. The entire delivery chain is therefore perfectly harmonised with our supply chain management.

/ AT THE PORT OF HAMBURG, THE K+S GROUP LOADS OCEAN-GOING SHIPS AND CONTAINERS WITH ITS PRODUCTS AT THE “KALIKAI” TERMINAL, SO THAT THEY CAN BE SHIPPED TO OTHER EUROPEAN COUNTRIES AND THE REST OF THE WORLD. IN ADDITION, WE ARE ALSO EXPANDING OUR GLOBAL HANDLING AND STORAGE CAPACITIES.


TRADE FLOWS POTASH AND MAGNESIUM PRODUCTS
TRADE FLOWS SALT

MODERN LOGISTICS PROCESSES AND A HIGH VOLUME OF TRANSPORT CHARACTERISE THE LOGISTICS SERVICES OF THE K+S GROUP. WHEREVER POSSIBLE, K+S SHIFTS SHIPMENTS FROM THE ROAD TO THE ENVIRONMENTALLY FRIENDLY AND ECONOMICAL RAILWAY AND WATERWAYS.

MODERN LOGISTICS

Efficient logistics processes form the link between ongoing production and volatile markets. Moreover, in many cases, the consumption of our products depends on the weather. This applies to fertilizers and especially to de-icing salt. That is why we maintain a network of more than 300 storage, port and distribution sites worldwide. Our largest port is Puerto Patillos in Chile, where we loaded more than 6 million tonnes of salt onto ocean-going ships in 2010. For 85 years, the "Kalikai" terminal in Hamburg has served as the gateway to world markets for potash and magnesium products. Here, 3.5 million tonnes were handled last year, and with a storage capacity of 405,000 tonnes on an area of 10 hectares, KALI-TRANSPORT GMBH (KTG) handles the majority of our international business with potash fertilizers. Ships that, for example, have transported soy from Brazil, and which might otherwise have to return empty, are loaded there with K+S fertilizers as their return cargo. We thus optimally exploit the available shipping capacity – at favourable transportation costs. Furthermore, KTG is also responsible for the organisation of container transports to overseas destinations: Many goods from Asia, such as electronic products and toys, mostly arrive in Europe in containers. However, they normally carry very much less return freight. We load these containers with bulk fertilizers on the "Kalikai" terminal and they can be unloaded in Asia directly at the customer at low cost. In 2010, more than 1 million tonnes of fertilizers were exported to Asia per container.

WORLDWIDE LOGISTICS NETWORK

The K+S GROUP has significantly increased its transport volume through the acquisition of MORTON SALT. Furthermore, following the acquisition, regional market responsibilities within the USA between MORTON SALT and ISCO, the sales organisation of the Chilean SPL, had to be newly aligned. The logistics department actively participated in this optimisation process and was immediately able to put the result to a severe test in the harsh winter season of 2010/11. We are therefore proud that everything ran smoothly. After all, effective and efficient logistics is in the interest of our customers and therefore ultimately of ourselves, regardless of whether the salt comes from Chile or North America. However, we understand a network to be not only logistics optimisations within North and South America, but also the use of global synergy potentials on both sides of the Atlantic: In order to meet the very high demand for de-icing salt in Europe, we were able to significantly enhance our ability to deliver with shipments of several 100,000 tonnes from Chile and from the Bahamas. The flexibility of our production sites worldwide in combination with a precisely harmonised logistics chain has paid off for us.

SUPPLY CHAIN MANAGEMENT

We have made the analysis and optimisation of our supply chain processes a permanent task. This includes an internal benchmark for the logistics units as well as the Group-wide transfer of knowledge, which is organised centrally. In this way, the prompt identification of market changes and early recognition of potential risks is ensured.

Via the "Kalikai" terminal in Hamburg-Wilhelmsburg, potash and magnesium products of the K+S Group are shipped into the whole world and bulk goods, principally fertilizers and cereals, are handled for other companies.

GROWTH NEEDS PROSPECTS

Megacities in dynamic countries such as China and India are growing, while prosperity and therefore dietary expectations are constantly rising. The consequence: Demand for mineral fertilizers is growing. The acquisition of Potash one was therefore a decisive strategic step towards being able to participate in this growth in terms of volume too.


MEAT CONSUMPTION KG PER CAPITA
1961
1970
1980
1990
2000
2007
100
75
50
25
0
Africa
Asia
South America
Europe
North America
IN MUMBAI, A METROPOLIS IN THE WEST OF INDIA WITH A POPULATION OF OVER 13 MILLION, EATING HABITS ARE CHANGING AS PEOPLE BECOME WEALTHIER. THE DEMAND FOR MEAT AND MILK PRODUCTS IS RISING AND THIS IS RESULTING IN A HIGHER DEMAND FOR CEREALS.

We are expanding our market presence in the significant overseas markets and tapping into new attractive markets in future growth regions.

WITH OUR FERTILIZERS, WE MAKE AN IMPORTANT CONTRIBUTION TO SUPPLYING THE GROWING POPULATION WITH AGRICULTURAL PRODUCTS.

THE WORLD IS CHANGING

The world is changing rapidly. More and more people need more and more food. But the areas under cultivation worldwide can only be extended by maximum of 10 %.[1] This alone will not, however, be enough to feed additional two billion people by 2050. According to the most recent forecasts, agricultural production would have to rise by 70 to 100 % by 2050.[1] Increasing prosperity too in emerging market countries such as China and India is particularly boosting the consumption of meat and milk. The consequence: The more of these products are on the menu, the greater is the need for feed. For example, up to eight kilograms of feed are needed to produce just one kilogram of beef.

STRATEGY: EXPANSION OF OUR MARKET PRESENCE

Against this background, the strategy of the K+S GROUP is as follows: We are expanding our market presence in important overseas markets and tapping into new attractive markets in future growth regions. With this in mind, we, in 2011, have therefore taken over the Canadian POTASH ONE, an exploration and development company with licences for rich potash deposits. This is a decisive strategic step in order to participate in the growth of fertilizer markets also in terms of volume. Now we can and will construct a new potash plant in Saskatchewan, which will supply the first products starting from 2015 and, from today's perspective, should produce at least 2.7 million tonnes of potassium chloride per year when it has been fully developed. The estimated volume of capital expenditure for this new mine amounts to some US$ 2.5 billion, but will be spread over a number of years and thus will not overstrain the K+S GROUP financially. Furthermore, together with our existing domestic potash mines, the new raw material deposits will significantly strengthen our international competitiveness and consequently benefit the entire K+S GROUP in Europe and overseas.

SECURITY OF SUPPLY

The K+S GROUP makes an important contribution to supply a growing global population with agricultural products. Together with the use of modern plant cultivation technologies, the fertilization with the main nutrients nitrogen, phosphate and potash is essential for bigger harvests the world over. In future too, we will therefore concentrate on our core competency, that is the extraction, refining and distribution of natural raw materials.

[1] Source: FAO.

GROWTH NEEDS RESPONSIBILITY

The nutritional needs of a growing global population constitute a major challenge: Together with farmers, we are developing comprehensive solutions. Together with the use of modern plant cultivation technologies, the application of mineral fertilizers containing the main nutrients nitrogen, phosphate and potash are essential for bigger harvests the world over.

THE BALANCED APPLICATION OF MINERAL FERTILIZERS MAKES A DECISIVE CONTRIBUTION TO INCREASING AGRICULTURAL PRODUCTION. POTASH REGULATES THE WATER BALANCE OF THE PLANT, INCREASES ITS STABILITY, MAKES IT MORE RESISTANT AND IMPROVES QUALITY AND FLAVOUR.

Thanks to the wide variety of our natural raw materials, we can offer a needs-based, specialised assortment of fertilizers.

TO ADEQUATELY SUPPLY MANKIND WITH AGRICULTURAL PRODUCTS, PROFESSIONAL AGRICULTURAL TECHNOLOGIES ARE NEEDED, SUCH AS SEED, PLANT PROTECTION AND PRODUCTS FOR NEEDS-BASED PLANT NUTRITION. MINERAL FERTILIZERS MAKE A NECESSARY CONTRIBUTION TO HIGH-YIELD CULTIVATION.

CHALLENGES IN THE FUTURE

A glimpse into the future reveals the challenges awaiting us in coming years. In the middle of this century, experts estimate that over nine billion people will be living on the planet. Important resources such as land under cultivation or fresh water are, however, limited. It is therefore necessary above all to increase the crop yields if we want to secure the supply of food. Whether in the cultivation of cereals, corn or soy beans, or for special crops such as fruit, vegetables and grapes: The K+S GROUP's products support the sustainable securing of the world's food production.

AGRICULTURAL COMPETENCE THROUGH OWN RESEARCH

The results of several years of field tests and international projects will also in future be an important focus of our agricultural competence. Together with the University of Göttingen, the INSTITUTE OF APPLIED PLANT NUTRITION – IAPN, founded at the start of 2011, carries out joint research into new developments. Dr. Ernst Andres, Managing Director of K+S KALI GMBH: "This cooperation offers an excellent opportunity to combine university and application-oriented research."

One of our many test areas is in Diendorf, a place in an arid region of Austria, about 60 kilometres from Vienna. For several years, the effects of the optimised application of leaf fertilization on winter wheat has been tested there. At the beginning of the final ripening phase, this cereal can no longer access the magnesium present in the soil, since the roots can no longer transport nutrients. We found out that about 60 % of the magnesium in the ripe grains does not come from the field, but from redistribution processes within the plant. Only leaf fertilization with water-soluble magnesium prior to the ripening of the ears can compensate for the loss of magnesium from the leaves and thus markedly improve the harvest yield.

POTASSIUM INCREASES HARVEST YIELD AND QUALITY

The subject of water efficiency is a further main focus of our research activities in the Potash and Magnesium Products business segment. Within the framework of a research cooperation with the universities of Gießen, Halle and Kiel, it could be demonstrated that both water storage ability and water transport to the roots were improved through the provision of potash. This meant that the volume of water potentially available to the plants increases. Furthermore, the plants form a larger and better-branched root system, and are thus able to utilise a greater volume of soil for the absorption of water.

Potassium also makes a decisive contribution to improving the quality of cultivated products. Thus, the quality requirements in potato cultivation are oriented towards the respective use of the vegetables (potatoes for consumption, processing potatoes, starch potatoes or planting potatoes). When it comes to potatoes for consumption, their qualities when cooked are of greater importance than their starch content. The potatoes for the dinner table should neither fall apart during cooking nor exhibit any discolouration inside and outside. A frequent problem with an unbalanced provision of nutrients is the appearance of black spots in the potato. K+S GROUP researchers discovered that a balanced application of potassium not only reduces the black discolouration, but also significantly improves the ability to be harvested successfully and stored. The potato is less sensitive to impact and thus retains its appetising appear-

After the cereal harvest, haystacks adorn the landscape. But for the farmer, the work has not yet been done, because the nutrients lost during the harvest have to be replaced with mineral fertilizers.

THE K+S GROUP MAKES AN IMPORTANT CONTRIBUTION TO COVERING THE RISING DEMAND FOR AGRICULTURAL PRODUCTS. WITH OUR SPECIALITY FERTILIZERS, HARVESTS CAN ALSO BE INCREASED SUSTAINABLY IN PARTS OF THE WORLD WHERE CROP CULTIVATION IS DIFFICULT.

ance for longer. Moreover, the vitamin C content of the tuber also increases.

PARTNERS OF FARMERS WORLDWIDE

Internationally too, we are taking on responsibilities: In Colombia, Dr. Bernd Ditschar, an agricultural consultant at K+S KALI GMBH, heads a palm oil project. It is intended to sustainably improve the yield of palm trees and cultivation is to be intensified – an important contribution to preventing the rainforest from being further deforested. Palm oil as a raw material is used primarily in the production of baked goods, margarine and confectionary, as well as biodiesel, since it is very stable under heat. One of our specialities is applied for this crop: Korn-Kali+B, a mixture of potassium, magnesium, sulphur and boron. The advantage: In just one application, all important nutrients are provided simultaneously and in precisely the right amounts. In combination with an optimisation of plant care, the harvest of the sought-after oleaginous fruits is thus increased substantially.

These examples make it clear that, when developing new and improved products of the K+S GROUP, the main emphasis is on needs-based plant nutrition throughout the whole vegetation cycle. Product innovations are initially tested in experiments conducted over a number of years and under realistic conditions. We work on their composition until we are certain that the product achieves the desired benefits and neither impairs the health of our customers nor the environment. Before a product is launched on the market, the German Federal Institute for Materials Research and Testing carries out comprehensive tests and classifies the product accordingly. Product safety is re-investigated at least every ten years.

TREATING RESOURCES WITH CARE

We also act responsibly in dealing with limited resources: It is our aim to minimise the inevitable interventions in nature as much as possible. With the 360-million-euro package of measures presented in autumn 2008, we are doing all that is commercially viable to advance the reduction of saline waste water of the Werra plant. Additionally, the K+S GROUP is utilising the latest exploration and mining processes and is continuously further developing the process technologies.

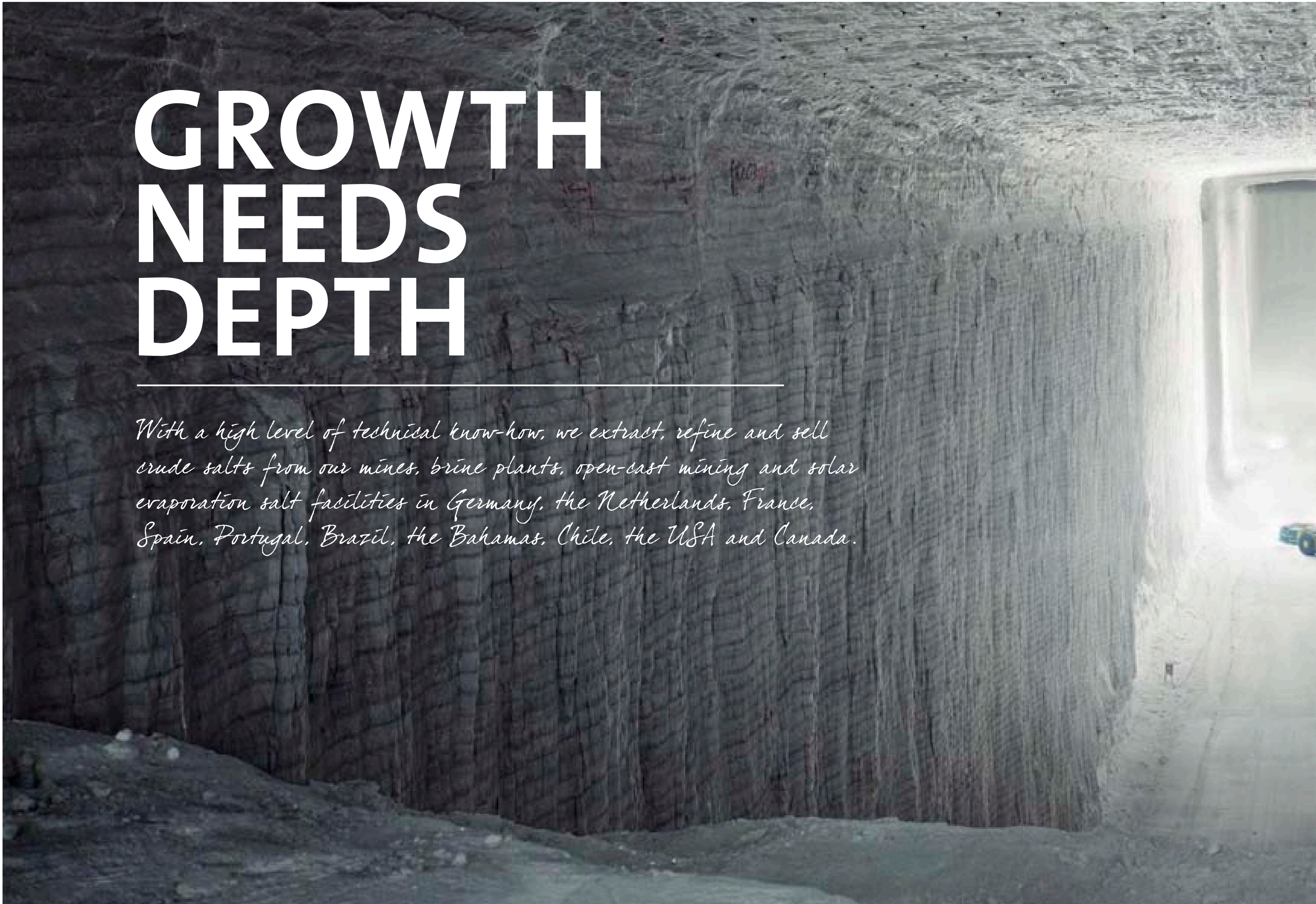
For example, with the ESTA® process, which we developed ourselves, we can split certain crude salts into their components without the use of water or large amounts of energy. We have succeeded in doing so perfectly with the aid of physics: The individual elements of the crude salt are given different electrical charges and subsequently, with the aid of an electric field, separated into sodium chloride on the one hand, and potassium chloride and kieserite on the other hand. As a result of this patented technology and other measures which avoid waste water, we have, since the beginning of the 1980s, reduced our specific waste water quantities for every tonne of crude salt mined by two thirds at the Werra plant alone. Furthermore, this production process is significantly more favourable in terms of energy consumption than the classical wet processing methods.

HIGH LEVEL OF ENERGY EFFICIENCY

Through the use of cogeneration systems, the K+S GROUP achieves a very high level of energy efficiency and thus contributes sustainably to achieving Germany's climate protection goals. The efficiency level of our own power plants is more than 90 %. With the K+S Research Institute, we continue working on a continuous reduction of the required resources, energy and material.

This all demonstrates clearly that we are meeting the challenges of tomorrow. Whether securing the global food supply, providing high-purity minerals to keep people healthy or protecting the environment – we make an important contribution to meeting the challenges of our time.

Cereal is important for an adequate supply of food for the world's population. Through the use of mineral fertilizers and the resultantly higher yields, already today 50 % of the world is fed, because only little soil is sufficiently supplied with nutrients.



GROWTH NEEDS DEPTH

With a high level of technical know-how, we extract, refine and sell crude salts from our mines, brine plants, open-cast mining and solar evaporation salt facilities in Germany, the Netherlands, France, Spain, Portugal, Brazil, the Bahamas, Chile, the USA and Canada.

OUR STAGES OF THE VALUE CHAIN

EXTRACT

Explore | Mine | Safety | Efficiency

REFINE

Process | Produce | Quality | Innovation

MARKET

Advice | Distribute | Service | Reliability

HIGH-PURITY ROCK SALT IS MINED IN HIGH CHAMBERS AT THE BERNBURG MINE. IT ORIGINATED 250 MILLION YEARS AGO FROM PRIMEVAL OCEANS AND IS THEREFORE, AT A GREAT DEPTH, PROTECTED AGAINST THE EFFECTS OF THE ENVIRONMENT AND CONTAMINATION.

The first stage in the value chain of salt production begins with the extraction of the mined rock salt. It is completed with its being refined to create high-quality speciality products and distributed.

WHEN NATURE COMBINES THE ELEMENTS SODIUM AND CHLORINE, IT CREATES A NEW PRODUCT, AN INDEPENDENT COMPOUND: SODIUM CHLORIDE. THIS IS ESSENTIAL TO ALL LIFE ON EARTH AND IS MADE USABLE FOR ALL OF US BY THE K+S GROUP.

Every day, over 6,000 employees of the K+S GROUP confront the challenges of working underground. The comparable mining processes between the core business segments Potash and Magnesium Products and Salt enable the exchange of technical, geological and logistics know-how. When it comes to purchasing machinery and auxiliary materials, we benefit from economies of scale, as many individual operations underground are very similar. Ultimately, this lowers our production costs and makes it possible to offer a competitive price for our raw materials and the products created by refining them.

SOPHISTICATED UNDERGROUND INFRASTRUCTURE

However, before the actual mining begins, an effective underground infrastructure first has to be available: The shafts supply fresh air within a complex ventilation system. This is based on a sophisticated principle of drawing in and distributing fresh air throughout the whole mine system. As the mining districts are often kilometres apart, depending on the mine in question, fuelling stations, workshop areas and measuring stations are installed underground. Also the conveyor belts, which wend their way through the galleries like millipedes, are indispensable and are maintained and extended on a daily basis.

TEAMWORK FOR SUCCESSFUL MINING

Anyone who observes the specialists underground will notice that all work is cumulative and that every “move” has to be precise. While the miners largely work on one’s own, they ultimately regard themselves as a team, which can only be successful through cooperation.

SAFETY COMES FIRST

Safety comes first for the K+S GROUP everywhere: Thus, securing the areas where work is performed underground is an important task. With the help of scaling machines, which are vaguely similar to excavators, rock fragments that come loose from roofs and side walls are carefully detached. Then the roof anchor drilling truck stabilises the roof of the gallery with threaded rods. Today, the work of a miner in potash and rock salt mining is characterised by the use of modern large-scale machinery, without which mining in a magnitude of millions of tonnes would not be possible. But all that effort pays off, because it is only in this way that we can make the earth’s treasures usable for us all.

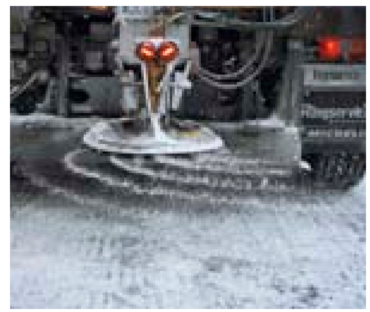
GROWTH NEEDS RELIABILITY

With our de-icing salts, we ensure that roads remain clear and safe. As the largest producer of salt in the world, we are a dependable supplier thanks to our elaborate logistics.

WITH THE K+S GROUP'S HIGH-QUALITY DE-ICING SALTS, SNOWED-UP ROADS IN EUROPE AND NORTH AMERICA ARE DE-ICED AGAIN MORE QUICKLY. OUR GLOBAL NETWORK OF PRODUCTION SITES ON BOTH SIDES OF THE ATLANTIC ENSURE A RELIABLE SUPPLY.


MITIGATION OF VOLATILITY IN DE-ICING SALT BUSINESS
VOLUMES
2006 – 2010
ISCO [1]:
US EAST COAST
2006 – 2010
MORTON [1]:
NORTH AMERICA
2006 – 2010
ESCO [1]:
EUROPE
2006 – 2010
ISCO + MORTON +
ESCO
Below average winter
Average winter
Above average winter
10 year average sales volume
[1] before consolidation

THE FLEXIBLE USE OF OUR EXTRACTION CAPACITIES AND OUR GEOGRAPHICAL PROXIMITY TO OUR CUSTOMERS MAKE IT POSSIBLE FOR US TO EVEN ENSURE THE BEST POSSIBLE SUPPLY OF DE-ICING SALTS FOR WINTER ROAD MAINTENANCE SERVICES DURING PARTICULARLY HARSH WINTERS.



PARTNER OF TOWNS AND MUNICIPALITIES

Every motorist is familiar with this situation: It is winter, it has snowed again overnight and now you are already gearing yourself up for slippery roads. But what a relief! The road surface is free of snow and ice thanks to the latest de-icing salt technology and the people working for the winter road maintenance service. So that they can provide their indispensable winter road maintenance services during such a cold season, towns and municipalities need a partner they can depend on.

HIGH PRODUCTION CAPACITIES FOR RELIABLE DELIVERY

Our subsidiary ESCO, Europe's number 1 salt producer, can respond quickly to sudden peaks in demand by flexibly using its production capacities. Additionally, we have built up a pool of experienced and effective freight forwarders, shipping and railway companies. Favourably situated deposits ensure the largest possible presence in all the important markets of Europe and enable ESCO to ensure the best possible supply of de-icing salts even under difficult conditions. Our ability to deliver continuously, even during periods of peak demand, is a promise we do everything possible to fulfil. Since the acquisitions of SPL (Chile) and MORTON SALT (North America), we have an even more balanced regional portfolio, which results in the compensation of regional, weather-related fluctuations in sales volumes across the Group.

If local bottlenecks actually occur, we use the synergies of our salt sites worldwide so that they can assist each other as best as they can. As the world's largest salt producer, we owe that to our customers!

SAFETY THROUGH EFFICIENT DE-ICING SALTS

In the case of de-icing salts too, it is important to us to treat resources carefully and efficiently in order to protect the environment. Our motto is: As little as possible, but as much as necessary. That should also be the maxim when it comes to the application of de-icing salts. The use of de-icing salts is effective and economical if they are applied using the pre-wetted salt process together with magnesium chloride brine. When such pre-wetted salt is spread, a mixture of 30 % by weight of a "winter road maintenance service solution" together with 70 % of dry de-icing salt is ideal. The mixture is just created shortly before it is spread on the road surface by the spreading disc of the winter road maintenance service vehicle. Owing to its particular consistency, the pre-wetted salt now prevents the grains of salt from being blown away. Furthermore, it adheres to slippery and icy road surfaces better than dry salt does. The de-icing process starts more quickly and persists for longer. Thanks to the higher efficiency of the salt, the spreading vehicle can also operate for longer. It is not only the environment that benefits from this: Savings as a result of the smaller quantity of salt spread ultimately also lowers costs for winter road maintenance services. Over the past 50 years, it has proven possible to reduce the quantity of salt spread per m² in Europe by more than 60 % thanks to the technical progress in dosage equipment and the pre-wetted salt technology, while maintaining the same thawing effect. Moreover, experts in the United States have calculated that the investment in de-icing road surfaces more than pays off: For each dollar spent on de-icing salts and winter road maintenance services, six times that amount is saved in terms of costs to the economy resulting from limited mobility and productivity, and wages and salaries paid for no work being done. But K+S does not only offer reliable de-icing salts for professional use, but also for end users. In Europe, our subsidiary ESCO has been selling tried-and-tested "ESCO Auftausalz" (de-icing salt) for decades. Its particularly effective mixture of fine and coarse salt crystals ensures a maximum de-icing effect against snow and ice. While the fine crystals ensure an immediate thawing effect, the coarser crystals guarantee the necessary long-term effect with thicker layers of ice and snow. In the USA, BLIZZARD WIZARD®, HALITE® and ACTION MELT® are established consumer brands. We are thus able to offer the right de-icing salt for every need and every target group and can make an important contribution to making roads and paths safer.

With the rich de-icing salts of the K+S Group, the roads remain free of ice and snow for longer, especially when they are spread using the pre-wetted salt process: The salt better adheres to the road and is more effective.

GROWTH NEEDS A HOME

The family of theK+S Group is now at home in the USA too. With the purchase of the US salt producer Morton Salt, one of the ten best-known brands in North America belongs to us now.

MILESTONES IN THE DEVELOPMENT OF THE "UMBRELLA GIRL" BRAND

1914 – The original Morton Salt Umbrella Girl appeared in 1914 with the now familiar slogan „When It Rains It Pours".

1920 – The second Morton Salt Umbrella Girl danced on the scene 1921. The twenties were roaring and the little Morton girl was still pouring.

1930 – In the post-Depression years from 1933 to 1941, jazz was king. And as it reigned, our little girl kept pouring.

1960 – Rock and roll was starting to shake things up in 1956 and our little girl was still filling salt shakers.

Since her most recent makeover in 1968, the current Umbrella Girl has been with us through moon launches, hip-hop and the growth of the Internet.

MORTON SALT OFFERS A WIDE PRODUCT PORTFOLIO FOR THE HOUSEHOLD: FOOD GRADE SALT SPECIALITIES, WATER SOFTENERS, DISHWASHER AND DE-ICING SALTS. FURTHERMORE, THE PRODUCER ALSO SUPPLIES TRADE AND INDUSTRY.

WITH THE ACQUISITION OF THE WELL-KNOWN US SALT PRODUCER MORTON SALT, WE ARE NOW OPTIMALLY POSITIONED IN NORTH AMERICA AND VERY CLOSE TO SIGNIFICANT SALES REGIONS.

PURCHASE OF A SUCCESSFUL US SALT PRODUCER

In the USA, it has been at home in many American households since 1914. The unmistakable Umbrella Girl with the wide-open umbrella in the rain. This brand logo can be seen on all packages of the US salt producer MORTON SALT and ensures that the brand enjoys a very high level of recognition. It symbolises the high quality and exceptional properties of the MORTON products: "When it rains, it pours" – Even when it rains, our salt flows freely to the last grain. We are thus strengthening our very profitable product groups of food grade and industrial salts beyond Europe. The sea salt products of MORTON SALT in particular are very popular in the United States and last year, they became the market leader there. Since 2009, this traditional brand has been a family member of the K+S GROUP. We are now also at home in the USA, in Canada and on the Bahamas with six rock salt mines, seven solar evaporation salt plants and ten evaporated salt plants. In strategic terms, this acquisition fits extremely well into the existing salt business of the K+S GROUP.

1914 1921 1933 1941 1956 1968 – Today

With MORTON SALT, we have arrived on the North American markets and are very close to end customers: Our products are available in almost every supermarket in North America. MORTON SALT and, in Canada, WINDSOR offer a broad range of products. There is a particularly wide variety of food grade salt products in spice mills and other practical types of dispenser. The spicy mixtures for every taste in the form of herb salts and spice salts let every enthusiast of vegetable and meat dishes to click one's tongue. A barbecue without MORTON? Virtually inconceivable. But not only culinary specialities are in great demand. Dishwasher salts, water softeners, pool salts and de-icing salts too ensure a broad presence in US households.

With the acquisition of MORTON SALT, completed the year before last, the K+S GROUP is continuing to pursue its two-pillar strategy by focusing on two business sectors internationally: fertilizers and salt. Chairman of the Board of Executive Directors Norbert Steiner: "And in both core business sectors, it has been our strategy for years to also grow externally, in order to be able to retain and expand our present market positions in the future too."

TWO-PILLAR STRATEGY

Our growth is based on solid foundations, because on the one hand, the salt business provides a second pillar in addition to the fertilizer business, which is more dependent on economic cycles. Regional diversification now enables us to have a winter business that is less susceptible to fluctuation overall. On the other hand, our raw materials will remain indispensable in the future: The nutrients in our fertilizers ensure rich harvests and thus make a contribution to the diet of a growing global population, and our salt products are the basic material for many vital and life-enriching products and applications in industrial production.

The further benefits of our two-pillar strategy include the comparable mining processes for potash and salt. They facilitate the exchange of technical, geological and logistics know-how. When it comes to purchasing machinery and auxiliary materials, we benefit from economies of scale, as many individual operations underground are very similar. Ultimately, this lowers our production costs and makes it possible to offer a competitive price for our raw materials and the products created by refining them.

This all makes it clear that the acquisition of MORTON SALT is far more than simply the addition of sites, capacities and market shares. We are not just the world's largest salt producer, but, especially in view of regions and the product range of food grade salt, salt for chemical use as well as pharmaceutical, industrial and de-icing salts, the most broadly based salt producer in the world. The girl with the umbrella has already made herself very much at home in the K+S GROUP and, with her charm, will ensure good sales figures in the future too.

In 1848, a real success story began in Chicago. A small sales agency grew to become one of North America's leading producers of salt. Nowadays, Morton Salt offers a wide range of salt specialities for households, winter road maintenance services and industry.

K+S GROUP MANAGEMENT REPORT

CATCH-UP EFFECTS AND NORMALISATION ON GLOBAL FERTILIZER MARKETS lead to significantly stronger demand and higher utilisation of the installed capacities / Strong salt business thanks to very high sales volume of de-icing salt in Europe and first-time inclusion of MORTON SALT for a whole year / Group revenues increased by 40 % to € 5.0 billion / Operating earnings EBIT I reached € 727 million – three times the figure of the previous year / Acquisition of POTASH ONE a decisive strategic step towards opening up new potash capacities / K+S GROUP with attractive prospects for 2011 and 2012

4

4.1 GROUP STRUCTURE AND BUSINESS OPERATIONS

GROUP LEGAL STRUCTURE

K+S AKTIENGESELLSCHAFT acts as the holding company for the K+S GROUP. The economic development of the K+S GROUP is influenced to a substantial degree by direct and indirect subsidiaries located in Germany and abroad. In addition to the parent company, K+S AKTIENGESELLSCHAFT, all significant affiliated companies in which K+S AKTIENGESELLSCHAFT holds, directly or indirectly, the majority of the voting rights, have been consolidated. Subsidiaries of minor importance are not consolidated.

/ **DETAILS REGARDING SUBSIDIARIES, INTERESTS AND RELATED COMPANIES** can be found on pages 212 et seq. and in the list of shareholdings on pages 214 et seqq.

Significant subsidiaries are the directly held K+S KALI GMBH, K+S NITROGEN GMBH, K+S SALZ GMBH as well as K+S Finance Belgium BVBA. COMPO GMBH & CO. KG and FERTIVA GMBH are held via K+S NITROGEN GMBH. K+S SALZ GMBH groups together ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG as well as K+S SALT OF THE AMERICAS HOLDING B.V., which holds the shares in the companies associated with the business activities of SOCIEDAD PUNTA DE LOBOS S.A. (SPL), Chile. K+S FINANCE BELGIUM BVBA holds the shares in the MORTON Group via K+S NORTH AMERICA SALT HOLDINGS LLC. While in the case of K+S KALI GMBH and K+S SALZ GMBH, the foreign subsidiaries are essentially grouped together in own subsidiaries, the foreign activities of the Nitrogen Fertilizers business segment are managed largely under K+S BETEILIGUNGS GMBH, a direct subsidiary of K+S AKTIENGESELLSCHAFT. The Complementary Business Segments too are largely related to the K+S AKTIENGESELLSCHAFT through subsidiaries.

The scope of consolidation only changed slightly in comparison to 31 December 2009. In connection with the further integration of MORTON SALT, MORTON SALT, INC. was established as a subsidiary of K+S NORTH AMERICA SALT HOLDINGS LLC. This company took over the salt activities of MORTON INTERNATIONAL, INC. as a consequence of reorganisation. Thereafter, the legal entity MORTON INTERNATIONAL, INC. was then transferred back to the seller in accordance with the arrangement agreed in the purchase agreement. Furthermore, ahead of the takeover of POTASH ONE, K+S CANADA HOLDINGS INC. was established as a subsidiary of K+S SALT OF THE AMERICAS HOLDING B.V.

BUSINESS SECTORS AND ORGANISATIONAL STRUCTURE FIG: 4.1.1

BUSINESS SECTORS AND ORGANISATIONAL STRUCTURE

The reporting of the K+S GROUP is divided into four business segments that are interlinked in terms of strategic, technical and economic aspects. They are controlled and supported by the holding functions provided by K+S AKTIENGESELLSCHAFT. / FIG: 4.1.1

/ SUPPLEMENTARY INFORMATION ABOUT THE PRODUCTS AND SERVICES OF THE BUSINESS SEGMENTS can be found in the Corporate/Sustainability Report and on our website www.k-plus-s.com.

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

The Potash and Magnesium Products business segment extracts potash and magnesium crude salts at six mines in Germany, which are further processed there to create end products or intermediate products. The former mining location Bergmannssegen-Hugo has been functioning solely as a processing site since 1995. Furthermore, the business segment has three processing sites in France. In terms of end products, the annual production capacity of the business segment is up to 7.5 million tonnes of potash and magnesium products. Through the acquisition of the Canadian company POTASH ONE, the business segment will in future have the possibility to increase its production capacity over the long term by at least 2.7 million tonnes with the Legacy Project. A broad distribution network facilitates the sale of these products on almost all European and in many overseas markets. The Potash and Magnesium Products business segment is predominantly reflected in K+S KALI GMBH and its subsidiaries. The company's head office is based in Kassel.

/ FURTHER INFORMATION ABOUT THE ACQUISITION OF POTASH ONE can be found in the 'Subsequent Events' section on page 145.

IMPORTANT PRODUCTS AND SERVICES

The Potash and Magnesium Products business segment offers its customers fertilizers, products for industrial applications, high-purity potassium and magnesium salts for the pharmaceutical, cosmetics and food industries as well as elements for the production of feed. Potassium chloride is the top-selling product. This fertilizer with universal areas of application is used globally, in particular for major crops, such as cereals, corn, rice and soy beans. Potassium chloride is directly spread on fields as a granulate or mixed with other straight fertilizers in bulk blenders. The K+S GROUP supplies potassium chloride as a fine-grain "standard" product for the fertilizer industry, which processes it along with other nutrients to produce complex fertilizers. The fertilizer specialities of the business segment differ from classic potassium chloride because of their different nutrient formulas with magnesium, sulphur and trace elements. Moreover, the business segment offers a wide range of high-quality potassium and magnesium products for industrial applications with different degrees of purity and specific grain sizes. These are used e.g. in chlorine-alkaline electrolysis in the chemical industry, in the production of glass and synthetic materials, in the mineral oil industry, in metallurgical processes, in the textile industry, in biotechnology as well as in the recycling of synthetic materials. Furthermore, the Potash and Magnesium Products business segment provides a product portfolio meeting the especially high demands of the pharmaceutical, cosmetics and food industries. Finally, the business segment produces high-quality potassium chlorides and magnesium sulphates for the compound feed industry for feeding farm animals. The Potash and Magnesium Products business segment has a team of consultants, consisting of 31 regional consultants and agriculturalists operating around the world. The consultants provide important information and suggestions for innovations in relation to the use of fertilizers; technical application advice for industrial products is also given.

IMPORTANT SALES MARKETS AND COMPETITIVE POSITIONS

The business segment achieves slightly more than half of its revenues in Europe. Here it benefits from the fact that the production sites are very attractively positioned in relation to the customers in terms of freight costs. Furthermore, the business segment also has a significant market position in the southern hemisphere. For example, a significant part of the fertilizers are shipped to Latin America, in particular to Brazil, as well as Asia.

Here, the business segment also makes use of the supply of attractively priced container shipments.

The Potash and Magnesium Products business segment is the world's fourth-largest and the largest European producer of potash and magnesium products and, in 2010, had an approximately 10 % share in the global sales volume of potash. Important competitors of the K+S GROUP in this business segment are the North American companies POTASH CORPORATION OF SASKATCHEWAN; THE MOSAIC COMPANY and AGRIUM, which operate a joint export organisation under the name CANPOTEX; the Russian URALKALI and the BELARUSIAN BELARUSKALI, which operate outside their domestic markets together in the export organisation BPC; Russia's SILVINIT, which URALKALI aims to take over completely in 2011; Israel's ICL and Jordan's APC. The fertilizer specialities containing potash and magnesium clearly distinguish the business segment from competitors and, with these fertilizers, it occupies the leading position in the world. With its products for industrial, technical and pharmaceutical applications too, K+S is among the most competitive suppliers worldwide, and is by far the largest supplier in Europe.

NITROGEN FERTILIZERS BUSINESS SEGMENT

The Nitrogen Fertilizers business segment consists chiefly of the K+S NITROGEN GMBH as well as its subsidiary COMPO GMBH & CO. KG. K+S NITROGEN markets nitrogenous fertilizers with an orientation towards bulk customers in agriculture and special crops such as fruit, vegetables and grapes. The head office of the company is in Mannheim. In addition to the fertilizers produced exclusively for them by BASF, K+S NITROGEN also markets goods of other reputable European fertilizer producers. COMPO's head office is in Münster; it has production sites in Germany and Western Europe. Additionally, COMPO has some of its products manufactured by BASF in Ludwigshafen. COMPO sells its products in the Consumer and Expert segments directly and via subsidiaries in Germany and abroad. In mid-2010, it was announced that a sale of COMPO within one year was being examined, since the K+S AKTIENGESELLSCHAFT's growth strategy envisions to focus management and financial resources particularly on the areas of potash and magnesium products as well as salt.

IMPORTANT PRODUCTS AND SERVICES

The products of K+S NITROGEN fall into the following groups: straight nitrogen fertilizers, complex fertilizers and ammonium sulphate. The straight nitrogen fertilizer calcium ammonium nitrate is used for all agricultural crops. In addition to nitrogen, complex fertilizers contain the nutrients potassium and phosphate as well as – depending on need and application – magnesium, sulphur or trace elements. They are mainly used in the cultivation of cereals, corn, rape or sugar beet, but also for grassland. The complex fertilizers containing potassium sulphate are particularly suited to the cultivation of fruit, vegetables and grapes. Moreover, the nitrogen-stabilising ENTEC® fertilizers are characterised by a unique nitrogen efficiency and thus, in comparison to conventional products, reduce the number of labour-intensive and costly fertilizer applications required. Furthermore, K+S NITROGEN offers ammonium sulphate nitrate with boron for crops that require boron, such as rape and sugar beet. Fine-crystalline ammonium sulphate is used in Europe predominantly as a raw material in fertilizer production, while in South America, it is generally spread directly onto the fields. Coarse-grained ammonium sulphate is suitable both for direct application in agriculture and as a component in bulk blenders.

The consumer business of COMPO comprises products for the home and garden sector for the purposes of plant nutrition, plant care (potting soil, flower care, lawn and garden fertilizers, lawn seeds) and plant protection. Potting soil is the most important product group in the range. In addition, mainly liquid as well as granulated lawn and garden fertilizers are marketed. Within the scope of its cooperation with the Swiss company SYNGENTA, a leading producer of plant protection agents, COMPO has been supplementing its offer to customers in Europe with innovative plant protection products since the 2007 financial year. In COMPO's Expert segment, speciality fertilizers are offered for municipal green areas (sports grounds, parkways), for golf cources, for tree nurseries, horticulture and various special crops.

IMPORTANT SALES MARKETS AND COMPETITIVE POSITIONS

K+S NITROGEN supplies up to 5 million tonnes of fertilizers per year to 60 different countries all over the world. It achieves about two thirds of its revenues in Europe and about one third overseas. With the international branches of the K+S GROUP and selected external sales partners, K+S NITROGEN has a global distribution network at its disposal. In major European core markets such as Germany, France, Spain, Italy, and Greece, K+S NITROGEN has its own sales force. Worldwide, urea (46 % of which is nitrogen) is the dominant nitrogen fertilizer. Urea is produced on the basis of gas and ammonia by several hundred producers around the world. However, nitrate-containing fertilizers dominate in Europe and North America, since these are more advantageous to users in those regions, given the soil and climate conditions. The world's leading supplier of nitrogen fertilizers is the Norwegian producer YARA. In Europe, in addition to YARA, the AGROFERT GROUP and FERTIBERIA are the most important competitors. The K+S GROUP is, with its K+S NITROGEN, among the leading suppliers in Europe. K+S NITROGEN is one of the world's leading providers of the sulphur-containing nitrogen fertilizer ammonium sulphate.

The marketing of COMPO's consumer business is, to more than 90 %, focussed on Western and Southern Europe. The target group for consumer products is primarily amateur gardeners, who purchase the products via such distribution channels as garden centres, DIY markets, RAIFFEISEN outlets and cooperative outlets or food retailers. The most important competitors at the European level are THE SCOTTS MIRACLE-GRO COMPANY, a supplier based in the United States, as well as BAYER AG. Additionally, there are numerous small and generally only national and regional suppliers. COMPO is Europe's leading provider of premium products in the field of potting soils, speciality fertilizers, plant care and plant protection for home and garden. In the Expert segment, COMPO also occupies a significant position in Europe.

SALT BUSINESS SEGMENT

In the Salt business segment, the K+S GROUP markets food grade salt, industrial salt, salt for chemical use and de-icing salt. K+S is the world's largest supplier of salt products. Its annual production capacity totals about 30 million tonnes of salt. The Salt business segment comprises the sub-units ESCO – EUROPEAN SALT COMPANY GMBH & CO. KG (ESCO), Hanover, whose activities are mainly focused on Europe, the Chilean SOCIEDAD PUNTA DE LOBOS S. A. (SPL), Santiago de Chile, with activities in South America and the United States, as well as MORTON SALT, INC., Chicago, one of the largest salt producers in North America. ESCO operates three rock salt mines, two brine plants, as well as several plants processing evaporated salt in Germany, France, the Netherlands, Portugal and Spain, and has numerous distribution sites in Europe. The annual production capacity of ESCO in Europe is about 8.0 million tonnes of crystallised salt and 1.7 million tonnes of salt in brine. The Chilean SPL extracts rock salt in Salar Grande de Tarapacá through cost-effective open-cast mining. The production capacity there amounts to approximately 6.5 million tonnes per annum. Moreover, SALINAS DIAMANTE BRANCO, which belongs to the SPL Group, operates a sea salt facility with an annual capacity of 0.5 million tonnes in the north-eastern part of Brazil. In the United States, SPL distributes its salt products via the INTERNATIONAL SALT COMPANY (ISCO). The Chilean shipping company EMPREMAR with a fleet of six ships of its own as well as additional chartered ships providing maritime logistics for the SPL Group, also forms part of the Salt business segment. MORTON SALT operates six rock salt mines, seven solar plants and ten plants processing evaporated salt in the United States, in Canada and on the Bahamas. The annual production capacity totals about 13 million tonnes of salt. The Salt business segment is represented in Europe as well as North America and South America with its own distribution units and via platform companies of the K+S GROUP.

IMPORTANT PRODUCTS AND SERVICES

The Salt business segment offers its customers food grade salt, industrial salt, salt for chemical use and de-icing salt, which all are based on common salt (sodium chloride). Depending on the particular applications, the products differ primarily in terms of their grain size, the degree of purity, the form in which they are supplied and possible additives. In the food grade salt segment, the K+S GROUP produces both salt for the foodstuff industry as well as food grade salt for end users, to which also premium products such as kosher salt or low-sodium salt belong. The base products for the broad range of food grade salts are normally high-purity evaporated salts, but also rock and sea salts. Through the takeover of MORTON SALT, the food grade salt product group has gained considerably in importance within the K+S GROUP. With the UMBRELLA GIRL® and WINDSOR CASTLE® brands, in the consumer business MORTON SALT has very well positioned brands with a high level of consumer awareness in the United States and in Canada. Industrial salts are used by dyeing works, in the textile industry, in the production of foodstuffs for animals, for the preserving of fish, in drilling fluids used for the extraction of oil and natural gas, as well as in many other industrial areas. Pharmaceutical salts are a key element in infusion and dialysis solutions. In the industrial salts segment too, products such as water-softening salts are manufactured for end users. Salt for chemical use is one of the most important raw materials for the chemical industry. In electrolysis plants it is split into chlorine, caustic soda and hydrogen. It reaches the end user in the form of, for example, an element of polyvinylchloride (PVC). Winter road maintenance services, public and private road authorities, road maintenance depots and commercial bulk customers procure de-icing agents from the K+S GROUP. Economy packs for end users are also available. In addition, MORTON SALT offers de-icing salts, which through the addition of calcium chloride create more heat in contact with ice and snow than conventional products, and thus work more quickly, especially at very low temperatures.

IMPORTANT SALES MARKETS AND COMPETITIVE POSITIONS

The key sales markets of the Salt business segment in Europe include Germany, the Benelux countries, France, Scandinavia, the Iberian peninsula, the Czech Republic, and Poland, while the United States, Canada, Brazil, and Chile are key markets on the American continent. Regionally, the de-icing salt business is strongly dependent on weather conditions. Thanks to its unique network of production facilities in Europe, North America and South America, K+S can respond more flexibly to fluctuations in demand for de-icing salt than the local competitors. In the other segments, owing to the limited possibility for substitution in most applications, the demand situation is relatively stable. While the market for salt in Western Europe is comparatively mature and only exhibits slight growth rates, a trend towards a stronger increase in demand is being observed in the emerging market countries. Salt deposits are widely dispersed geographically; owing to the relatively high share of transport costs in the total costs, the markets normally are regionally limited, based on the location of the production sites.

The recent years were characterised by a process of consolidation in this sector. With its purchase of a 38 % interest in ESCO held by the SOLVAY Group in 2004, its acquisition of the Chilean salt producer SPL in 2006 as well as its takeover of MORTON SALT successfully completed in October 2009, the K+S GROUP has played an active role in shaping this process. ESCO is Europe's leading producer of salt products for the food sector, salts for chemical and industrial use, and de-icing salts. With SPL, the K+S GROUP has gained access to the dynamically growing South and Central American markets. These include major markets such as Brazil, in which the chemical industry, important for the salt for chemical use business, is growing strongly. MORTON SALT is one of the largest salt producers in North America, together with CARGILL and COMPASS MINERALS INTERNATIONAL. With the acquisition of MORTON SALT, the K+S GROUP, in terms of production capacity, became the world's largest salt producer, with an annual capacity of about 30 million tonnes.

COMPLEMENTARY BUSINESS SEGMENTS

In addition to recycling activities, the underground disposal and the reutilisation of waste in potash and rock salt mines (waste management and recycling) as well as the granulation of CATSAN® at the Salzdetfurth site, the term "Complementary Business Segments" bundles further activities of importance to the K+S GROUP. With KALI-TRANSPORT GESELLSCHAFT MBH (KTG), Hamburg, the K+S GROUP possesses its own logistics service provider. CHEMISCHE FABRIK KALK GMBH (CFK) trades in different basic chemicals.

IMPORTANT PRODUCTS AND SERVICES

The Waste Management and Recycling business segment uses the underground caverns created as a result of the extraction of crude salts for the long-range safe disposal of waste and for waste recycling while employing the available infrastructure of active potash and rock salt mines. The business segment operates two underground storage sites. The waste stored there is isolated permanently from the biosphere. If necessary, however, the waste can be removed from storage again in order to recycle the reusable materials it contains. The salt deposits used by the K+S GROUP for waste disposal are impervious to gas and liquids and are securely separated from the layers carrying groundwater. A combination of geological and artificial barriers ensures the highest possible degree of safety. Additionally, the K+S GROUP operates five underground plants for the reutilisation of waste underground. Officially approved waste is used here to fill caverns. Flue gas cleaning residues, for example, are suitable for underground reutilization. For the secondary aluminium industry, the business segment offers smelting salts and the recycling of salt slags.

With KTG in Hamburg and its subsidiaries, the K+S GROUP has, in addition to the Chilean shipping company EMPREMAR, which is assigned to the Salt business segment, a further logistics service provider of its own. The operation of the “Kalikai” in Hamburg, with a storage capacity of about 400,000 tonnes one of Europe’s largest transshipment facilities for bulk goods, is KTG’s core business and of strategic importance for the Potash and Magnesium Products business segment at the same time. The K+S GROUP’s container business is also directed from Hamburg, including pre-shipment from the production sites to the loading terminals.

At the Salzdetfurth site, a way has been found of successfully continuing to use existing plants and extensive sections of the infrastructure of a disused potash plant economically, preserving jobs and even again significantly expanding operations. Here we granulate e.g. the well-known animal hygiene product CATSAN® for MARS GMBH.

CFK’s product range comprises a selection of basic chemicals. They include caustic soda, nitric acid, sodium carbonate (soda) as well as calcium chloride and magnesium chloride.

IMPORTANT SALES MARKETS AND COMPETITIVE POSITIONS

The core markets of the Waste Management and Recycling business segment are located in Western and Central Europe. Moreover, the Eastern European countries, primarily Poland and the Baltic states, offer potential as the demand for EU-compliant underground waste management solutions for waste will increase there. The market for underground disposal is very competitive, but the K+S GROUP offers added value for the customer with its full-service solutions. In the case of recycling salt slag from the secondary aluminium industry too, the K+S GROUP is a leading provider in Germany and in the rest of Europe. CFK’s customers include many well-known European chemical companies, glassworks, metal processing businesses, detergent producers and breweries as well as cities and local authorities, which use calcium chloride or magnesium chloride for winter road maintenance services.

KEY SITES

At the end of 2010, the K+S GROUP employed a good 15,200 people in Germany and abroad. Table 4.1.1 provides an overview of the most important K+S GROUP sites and the number of staff employed by them at the end of 2010. / TAB: 4.1.1

INFORMATION ABOUT RAW MATERIAL DEPOSITS

An overview of our raw material deposits and reserves can be found in the ‘Further Information’ section on pages 218 et seqq.

MANAGEMENT AND CONTROL

DECLARATION OF COMPLIANCE

The declaration pursuant to Sec. 161 of the German Stock Corporation Act (AktG), the description of how the Board of Executive Directors and the Supervisory Board function, as well as the composition and procedures of the committees and further information regarding management practices can be found in the declaration of compliance in the ‘Corporate Governance’ section on pages 21 et seqq. This declaration of compliance also constitutes an integral part of the Management Report of K+S AKTIENGESELLSCHAFT.

BASIC FEATURES OF THE REMUNERATION SYSTEM

The information to be disclosed in accordance with Sec. 315 Para. 2 No. 4 of the German Commercial Code (HGB) and Code Item 4.2.4, 4.2.5 and 5.4.6 Para. 3 of the German Corporate Governance Code is contained in the Remuneration Report included in the 'Corporate Governance' section on pages 31 et seqq.; the Remuneration Report constitutes an integral part of the Group Management Report.

PARTICIPANTS IN AND TERMS OF PROGRAMMES WITH A LONG-TERM INCENTIVE CHARACTER

Between 1999 and 2009, K+S has made it possible for the Board of Executive Directors and the management to participate in a virtual stock option programme. In 2009, a total of 308 people were entitled to this at K+S (see Financial Report 2009). You can find a more detailed description of the programme, whose structure is identical for the Board of Executive Directors and for the remaining participants in the option programme, in the Remuneration Report on pages 31 et seqq.

Against the background of the statutory provisions amended by the German Act on the Appropriateness of Management Board Remuneration and the amended recommendations of the German Corporate Governance Code on the form of management board remuneration, a change in the variable component of remuneration with

IMPORTANT SITES OF THE K+S GROUP TAB: 4.1.1

	Business Segments	Employees (FTE)[1]
K+S sites in Kassel, Germany (K+S AG / K+S KALI / K+S Entsorgung / IT Services)		639
Kaliverbundwerk Werra, Germany (Heringen / Merkers / Philippsthal / Unterbreizbach)	Potash and Magnesium Products	4,240
Zielitz potash plant, Germany	Potash and Magnesium Products	1,733
Sigmundshall potash plant, Germany	Potash and Magnesium Products	776
Neuhof-Ellers potash plant, Germany	Potash and Magnesium Products	729
Bergmannssegen-Hugo potash plant, Germany	Potash and Magnesium Products	138
COMPO headquarters, Münster, Germany	Nitrogen Fertilizers	297
COMPO plant, Krefeld, Germany	Nitrogen Fertilizers	184
COMPO France S.A.S, Roche-Lez-Beaupré, France	Nitrogen Fertilizers	72
K+S Nitrogen, Mannheim, Germany	Nitrogen Fertilizers	81
Peat and humus plant, Gnarrenburg, Germany	Nitrogen Fertilizers	64
Bernburg salt mine, Germany	Salt	441
Borth salt mine, Germany	Salt	310
Salina Diamante Branco sea salt facility, Brazil	Salt	244
Empremar shipping company, Santiago de Chile, Chile	Salt	242
Rittman evaporated salt facility, USA	Salt	239
Ojibway salt mine, Canada	Salt	221
Pugwash salt mine, Canada	Salt	208
Grand Saline salt mine, USA	Salt	208
Morton Salt headquarters, Chicago, USA	Salt	215
Fairport salt mine, USA	Salt	168
SPL open-cast mining operations, Atacama Desert / Patillos, Chile	Salt	182
Braunschweig-Lüneburg salt mine, Germany	Salt	181
Weeks Island salt mine, USA	Salt	166
Hutchinson evaporated salt facility, USA	Salt	162
Silver Springs evaporated salt facility, USA	Salt	159
Mine Seleine salt mine, Canada	Salt	146
Grantsville sea salt facility, USA	Salt	145
Inagua sea salt facility, Bahamas	Salt	139
SPL headquarters, Santiago de Chile, Chile	Salt	130

[1] FTE = Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours; including trainees.

IMPORTANT SITES OF THE K+S GROUP (CONTINUED) TAB: 4.1.1

	Business Segments	Employees (FTE)[1]
Manistee evaporated salt facility, USA	Salt	117
Windsor evaporated salt facility, Canada	Salt	93
esco headquarters, Hanover, Germany	Salt	81
ISCO distribution company, Clarks Summit, USA	Salt	80
Newark evaporated salt and sea salt facility, USA	Salt	75
Frisia Zout B.V. brine plant, Harlingen, The Netherlands	Salt	73
Port Canaveral processing site, USA	Salt	58
Lindbergh brine plant, Canada	Salt	49
Canadian Salt headquarters, Montreal, Canada	Salt	41
Glendale evaporated salt facility, USA	Salt	33
Granulation of animal hygiene products, Bad Salzdetfurth, Germany	Complementary Business Segments	116
KTG, Hamburg, Germany	Complementary Business Segments	116

[1] FTE = Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours; including trainees.

a long-term incentive effect (so-called "Long-term Incentive" (LTI)) became necessary. A variable remuneration component based on key figures was therefore introduced starting from 2010. This is based on a calculation of several years in terms of the contributions to value achieved. In 2010, a total of 406 people working for K+S were eligible to participate. You can find a more detailed description of the programme, which is identical for the Board of Executive Directors and for the remaining participants, in the Remuneration Report on pages 31 et seqq.

LEGAL AND ECONOMIC INFLUENCING FACTORS

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

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

/ **THE MACROECONOMIC ENVIRONMENT** as well as its impact on K+S are described on pages 101 et seqq.

INFORMATION UNDER SEC. 315 PARA. 4 GERMAN COMMERCIAL CODE (HGB)

ITEM 1: COMPOSITION OF SUBSCRIBED CAPITAL

The share capital amounts to € 191.4 million and is divided into 191,400,000 shares. The shares of the Company are no-par value bearer shares. There are no other classes of shares.

ITEM 2: RESTRICTIONS ON VOTING RIGHTS OR ON THE TRANSFER OF SHARES

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

ITEM 3: DIRECT OR INDIRECT INTERESTS IN THE CAPITAL EXCEEDING 10 %

According to a notification in accordance with Sec. 21 of the German Securities Trading Act (WpHG), the MERITUS TRUST COMPANY LIMITED, Bermuda, owns just under 15 % of the shares via EUROCHEM GROUP SE and its attributable subsidiaries. MERITUS manages the industrial shareholdings of Andrey Melnichenko on a fiduciary basis. BASF SE, Ludwigshafen, continues to hold just over 10 % of our shares.

ITEM 4: HOLDERS OF SHARES WITH SPECIAL RIGHTS CONFERRING CONTROL POWERS

There are no shares with special rights conferring control powers.

ITEM 5: VOTING RIGHT CONTROL IN THE EVENT OF EMPLOYEE OWNERSHIP OF CAPITAL

No voting right controls apply.

ITEM 6: STATUTORY REGULATIONS AND PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

ITEM 7: BOARD OF EXECUTIVE DIRECTORS' AUTHORISATIONS CONCERNING THE POSSIBILITY OF ISSUING OR BUYING BACK SHARES

AUTHORISED CAPITAL

The Board of Executive Directors is authorised, with the approval of the Supervisory Board, to increase the share capital of K+S AKTIENGESELLSCHAFT on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 56,100,000.00 in the aggregate through the issuance of no more than 56,100,000 new no-par value bearer shares (Authorised Capital). Existing shareholders essentially hold subscription rights in respect of such increase. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude statutory subscription rights in the case of capital increases against cash contributions, if the capital increase does not exceed 10 % of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price. In the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company, the Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders by a total of up to € 41.25 million of the subscribed share capital. Furthermore, the Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription rights of shareholders with respect to fractional amounts arising from the subscription rights.

PURCHASE AND USE OF OWN SHARES

The Board of Executive Directors is authorised to acquire own shares representing no more than 10 % of the total number of no-par value shares comprising the share capital of K+S AKTIENGESELLSCHAFT until 10 May 2015. At no time may the Company hold more than 10 % of the total number of no-par value shares comprising its share capital. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the event of a purchase effected on a stock exchange, the purchase price per share may not exceed or undercut the relevant exchange price by more than 10 %, being the price of the K+S share in the XETRA computerised trading system determined by the opening auction on the day of purchase of the shares. In the event of a purchase effected by means of a public purchase offer directed to all shareholders, the purchase price offered per share may not exceed or undercut the relevant exchange price by more than 10 %, being the weighted average exchange price of the K+S share in the XETRA computerised trading system during the last ten exchange trading days immediately preceding the publication of the purchase offer.

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

+ Disposal against consideration comprising payment of a cash sum that does not significantly undercut the relevant exchange price;
+ Issuance of shares as consideration for the purpose of acquiring companies, parts of companies or interests in companies;
+ Servicing of convertible bonds and bonds with warrants, which have been issued on the basis of the authorisation of the Annual General Meeting.

The authorisation to exclude subscription rights applies in respect of all shares representing a proportionate amount of the share capital that is not greater than 10 % of the share capital at the time of the adoption of the resolution or at the time of the exercising of the authorisation, depending on when the amount of the share capital is the smaller amount. The maximum limit of 10 % of the share capital is reduced by the proportionate amount of the share capital corresponding to those shares that are issued in connection with a capital increase from authorised capital or of conditional capital excluding subscription rights while this authorisation is in effect.

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

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

ITEM 8: SIGNIFICANT AGREEMENTS THAT APPLY IN THE EVENT OF A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID

In 2010, K+S concluded a syndicated credit line in the amount of € 800 million. All bank advances made within the framework of the credit line will become due and payable immediately and the entire credit line become redeemable in accordance with the conditions set out in these agreements if one person acting alone or more persons acting in concert acquire control over K+S AKTIENGESELLSCHAFT. Moreover, in 2009, K+S issued a bond in the amount of € 750 million. In the event of a change of control, the bond holders have the right to terminate debentures that have not yet been redeemed.

ITEM 9: AGREEMENTS CONCLUDED WITH THE BOARD OF EXECUTIVE DIRECTORS OR EMPLOYEES CONCERNING COMPENSATION IN THE EVENT OF A TAKEOVER BID

Agreements of this type exist with the members of the Board of Executive Directors of the K+S AKTIENGESELLSCHAFT and are explained in detail in the Remuneration Report on page 35. The stock option programme for the Board of Executive Directors and for senior management, for the last time granted in 2009, provides for a special time window for the exercise of all still outstanding options in the event of a change of control. The exact form of this programme, which is identical for the Board of Executive Directors and for senior management, is also explained in the Remuneration Report (see page 31). The programme with a long-term incentive effect (LTI), introduced since 2010 for the Board of Executive Directors and for senior management, does not provide for any compensation agreements.

EXPLANATORY REPORT OF THE BOARD OF EXECUTIVE DIRECTORS ON THE INFORMATION IN ACCORDANCE WITH SEC. 289 PARA. 4 AND SEC. 315 PARA. 4 GERMAN COMMERCIAL CODE (HGB)

As the information provided for items 1 to 6 of Sec. 289 Para. 4 and Sec. 315 Para. 4 HGB in the Management Report of K+S AKTIENGESELLSCHAFT and in the Group Management Report (pages 84 et seqq.) speaks for itself, we limit ourselves here to providing the following explanations in accordance with Sec. 176 Para. 1 Sent. 1 AktG:

ITEM 7: BOARD OF EXECUTIVE DIRECTORS' AUTHORISATIONS CONCERNING THE POSSIBILITY OF ISSUING OR BUYING BACK SHARES

+ As a result of the possibility granted to the Board of Executive Directors until 9 May 2011, with the approval of the Supervisory Board, to implement a capital increase with a limited exclusion of subscription rights (Authorised Capital), the Company gains a widespread tool with whose help opportunities to carry out acquisitions can be exploited quickly and flexibly. The Board of Executive Directors may only make use of this possibility if the value of the new shares is proportionate to the value of the corresponding consideration.
+ The other authorisation granted by the Annual General Meeting to the Board of Executive Directors to purchase shares of the Company to a limited extent is also a common instrument available in many companies. By being able to resell own shares, the Company is in a position to, for example, gain long-term investors in Germany and abroad or to finance acquisitions flexibly. The further existing possibility of cancelling own shares is also a common alternative use that lies in the interests of the Company and its shareholders.

ITEM 8: SIGNIFICANT AGREEMENTS THAT APPLY IN THE EVENT OF A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID

The provisions that credit agreements and bond conditions contain for the event of a change of control are customary for comparable transactions and reasonable from the perspective of protecting the legitimate interests of the creditors.

ITEM 9: AGREEMENTS CONCLUDED WITH THE BOARD OF EXECUTIVE DIRECTORS OR EMPLOYEES CONCERNING COMPENSATION IN THE EVENT OF A TAKEOVER BID

The existing compensation agreements with the members of the Board of Executive Directors and the special time window of exercise governed by the share option programme for the Board of Executive Directors and senior management, which was for the last time granted in 2009, that would apply in the event of a takeover bid take into appropriate consideration both the legitimate interests of those concerned and of the Company and its shareholders.

4.2 CORPORATE STRATEGY AND ENTERPRISE MANAGEMENT

VISION AND MISSION

Our vision and mission provide the framework for today's activities and for the strategic orientation of the Group and shall bring the basis for our thinking and actions closer to our employees, shareholders, lenders, customers, suppliers and the public.

/ **OUR VISION AND MISSION** can be found on page 3 of this Financial Report, while further information is also available in the Corporate / Sustainability Report.

CORPORATE STRATEGY AND STRATEGIC DIRECTION OF THE BUSINESS SECTORS

DIFFERENTIATION AND SUSTAINABLE MARGIN GROWTH THROUGH SPECIALISATION

The K+S GROUP aims to consolidate and expand market positions in its core business sectors, in particular through the increased marketing of speciality products. The refinement strategy makes it possible to achieve more attractive margins in the Fertilizer and Salt business sectors.

INCREASING EFFICIENCY AND EXPLOITING SYNERGIES

In respect of the most important competitors in the main sales markets in the fertilizer and salt businesses, the cost position is a key success factor. In addition to consistently pursuing cost-cutting and flexibilisation initiatives throughout the whole process chain, there is a special focus on the optimisation of the international production network and the associated volume flows and logistics costs. Comparable mining processes make synergies possible between the Potash and Magnesium Products and Salt business segments in the exchange of technical, geological and logistics know-how as well as economies of scale in the procurement of machines and auxiliary materials.

EXPANSION OF THE BALANCED REGIONAL PORTFOLIO

Worldwide, both fertilizer and salt markets are characterised by seasonal and regional fluctuations in demand. The strategy of the K+S GROUP is aimed at a balanced regional portfolio, which makes a balance of weather-related fluctuations and a cushioning of cyclical market trends possible. Additionally, the fertilizer business and the salt business, which is less dependent on the economic cycle, also complement each other during temporary economic crises.

In the fertilizer sector, a balanced market presence in the important agricultural markets of Europe, South America and Asia makes the equalisation of seasonal fluctuations between the northern and southern hemispheres as well as a reduction of the impact of economic trends on regional demand possible. Expanding the market presence in important overseas markets and tapping into new attractive sales markets in future growth regions therefore continue to be pursued.

Local production is a decisive factor in the opening up of new markets in the salt business, which is strongly volume-driven. In the Salt business segment, the improvement in the earnings profile as a result of the reduction in dependence on the regional volatility of the de-icing salt business was an important driver of our acquisitions in South and North America (SPL and MORTON SALT), which make an important contribution to compensating for the fluctuating winter season in Europe.

SETTING STANDARDS FOR QUALITY, RELIABILITY AND SERVICE

The goal of the K+S GROUP is to be our customers' preferred partner in the market. High product quality and reliability are decisive preconditions for this. In addition to the specialisation strategy, better and innovative services are promoted, where these create value. Particularly in the fertilizer area, individual advice to customers enables to identify needs-based solutions and thus to strengthen customer loyalty. With our offers such as electronic order processing or supplier-managed stock in the European de-icing salt business, we strive to set new standards in the market.

STRATEGIC DIRECTION OF THE BUSINESS SECTORS

With the Fertilizer and Salt business sectors, the K+S GROUP has two synergetically related business sectors with attractive growth prospects at their disposal which complement each other.

In addition to organic growth, we also strive to achieve growth via acquisitions and cooperations in the established business sectors.

Thus, the purchase of POTASH ONE, which will result in an expansion of the potash capacities and to an extension of the average useful life of our mines, is characteristic of our two-pillar strategy. This pursues the goal of focussing management and financial resources in future particularly on the Potash and Magnesium Products and Salt business segments. Against this backdrop, last year, we also announced that we would consider the sale of COMPO and have consequently commenced a carve-out process.

/ **FURTHER INFORMATION ABOUT THE ACQUISITION OF POTASH ONE** can be found in the 'Subsequent Events' section on page 145.

POTASH AND MAGNESIUM PRODUCTS

The future strategic fields of action arising for the Potash and Magnesium Products business segment are shown in Figure 4.2.1. / FIG: 4.2.1

SALT

The future strategic fields of action arising for the Salt business segment are shown in Figure 4.2.2. / FIG: 4.2.2

STRATEGIC GROUP STRUCTURE

As regards the shaping of the Group structure in terms of company law, in addition to the presentation of our business segment structure, the question of optimising internal Group financing and of tax optimisation are the main focuses.

/ **INFORMATION ABOUT THE FUTURE DIRECTION OF THE GROUP** can be found in our Forecast Report on pages 145 et seq.

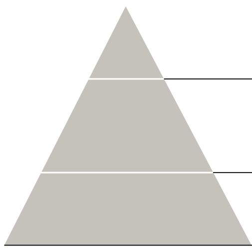
STRATEGIC FINANCING MEASURES

Essentially we pursue the following goals with the financial measures that we have adopted:

+ Ensuring a balanced capital structure
+ Limiting refinancing risks through diversification of the financing sources and instruments as well as the maturity profile
+ Optimisation of costs through capital procurement on sustainably favourable terms

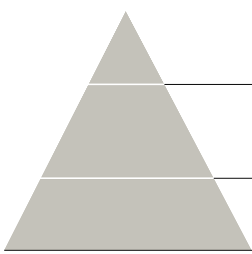
/ **INFORMATION ABOUT THE GOALS OF FINANCIAL MANAGEMENT** can be found in the 'Financial Position' section on pages 114 et seq.

STRATEGY POTASH AND MAGNESIUM PRODUCTS FIG: 4.2.1



	Strategic focus
Growth	+ Global development of new low-cost production facilities + Expansion of existing high-margin product segments
Optimisation of Market Approaches	+ Focus on selected high-margin markets and customers + Focus on high-margin niches through differentiated marketing concepts
Optimisation of Current Production Structures	+ Optimal resource utilisation by constantly optimising the existing production system

STRATEGY SALT FIG: 4.2.2



	Strategic focus
Growth	+ Entry into new regional markets + Expansion of existing high-margin product segments
Optimisation of Market Approaches	+ Strengthening of position in existing and adjacent markets
Optimisation of Current Structures	+ Optimal resource utilisation by constantly optimising the current structures as well as the existing international network

Within the framework of this objective, we optimised the maturity profile of the financing instruments of the K+S GROUP in financial year 2010. This involved the aggregation of two revolving credit lines to one syndicated credit line with more favourable terms as well as the extension of the term from April 2012 to July 2015.

/ **AN OVERVIEW OF THE MATURITY PROFILE** can be found on page 143.

Furthermore, in the year under review, we switched the financing of the seasonal financial requirements of MORTON SALT and ISCO in the American salt business from external bank loans to internal Group sources. We have thus achieved the goal of optimising costs by avoiding margin losses in the case of simultaneously investing and borrowing money.

/ **MORE INFORMATION ABOUT FUTURE FINANCING MEASURES** can be found in our Forecast Report on page 154.

ENTERPRISE MANAGEMENT

INTERNAL CORPORATE MANAGEMENT SYSTEM

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

+ optimal use of opportunities and achievement of synergies along with a limitation of risks in the best way possible,
+ optimal use of know-how available across the Group ("knowledge management").

The K+S GROUP's internal corporate management system mainly comprises the following components:

+ regular meetings of the Board of Executive Directors held at two-week intervals,
+ monthly rolling forecast of earnings and liquidity for the current financial year as well as for the two subsequent years,
+ monthly reports of the business segments,

+ quarterly management dialogue between the Board of Executive Directors and the heads of the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments,
+ commissions for capital expenditure, acquisitions/divestitures and personnel as well as groupwide committees such as the compliance committee, IT committee, marketing forum, committee for safety, health and environmental protection, etc. and
+ risk and opportunity management.

The K+S GROUP is managed through regular discussions between the Board of Executive Directors and the heads of business segments. In doing so, the corporate strategy is discussed and it is decided how it will be systematically implemented within the framework of annual and medium-term planning. To this end, targets are agreed between the Board of Executive Directors and the heads of business segments . The business segments report on a monthly basis about the development of key external early indicators and about internal corporate variables. The monitoring of a wide variety of external early indicators, such as the estimation of the market potential, forms the basis for our operating policy decisions, so that we can exploit our opportunities and prevent possible undesirable developments. As regards internal corporate variables, the focus is on commentation on current trends and target variances with respect to production, sales volumes, revenues, costs, earnings, personnel, capital expenditure as well as other financial indicators. On the basis of monthly rolling forecasts, information is provided on the development of the projected earnings figures of the current year. The goal is to analyse changes in the most important income and cost elements of the income statement compared both with the estimate made in the preceding month and with the plan in order to introduce corrective measures, if necessary. The development of liquidity is also shown by means of a monthly extrapolated cash flow statement. The basis for information is an electronic management information system (MIS).

Communication between the Board of Executive Directors and the heads of the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments is institutionalised within the framework of quarterly management dialogues. At each of the four events, an overview of the respective current market situation and the rolling forecast is provided. Furthermore, the main focuses of goal achievement and strategy are also established during the course of the year.

To support the management, at regular intervals, groupwide committees discuss topics concerning, among others, personnel, compliance, information technology and marketing. Special commissions have been established for the auditing, assessment and approval of capital expenditure and acquisitions/divestitures; the assessment of projects is normally based on the discounted cash flow method. Finally, within the framework of acquisitions, special teams are formed in order to create the organisational prerequisites for rapid and effective integration.

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

VALUE REPORTING

K+S pursues a policy of value-oriented reporting. We regard value reporting as a structured and regular form of reporting to the capital market, which makes it easier for providers of capital to determine the Company's value adequately. The focus is on the clear communication of our goals and their achievement. A comprehensive presentation of the tools used for capital market reporting can be found under 'Transparency' of the chapter 'Corporate Governance' on pages 26 et seq. Our financial targets and the performance indicators of the K+S GROUP can be found on pages 91 et seq.

COMPUTATION OF THE COST OF CAPITAL

The weighted average cost of capital rate for the K+S GROUP is derived from the aggregate of the interest claim to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax ratio.

The interest claim to which a contributor of equity would be entitled is derived from a risk-free interest rate plus a risk premium. The average of the yields of government bonds denominated in euros with a maturity of 1 to 30 years was assumed as the risk-free interest rate; at the end of 2010, this was 3.0 % (previous year: 4.2 %). The risk premium has been computed using the empirical mean for the market risk premium of 4.5 % (previous year: 4.5 %) and the longer-term-adjusted beta factor of 1.01 (previous year: 0.99) applicable to K+S in relation to the MSCI EUROPE benchmark index. This means that a contributor of equity would be entitled to a yield of 7.6 % (previous year: 8.7 %). At the start of November 2010, the market value of the equity amounted to about € 10.0 billion (previous year: € 7.6 billion) and is derived from the price of the K+S share on that reporting date (€ 52.26) multiplied by the number of shares issued (191.40 million shares).

The average interest on debt before taxes amounts to 4.0 % (previous year: 4.4 %) and is derived from the weighted average for the risk-free interest rate plus the credit risk supplement for the BBB/Baa2 rating of the financial liabilities of K+S as well as the interest on pension and mining provisions. After taking into account the adjusted corporate tax ratio of 26.2 %, this results in an average cost of debt after taxes of about 2.9 % (previous year: 3.3 %).

At the start of November 2010, the time the impairment test was carried out, interest-bearing debt amounted to € 1.5 billion, which was the aggregate of the market value of the financial liabilities as well as the present values of the pension provisions and of the provisions for mining obligations. Total capital was accordingly about € 11.5 billion, of which about 87 % was attributable to equity valuated at market prices.

In total, this results in a weighted average cost of capital rate after taxes for the K+S GROUP of about 7.0 % (previous year: 7.6 %) and a corresponding cost of capital rate before taxes of 9.5 % (previous year: 9.9 %).

FINANCIAL TARGETS

The focus of financial targets is on achieving a sustainable increase in the enterprise value of the K+S GROUP. Management of the activities of our segments is carried out on the basis of the operating earnings EBIT I. In our opinion, this is the appropriate earnings variable for describing the earnings capacity of the K+S GROUP. The most important financial target is to create value added, i.e. we sustainably want to earn a premium on our cost of capital. We use performance indicators such as return on capital employed (ROCE), value added as well as return on investment (ROI) to review these targets. / FIG: 4.2.3

/ **THE COMPARISON OF THE ACTUAL WITH THE FORECAST COURSE OF BUSINESS** on pages 106 et seq. includes the performance indicators EBIT I and EBITDA.

An additional important variable is earnings before interest, taxes, depreciation and amortisation (EBITDA). It forms the basis for determining the level of indebtedness, which, among others, is a target variable of the capital structure. As the EBITDA is not affected by write-downs on valuations made within the framework of purchase price allocations and as these have increased significantly after the acquisition of MORTON SALT, the EBITDA will in future be more important in assessing the operating earnings capacity.

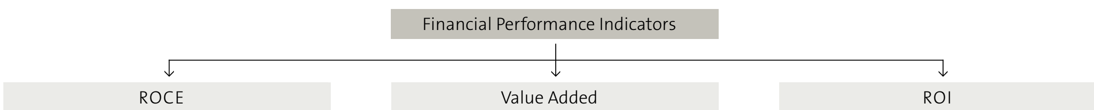
/ **THE TARGET VALUES FOR THE KEY INDICATORS FOR THE MANAGEMENT OF THE CAPITAL STRUCTURE** and their actually achieved values can be found on page 114.

It is our goal that the ROCE of the K+S GROUP should reach a value of at least 12 %. In the year under review, a ROCE of 20.9 % was achieved; this return is higher than the figure for the previous year (9.3 %), and was thus far above the target value. The value added of the K+S GROUP in the 2010 financial year was € 397.0 million. The higher earnings contributions of all business segments are decisive for the significant increase in both key indicators.

/ **DEFINITIONS OF THE KEY INDICATORS USED** here can be found on page 221.

Acquired companies should achieve a ROI of at least 10 % in the third year after acquisition. Already in the first year after acquisition, the acquisition of MORTON SALT achieved a ROI of 8.7 %, although the North American de-icing salt market was characterised by below-

FINANCIAL PERFORMANCE INDICATORS OF THE K+S GROUP FIG: 4.2.3



PERFORMANCE INDICATORS OF THE K+S GROUP TAB: 4.2.1

in %	2010	2009	2008	2007	2006
ROCE	20.9	9.3	64.0	15.5	17.4
Weighted average cost of capital before taxes	9.5	9.9	10.4	10.7	9.6
Value Added in € million	397.0	(16.2)	1,124.5	88.3	125.5
Return on equity	18.7	8.4	68.6	16.1	17.7[1]
Return on total investment	14.7	6.9	44.9	11.0	12.3

[1] The return on equity given refers to the adjusted Group earnings without non-recurrent deferred tax income of € 41.9 million.

average wintry weather conditions, the result was negatively impacted by write-downs on valuations to be made within the framework of purchase price allocation and potential synergies were not yet fully realised.

In considering financial ratios, we also attach importance to a high return on equity and total investment. At 18.7 % and 14.7 %, these yield ratios were significantly better than in the previous year (8.4 % and 6.9 %) and again achieved a good level. / TAB: 4.2.1

/ FURTHER RATIOS FOR CAPITAL STRUCTURE MANAGEMENT, the definition of their respective target ranges, and an analysis of the extent to which they met their targets can be found on page 114.

NON-FINANCIAL TARGETS AND SUSTAINABLE PERFORMANCE INDICATORS

A comprehensive presentation of non-financial key indicators can be found in our Corporate/Sustainability Report.

4.3 EMPLOYEES

The number of K+S GROUP employees shown includes the core workforce, trainees and temporary employees (without students and interns). The number of employees is computed on a full-time equivalent (FTE) basis, i.e. part-time positions are weighted in accordance with their respective share of working hours.

As of 31 December 2010, the K+S GROUP employed a total of 15,241 people. Compared with 31 December 2009 (15,208 employees), the number thus remained, as expected, almost unchanged. While the number of employees in the Nitrogen Fertilizers and Salt business segments each declined slightly, the Potash and Magnesium Products business segment started to increase its workforce in order to again achieve the full utilisation of annual capacity. Additionally, the personnel needs of the Potash and Magnesium Products business segment and of the holding companies increased due to greater activity in the sphere of environmental protection. Furthermore, the IT integration of MORTON SALT required an increase in the number of employees in K+S IT-SERVICES GMBH, which is one of the holding companies.

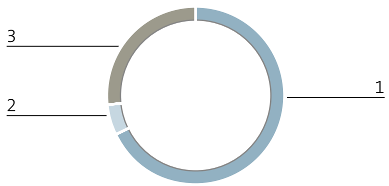
In terms of averages, a significant increase in the number of employees can be seen. In the year under review, an average of 15,168 people were employed at K+S (2009: 13,044). The increase, which was as well expected, is mainly due to the inclusion for the whole year of the employees of MORTON SALT, who were integrated into

EMPLOYEES BY BUSINESS SEGMENT TAB: 4.3.1

in Full-time Equivalents (FTE) as of 31. December[1]	2010	2009	%
Potash and Magnesium Products	7,900	7,818	+1.0
Nitrogen Fertilizers	1,226	1,249	(1.8)
Salt	5,235	5,279	(0.8)
Complementary Business Segments	280	278	+0.7
Holding units	600	584	+2.7
K+S Group	**15,241**	**15,208**	**+0.2**

[1] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

EMPLOYEES BY REGION AS OF 31 DECEMBER 2010 FIG: 4.3.1



	in %	2010	2009
1	Germany	67.9	67.1
2	Rest of Europe	5.6	6.2
3	Overseas	26.5	26.7

the K+S GROUP as of 1 October 2009 and thus influenced the average of the previous year only for one fourth of the year.

PERSONNEL EXPENSES

In 2010, the personal expenses of the K+S GROUP were € 1,019.3 million and therefore significantly above the level of the previous year (2009: € 756.4 million), according to expectations. The increase is attributable in particular to the first-time inclusion of MORTON SALT for the whole year, higher performance-related remuneration due to the improved earnings, collective agreement pay increases and the cessation of short-time allowance which was included in the previous year. Without the provision effects, pure personnel costs rose by € 261.6 million or 34 % to € 1,026.8 million compared with the previous year for the same reasons. A total of € 199.8 million was attributable to the inclusion of MORTON SALT for the whole year, € 149.6 million to the consolidation effect in the first nine months. In the previous year, the share of variable remuneration in personnel expenses accounted for € 95.3 million or a good 9 % (2009: € 60.2 million or just under 8 %).

/ **A COMPREHENSIVE VALUE ADDED STATEMENT** can be found in our Corporate / Sustainability Report on page 83.

In 2010, we paid a total of € 826.7 million in wages and salaries (+39 %) and € 166.4 million in social security contributions (+14 %). The expenditure on company pensions amounted to € 26.2 million in the year under review and was thus € 9.3 million above the level of the previous year; € 17.6 million were accounted for by MORTON SALT.

In the year under review, personnel expenses per employee amounted to € 67,205 (previous year: € 57,989) and therefore increased by about 16 %; this increase is attributable in particular to the inclusion of MORTON SALT for the first time, higher performance-related remuneration as a result of the improved result, collective agreement pay increases and the cessation of short-term allowances.

REGIONAL DISTRIBUTION, AGE STRUCTURE AND TURNOVER

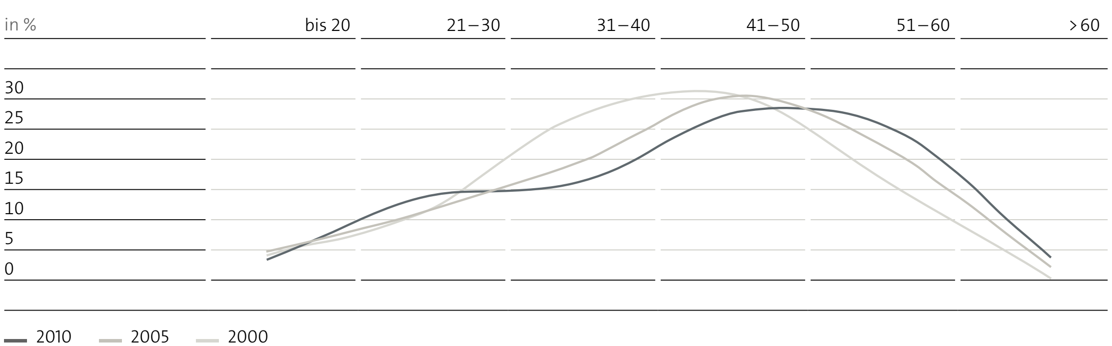
As a result of the increasing internationalisation of the K+S GROUP since 2006, a third of employees are now located outside Germany and more than a quarter outside Europe. / FIG: 4.3.1

A comparatively long length of service with the Company and a low turnover underscore the attractiveness of K+S as an employer. Thus, at 4 %, the turnover rate was at the low level of the previous year. In relation to the total workforce, the turnover based on employees handing in one's own notice of termination even amounted to only 1 %. As is the case with many other German industrial companies, our age structure is becoming concentrated in the 41 to 50 years age group; the average age of the K+S employees was unchanged at about 43 years (2009: 43 years). / FIG: 4.3.2

TRAINING

Length of service extending over many years and the related wealth of experience are important cornerstones of a sustainably successful personnel policy. However, this also involves the transfer of knowledge to younger employees and thus the methodical training of the next generation. This is an area in which we are already systematically laying the groundwork for tomorrow's growth. In 2010, 168 young people began vocational training with us in 15 professions at 15 K+S GROUP sites. As at 31 December 2010, we employed a total of 647 trainees, an increase of five trainees in comparison with the previous year. The German sites accounted for 645 of these trainees. At 6.2 %, the training ratio at the German companies was on the high level of the previous year. The training that we provide, which is planned for the long term and geared to needs, ensures the necessary availability of future employees in industrial, mining, commercial, chemical, IT and logistics occupations. On such training, in 2010, we spent about € 11.8 million in personnel expenses as well as € 3.0 million in materials costs (2009: personnel costs: € 10.5 million; materials costs: € 3.0 million). We are pleased that in the year under review, we were again able to take on about 90 % of the successfully qualified trainees. / TAB: 4.3.2

AGE STRUCTURE FIG: 4.3.2



TRAINING FIGURES TAB: 4.3.2

	2010	2009	2008	2007	2006
Total trainees (number)	647	642	615	614	620
German training ratio (%)	6.2	6.3	6.0	6.1	6.2
Training expenditure (€ million)	14.8	13.5	12.6	11.6	11.0

PERSONNEL DEVELOPMENT

The aim of our personnel development is, in future too, to continue to fill specialist and managerial positions primarily from our own ranks. Against the backdrop of the upcoming age-related loss of staff and the additional need for personnel due to the future growth of the K+S GROUP, enough qualified new employees must be gained and, in due time, prepared for growing and changing job requirements. We therefore regard personnel development as an investment in our employees and thus in the future of the K+S GROUP.

/ **FURTHER INFORMATION ABOUT OUR EMPLOYEES** can be found in the Corporate/Sustainability Report.

ADVANCED EDUCATION FIGURES [1] TAB: 4.3.3

	2010	2009	2008	2007	2006
Participants in advanced education measures	8,353	6,977	5,550	4,652	3,762
Advanced education expenditure in € million	8.6	6.3	4.4	3.8	3.4
Expenditure per participant in €	831	616	430	377	345

[1] Data relates exclusively to Germany.

The costs for personnel development in Germany amounted to about € 12.3 million (2009: € 9.7 million). Of this, € 8.6 million was attributable to further training measures (2009: € 6.3 million), € 3.6 million to advanced education measures (2009: € 3.3 million) and € 0.1 million to activities in the area of personnel marketing (2009: € 0.1 million).

Personnel development also plays an important role at our foreign sites. For example, work safety, health and the environment are issues that are important focuses of training at MORTON SALT.

ADVANCED EDUCATION

The provision of advanced education to our employees is becoming increasingly important because of rising and increasingly international requirements as well as technical innovations. In addition to advanced education measures that are required by law, the K+S GROUP also offers occupation-specific, occupation-transcending, as well as IT and language training. Employees receive direct support for new and complex tasks by means of process-accompanying training measures. In the annual or employee interviews, employees and their superiors jointly determine the advanced education requirements. In 2010, the number of participations in advanced education measures of our employees in Germany increased significantly to 8,353 (2009: 6,977). We invested about € 8.6 million in this (previous year: € 6.3 million), equivalent to € 831 per employee in Germany (previous year: € 616). Both the number and quality of the training sessions in the areas of management, specialist and methodologicaly competence were further increased. In addition, compliance workshops were offered for the first time in the second half of the year. Employees who work underground increasingly gained qualifications in handling large-scale equipment. In order to meet the challenges of increasing internationalisation, an important focus of further education was on foreign languages once again. / TAB: 4.3.3

FURTHER TRAINING

We provide promising employees from technical, mining and production areas with further training to become a technician or a more advanced qualification bringing with it the prospect of a management career. Our main partner is the Technical College for Economy and Technology (Fachschule für Wirtschaft und Technik – FWT) in Clausthal-Zellerfeld. At present, 80 employees are completing the second year of their technical training.

PERSONNEL MARKETING

Personnel marketing comprises measures for promoting the image of K+S as an attractive employer, trainee marketing and university marketing. In 2010, we presented ourselves at eleven university careers fairs and developed contacts to university-level institutions with a focus on mining and technology.

Since the winter semester 2008/09, we have also been offering the programme of grants “K+S min(d)ing”. We sponsor selected students with € 1,000 gross per semester for a total of two semesters. Within this period, they complete a three-month internship or a working student placement at K+S.

4.4 RESEARCH AND DEVELOPMENT

RESEARCH AND DEVELOPMENT ACTIVITIES

GOALS AND MAIN FOCUSES OF OUR R&D ACTIVITY

In principle, we pursue the following three goals with our research and development activities:

+ Increasing customer benefit
+ Conserving resources
+ Securing the growth of the K+S GROUP

Against this backdrop, we focus our research and development activities on two main areas: the optimisation of processes and the development of new and improved products. The continuous review and further development of procedures and processes in underground and above-ground production is intended to ensure the sustainable use of the resources available to us and an efficient deployment of capital, energy and personnel. To this end, we evaluate new technologies and materials and operate a research institute of our own focussing on treatment, process technology and analytics. Within the framework of developing new products and improving those we already offer, we are committed to practice-oriented research in the sphere of plant nutrition and to working out solutions in order to meet the higher demand for food and feed of a growing global population with changing eating habits, to secure yields in the face of climate change and to transfer knowledge to the less developed regions. Our agricultural application advice supports our customer, particularly in the use of our products worldwide.

In 2010, our efforts again focussed on developing new and improved production processes in order to reduce the inevitable solid and liquid production residue in potash production. Within the framework of the package of measures on water protection, further analyses were carried out and we pressed ahead with promising developments in the area of dry treatment technologies. The key focuses of the research on process technology were the further improvement of the existing production and refining processes as well as the flexibilisation of the processes for adapting to changed raw material, production or market conditions. Furthermore, the improvement of exploration procedures for potash and salt deposits was continued and a research cooperation with regard to the influence of the optimal application of fertilizers on the efficient use of water by the soil/plant system was successfully completed. In order to strengthen our application-oriented research, together with the Univesity of Göttingen, we established a joint research institute. At MORTON SALT, the main focus of research was on the further development of product alternatives for the reduction of the sodium content in food as well as product development in the water softening and de-icing salt segments.

To ensure an effective transfer of knowledge gained from research within the K+S GROUP and to optimise the leveraging of synergy potentials, all research activities are centrally controlled.

USE OF EXTERNAL R&D KNOW-HOW

The research strategy of the K+S GROUP comprises internal and external research activities. We regard cooperations as an important part of our research strategy, as it allows the effective transfer of knowledge from research to practice, access to an international network and the creation of synergies.

In 2010, € 2.5 million was spent on cooperation with external research institutions (2009: € 5.6 million); this is about 16 % of the total research and development costs of € 15.5 million spent in this financial year. The decline in external research costs is due in particular to the restructuring of the research activities in the Nitrogen Fertilizers business. Following the expiry of the cooperation with BASF, COMPO has made its research spending more flexible in relation to individual projects, and outsourced it to selected research centres and university-level institutes. Thus, the continuity of research and development is also ensured in the event of a possible sale of COMPO. In particular, we invested in the following areas:

INTERNATIONAL FIELD TESTING

We assign field tests to specialised and experienced farms worldwide, which are accompanied on a scientific basis either directly by our employees or by local agricultural institutes. This approach enables us to obtain valuable findings relating to a diverse range of crops growing in local soil conditions in various climatic zones and to adapt our products accordingly. Plant cultivation tests in the field of fertilizers are coordinated centrally by our departments for agricultural application consulting.

COOPERATION WITH THE INTERNATIONAL PLANT NUTRITION INSTITUTE

To optimise the fertilizer application strategies for palm trees, the IPNI (INTERNATIONAL PLANT NUTRITION INSTITUTE), Norcross, USA, is currently carrying out a project on 'Best Management Practice'. The project is directly supported financially by K+S KALI GMBH and its goal is to establish the concept under the commercial conditions of plantation companies in order to thus increase oil yields with the framework of sustainable and economical farming and to examine its performance from a practical perspective. The IPNI's many years of experience is of particular advantage in this field of research.

JOINT ESTABLISHMENT OF THE INSTITUTE OF APPLIED PLANT NUTRITION TOGETHER WITH THE UNIVERSITY OF GÖTTINGEN

In November 2010, K+S KALI GMBH and the University of Göttingen founded a joint research institute. For the organisationally and legally independent INSTITUTE OF APPLIED PLANT NUTRITION – IAPN, K+S will provide the start-up capital, funds for personnel and research on specific projects for K+S KALI GMBH. The provision of premises, including the covering of ongoing costs, are made available by the University of Göttingen. The Chair of Plant Nutrition of the University of Göttingen is responsible for scientific management with the support of the managing director of the sponsoring company, a wholly-owned subsidiary of K+S KALI GMBH. The aim is to create an interface between the academic world and business within the framework of a public-private partnership and to focus on practice-oriented research in the area of plant nutrition. The cooperation facilitates the bundling of knowledge and is particularly attractive thanks to the proximity to our K+S-research institute in Heringen and to the conformity of the main focuses of research. The knowledge gained can be promptly transferred via the K+S application consultants to practictioners.

MEDIATING RESEARCH PARTNERS THROUGH NINESIGMA®

To optimally exploit external resources and overcome new challenges in cooperation with suitable partners, since 2009, we have been working together with the service provider NINESIGMA®, Cleveland, USA, which mediates international research partners for us. The tender and selection process of NINESIGMA® enables us not only to gain access to providers of academic solutions worldwide, but also facilitates research cooperation with other industry partners, which do not yet number among our established suppliers.

COOPERATION WITH THE WETSUS RESEARCH PLATFORM

Within the framework of a further public-private partnership, we support the Dutch WETSUS research platform in work on the subject of 'blue energy'. This examines possibilities for obtaining electric power from the exchange between two solutions with very different salt concentrations, e.g. river water entering the sea.

COOPERATION WITH UNIVERSITIES

In economic, scientific as well as technical areas, we cooperate with universities, thus far predominantly in Germany. Across the country we provide financial support to univeristy graduates at undergraduate, diploma and doctoral level in those areas that are the focus of our R&D activities. This allows us to identify talent early on and to recruit a qualified new generation of employees for our Company. A main focus in 2010 was the cooperation with the technical universities of Aachen, Clausthal-Zellerfeld and Freiberg.

ORDERS AWARDED TO THE RESEARCH INSTITUTES OF BASF

Cooperation with BASF was put on a new contractual basis, which enables K+S NITROGEN to award orders to BASF flexibly and in relation to individual projects, while at the same time remainning able to cooperate with other university-level and research institutes. In 2010, research into innovative nitrogenous fertilizers was continued on our instructions at the BASF research institutes.

RESEARCH FIGURES

RESEARCH COSTS AND DEVELOPMENT-RELATED CAPITAL EXPENDITURE

In the period under review, research costs totalled € 15.5 million and were thus below the level of the previous year (2009: € 18.7 million). The majority of the research costs can again be attributed to the improvement of production processes for minimizing solid and liquid production residue in potash production. The decline is attributable in particular to the flexibilisation and shift-

RESEARCH FIGURES TAB: 4.4.2

in € million	2010	2009	2008	2007	2006
Research costs	15.5	18.7	18.1	15.5	13.8
Research intensity (Research costs / revenues)	0.3 %	0.5 %	0.4 %	0.5 %	0.5 %
Capitalised development-related capital expenditure	2.2	1.8	2.8	2.7	2.0
Employees as of 31 Dec. (number)	78	78	65	56	51

ing of research activities in the Nitrogen Fertilizers business segment. As measured by revenues, the research intensity of the K+S GROUP is 0.3 % (2009: 0.5 %). This is justified by the very long product lifecycle of our products based on mineral raw materials. / TAB: 4.4.1

Under IFRS, certain development costs have to be capitalised in the balance sheet. During the year under review, at about € 2.2 million, this development-related capital expenditure was significantly above the level of the previous year and was made mainly in the Nitrogen Fertilizers and Potash and Magnesium Products business segments. The increase in development-related capital expenditure is attributable to the postponement of development projects to 2010 at those sites affected in 2009 by short-time working. Capitalisation will result in depreciation charges for development-related capital expenditure over the coming years, however, at a relatively low level. / TAB: 4.4.2

RESEARCH COSTS TAB: 4.4.1

in € million	2010	2009
Potash and Magnesium Products	5.2	6.8
Nitrogen Fertilizers	3.0	6.1
Salt	2.5	1.3
Other research costs	4.8	4.5
Total	**15.5**	**18.7**

RESEARCH PERSONNEL

At 78, the number of employees involved in research remained constant year on year. / FIG: 4.4.1, 4.4.2

SELECTED RESEARCH AND DEVELOPMENT PROJECTS AND RESULTS

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

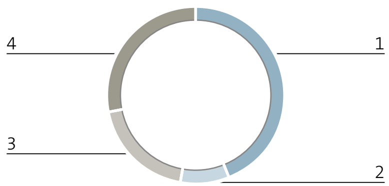
IMPROVEMENT IN THE EFFICIENCY OF THE USE OF WATER BY THE SOIL / PLANT SYSTEM

The improvement in the use of water will remain one of the pivotal challenges of the future. Agricultural production also has to make its contribution to this. An important question is which role the plant nutrients like potassium play in this processs. It is for this reason that a research cooperation between the universities of Halle, Kiel and Giessen has been promoted by K+S KALI GMBH. The laboratory and field tests were completed in 2010. It was demonstrated that in the soil / plant overall system, an optimal supply primarily of potassium can improve the ability to use water. The application of potassium fertilizer thus saves water, i.e. with an existing volume of water it is possible to achieve a higher yield, or less water is needed for a target yield. It was possible to identify the reasons for this relationship. The comprehensive scientific findings are to be published in 2011 in reputable specialist journals and form the basis for a better understanding of the effect of nutrients and ultimately result in improved recommendations on the use of fertilizers.

DIAGNOSIS OF THE SUPPLY STATUS OF PLANTS

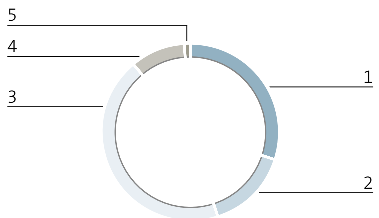
In order to be able to say more about the fertilizer needs of soils and plants, research was carried out using new sensors, which should make possible a simpler, more reliable and more precise diagnosis of the supply status of plants. It transpired that in sustainable advice on fertilizers regarding nutrients such as potash, magnesium and phosphates, the soil plays a central role; in future, this will be further investigated.

RESEARCH AND DEVELOPMENT QUALIFICATION STRUCTURE FIG: 4.4.1



	in %	2010	2009
1	Vocational qualification	44	45
2	Master craftsmen / Technicians	9	10
3	College graduates	19	14
4	Doctorate degree	28	31

RESEARCH AND DEVELOPMENT PROFESSIONAL GROUPS FIG: 4.4.2



	in %	2010	2009
1	Natural scientists	30	29
2	Engineers	15	14
3	Laboratory specialists	44	46
4	Commercial occupations	10	10
5	Other	1	1

RESEARCH INTO AND DEVELOPMENT OF DRY TREATMENT TECHNOLOGIES

Within the framework of the package of measures on water protection, further research was carried out and we pressed ahead with promising developments in the area of dry treatment technologies.

OPTIMISATION OF EXPLORATION PROCEDURES

The optimisation of exploration procedures for the deposits was continued in 2010. The objective is to make better forecasts for mining planning possible.

NITROGEN FERTILIZERS BUSINESS SEGMENT

RESEARCH INTO THE YIELD EFFECT OF NITROGEN FERTILIZERS

The effectiveness of different nitrogen fertilizers was investigated on numerous agricultural crops and under a wide variety of different conditions in local soils, in order to demonstrate the benefits offered by our products.

RELEVANCE TO THE ENVIRONMENT OF SULPHATE AND NITROGEN EMISSIONS IN THE APPLICATION OF FERTILIZERS

Under precisely controlled test conditions, the washing out of sulphate in the soil and the emission of laughing gas (N_2O) by nitrogen fertilizers were measured on the basis of multi-year testing. The aim is to verify the environmental-friendliness of our products.

RESEARCH INTO THE SUITABILITY OF NEW NITRIFICATION INHIBITORS IN THE APPLICATION OF FERTILIZERS TO POTATOES

The suitability of new inhibitors was further analysed in relation to fertilizers applied to potatoes. The use of these inhibitors reduces the washing out of nitrogen in the soil, so that actually more of the applied nitrogen is available to the plant. The development work for this is planned to last several years and is going to plan.

RESEARCH INTO A UREASE INHIBITOR

Within the framework of the research activities of K+S NITROGEN a urease inhibitor was developed, which can considerably reduce ammonia losses during the application of urea and thus facilitates a more efficient supply of nitrogen.

SALT BUSINESS SEGMENT

RESEARCH IN THE AREA OF CHLORINE-ALKALINE ELECTROLYSIS

In 2008 and 2009, in cooperation with a major customer in Europe, who changed his chlorine-alkaline electrolysis process to the modern membrane process, a special concept was developed for providing a high-quality supply of rock salt instead of evaporated salt. As the mining of rock salt uses less energy than the production of evaporated salt through the evaporation of brine, the aim here is to cut CO_2 emissions. In 2010, this concept was investigated even more intensively with a further leading user of salt in the chemical industry. Furthermore, in 2010, a software for the simulation of different qualities of salt for chlorine-alkaline electrolysis was developed with the Universidad Catolica de Chile. The Salt business segment has created a group of experts on this topic in order to optimally exploit synergies.

ONLINE MEASUREMENT IN PROCESS CONTROL

Within the framework of process control and management and thus quality assurance, procedures for online measurement were implemented at the sites. These enable us to measure quality-related operating parameters in real time and thus manage production and refining processes optimally.

OPTIMISATION OF EXTRACTION MANAGEMENT AND FACILITY SITES IN OPEN-CAST MINING

In our open-cast mines in the Chilean Atacama desert, in 2010, together with the Technische Universität Clausthal-Zellerfeld we pressed on with the modelling of salt deposit, in order to ensure an optimisation of the open-cast mining layout and the extraction as well as the best possible location of sites of new processing plants.

INNOVATIVE DE-ICING AGENTS

MORTON SALT examined new and improved recipes and application recommendations for de-icing agents with the aim of offering consumers and commerical users possibilities to use them at even lower temperatures, to reduce corrosion and to optimise the volumes used as well as the effect in areas with a low density of traffic such as car parks and housing estates.

FURTHER DEVELOPMENT OF WATER-SOFTENING SALTS

In 2010, MORTON SALT developed the next generation of water-softening salts. The goal is to remain the market leader thanks to innovative products.

SODIUM REDUCTION IN FOOD

In order to enable food manufacturers in the USA to fulfil the guidelines on nutrition there, flavour-enhancing formulations for dietary salts were developed.

At regular intervals, all research projects are jointly examined in cooperation with the clients in relation to their progress, applicability, framework conditions, the probability of realization and potential returns.

BRAND PORTFOLIO AND PATENTS

In 2010, the K+S brand portfolio grew by 476 registrations and additions. As umbrella brands, the K+S GROUP uses, for example, ALGOFLASH®, CÉRÉBOS®, COMPO®, GESAL®, MORTON®, SEM®, UMBRELLA GIRL®, VATEL® and WINDSOR®. As product brands, for example, ACTION MELT®, AXAL®, BLAUKORN®, BLIZZARD WIZARD®, COMPO-SANA®, ENTEC®, FLORANID®, KORN-KALI®, NITROPHOSKA®, PATENTKALI®, SAL LOBOS® and VOROX® are used. A total of 289 brand rights that were no longer used were abandoned. On the reporting date, the K+S GROUP thus held 5,345 (2009: 5,158) national proprietary rights deriving from 1,110 basic trademarks. The K+S GROUP's global patent portfolio currently numbers 87 patent families, which are protected by 377 (2009: 357) national rights. The patents are used, for example, in the areas of electrostatic preparation processes, the production of granulates and flotation. Furthermore, we hold patents for new processes for the production of fertilizers and anti-caking agents, as well as for the fertilization through irrigation of substrates used in agriculture or horticulture. 30 trademarks were newly registered and ten were cancelled in 2010. No licence fees were generated.

4.5 OVERVIEW OF COURSE OF BUSINESS

MACROECONOMIC ENVIRONMENT

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 4.5.1

real in %	2010	2009	2008	2007	2006
Germany	3.6	−4.7	+1.3	+2.5	+2.9
European Union (EU-25/EU-27)	1.7	−4.2	+1.2	+3.1	+3.3
World	4.9	−0.8	+3.1	+4.8	+5.3

Source: Deka Bank

After a sharp economic downturn during the 2009 financial crisis, the global economy recovered significantly in 2010. At 4.9 %, the increase in the gross domestic product was even higher than expected in the Quarterly Financial Report Q3 / 10. The upturn came in particular from the emerging market countries, while growth in the industrialised nations lost momentum during the course of the year. The reasons for this were the expiry of economic stimulus programmes in numerous countries and the debt crises in some European countries. Over the year, inflation accelerated tangibly, above all due to rising raw material prices. / TAB: 4.5.1

In the eurozone the economy was largely robust in 2010. In individual member states, particularly in Germany, a notable upswing was observed. In the second half of the year, however, the pace of expansion slowed slightly. In 2010, the gross domestic product in Germany grew significantly by 3.6 % after a decline of 4.7 % in the previous year. In some other European countries, on the other hand, the situation was muted: In Spain and Ireland the gross domestic product barely grew during the year, and the Greek economy slid into a deep recession. The gross domestic product of the eurozone as a whole nevertheless rose by 1.7 %. The inflation increased to 2.0 % towards the end of the year, particularly as a consequence of rising energy prices. The utilisation of the euro parachute by some states did not result in a sustainable calming of the capital markets. The risk premiums for government bonds of individual states were still at a very high level at the end of the year. THE EUROPEAN CENTRAL BANK'S (ECB) base rate remained unchanged at 1.0 % throughout 2010.

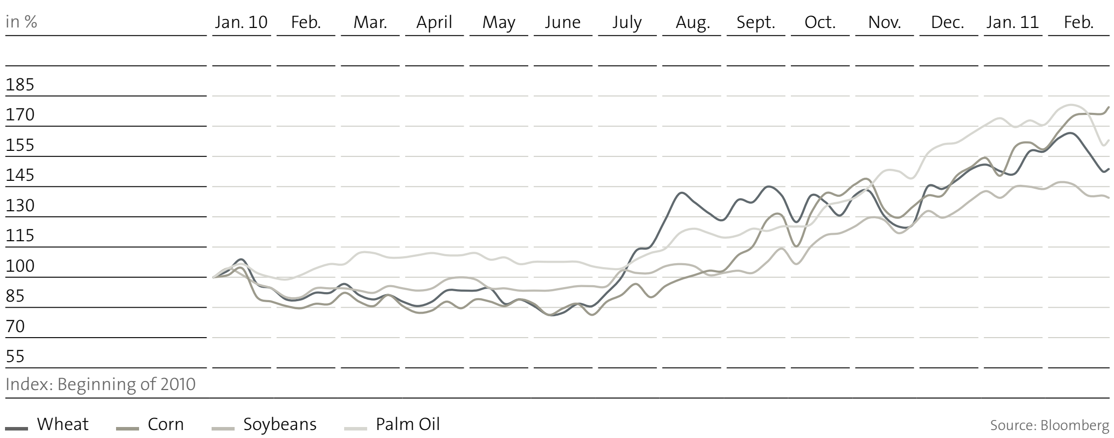
In the USA, the economic recovery lost some of its momentum in the course of the year. After total economic production had risen dramatically at the start of the year, the increase in production slowed with the expiry of economic stimulus programmes and with the effects of the storage cycle in the summer months. In 2010, the gross domestic product, however, rose by 2.9% and consumer prices by 1.6%. The situation on the employment market improved moderately in the course of the year, while the unemployment rate fell from its high of 9.5% in the middle of the year to only 9.4% towards the end of the year.

In the emerging market countries too, growth slowed down after a powerful upswing in the first half of the year. The main reason for this was the more restrictive economic and monetary policy towards the end of the year, which was intended to prevent the economy from overheating.

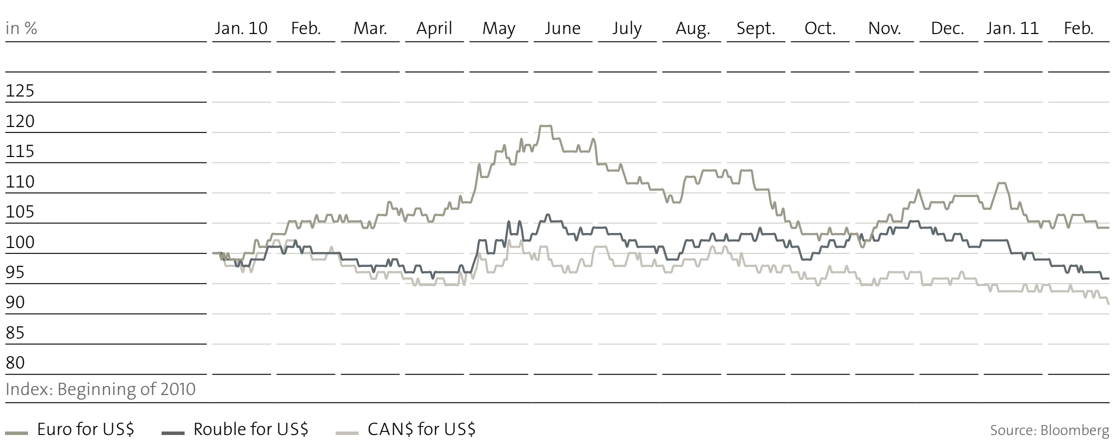
There was no uniform picture on the raw materials markets during the course of the year. After a temporary weakening the oil price rose tangibly towards the end of the year and hit its high of US$ 94.75 per barrel at the end of the year. With an average price of a good US$ 80 during the year, a barrel of oil cost approximately US$ 17 or 27 % more than in 2009. Most basic materials, such as metals, followed the oil price and hit their highs towards the end of the year. Agricultural commodities rose in price too significantly by the end of the year due to harvest shortfalls in Russia and North America after a temporary sideways movement in the first half of the year. / FIG: 4.5.1

Developments on the international foreign exchange markets were influenced by the volatile development of the US dollar. After the US dollar weakened to a level

DEVELOPMENT OF PRICES FOR AGRICULTURAL PRODUCTS FIG: 4.5.1



DEVELOPMENT OF EUR/USD VS. CAD/USD AND RUB/USD FIG: 4.5.2



of 1.45 USD/EUR at the start of the year, by the middle of the year, it rose to over 1.19 USD/EUR. In the second half of the year, the US dollar again depreciated significantly, and at the end of December the euro exchange rate was 1.34 USD/EUR, however, 7 % stronger than it had been a year before (31 December 2009: 1.44 USD/EUR). In terms of the average for the year, the US dollar stood at 1.33 USD/EUR and thus gained by just under 5 % (2009: 1.39 USD/EUR).

IMPACT ON K+S

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

+ Above all in the second half of 2010, the recovery in the prices of agricultural products resulted in a tangible increase in demand for fertilizers. After the sales volume of the Potash and Magnesium Products business segment had declined to 4.35 million tonnes in financial year 2009 and only about 50 % of the production capacity had been used, the business segment again sold 6.99 million tonnes in 2010 and thus again achieved a high level of utilisation.
+ Our production costs are influenced to a considerable degree by energy costs, particularly with regard to gas. As a result of the energy supply clauses agreed with our suppliers, changes in energy prices in the Potash and Magnesium Products business segment are in part only reflected in our cost accounting with a delay of six to nine months. Against this backdrop, the higher level of energy prices at the turn of 2009/2010 resulted in a slight increase in energy

costs as of the third quarter of 2010 only. The increase in energy prices observed in the second half of 2010 did not exert a material impact on the K+S GROUP's energy costs last year.

+ In comparison to a year ago, for the Potash and Magnesium Products business segment, an average of 1.35 USD/EUR incl. hedge costs meant a significantly more favourable conversion rate than in the previous year (2009: 1.48 USD/EUR).
+ In addition to the USD/EUR currency relationship, a relative comparison of the euro and the currencies of our competitors each in relation to the US dollar is also of importance for us. For most potash producers in the world, a weak US dollar has a negative impact on earnings capacity in their particular domestic currency; this stems from the fact that the major part of global potash production takes place outside the US dollar zone, but almost all sales, with the exception of the European market, are invoiced in US dollars. Figure 4.5.2 shows that particularly in the first half of the year, the K+S GROUP managed to profit from the strength of the US dollar against the euro in its fertilizer business. The advantage was greater in comparison to competitors from Canada and Russia, but diminished again significantly from its highs at the start of June.

/ **AN EXPLANATION OF THE MEASURES FOR MITIGATING ENERGY PRICE RISKS** can be found in the Risk Report on page 139.

INDUSTRY-SPECIFIC FRAMEWORK CONDITIONS

FERTILIZER BUSINESS SECTOR

In comparison to the previous year, financial year 2010 was characterised by a normalising and thus significantly higher demand for fertilizers. At the start of the year under review, demand from the trade in the northern hemisphere again rose considerably, so that the very low inventories of fertilizers following the reluctance to purchase observed the previous year could again be built up ahead of the spring season. The agricultural industry also returned to sustained consumption behaviour to a large extent. In light of a greatly reduced use of fertilizers in 2009 and the resultant risk for the yield of the coming harvests, due to lower nutrient contents in the soil, the agricultural sector significantly again increased its use of fertilizers worldwide. The sharp increase in international cereal prices that started in the second half of the year and the accompanying improved income situation of farmers, as shown exemplarily in figure 4.5.3, then even further boosted the demand for fertilizers. / **FIG: 4.5.3**

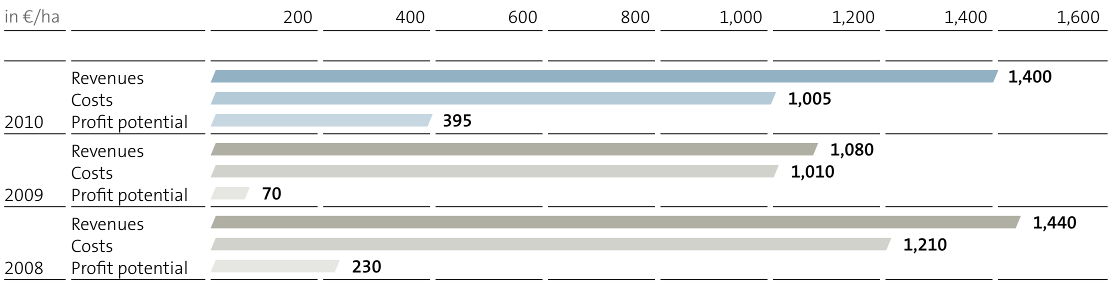
/ **THE DEVELOPMENT OF PRICES OF AGRICULTURAL PRODUCTS** is shown in figure 4.5.1 on page 102.

The significantly rising global demand for potash from 31 million tonnes in 2009 to an estimated 57 million tonnes in 2010 resulted in the utilisation of capacity of most potash producers again achieving a relatively high level against the backdrop of significantly declining inventories during the course of the year. This had effects on the price development of potassium chloride. Following the conclusion of contracts by some potash suppliers with Chinese and Indian customers at the end of 2009 and the beginning of the year under review at US$ 350 and US$ 370 per tonne respectively for potassium chloride standard including freight, a global price level of between US$ 350 and US$ 400 per tonne was established for potassium chloride including freight in the second quarter. At the end of August, the Russian-Belarusian export organisation BPC announced prices for the Asian market of US$ 405 per tonne for potassium chloride standard and US$ 420 per tonne for granulated potassium chloride respectively, and for the Brazilian market of between US$ 410 and US$ 420 per tonne for granulated potassium chloride. At the end of November, BPC announced prices of between US$ 440 and US$ 450 per tonne respectively for granulated potassium chloride for the Asian and Brazilian markets. K+S also raised its prices for granulated potassium chloride in Europe in the course of the year from € 285 to € 335 per tonne and also adjusted the prices for other potash and magnesium products correspondingly.

In the first half of the year, the European production facilities for nitrogen fertilizers were already operating with a high level of utilisation, and in the second half of the year even at full capacity. The prices for nitrogen fertilizers therefore rose significantly over the year in view of higher input costs.

/ **THE MARKET POSITIONS OF THE BUSINESS SEGMENTS** can be found in the 'Group Structure and Business Operations' section on pages 77 et seqq.

PROFIT DYNAMICS FOR WHEAT IN GERMANY FIG: 4.5.3



2010: Wheat price (e): 200 €/t, Yield (e): 7 t/ha   2009: Wheat price: 135 €/t, Yield: 8 t/ha   2008: Wheat price: 180 €/t, Yield: 8 t/ha

Assumptions: without agricultural subsidies, 100 % use of mineral fertilizers (no organic fertilizing), straw stays in the field (straw fertilizing), for lower yields, lower fertilizer requirement adjusted accordingly; Sources: Kuratorium für Technik und Bauwesen in der Landwirtschaft e. V. (KTBL), LAND & Forst, Agrarstatistik Destatis, Guidelines for Fertilizer Use in German Federal States, Euronext.

SALT BUSINESS SECTOR

DE-ICING SALT – WESTERN EUROPE

In the first quarter, the exceptional and omnipresent winter resulted in very high demand, which was not possible to meet completely even through the maximal utilisation of the available local production capacities. Against this backdrop, there were more imports, and even food-grade and industrial salts were used as de-icing agents. After a still hesitant early stocking-up in the second quarter, the European tenders in the third quarter were concluded with tangible higher prices. The short and intensive early stocking-up phase that commenced at that point resulted in all European production facilities operating at full capacity again. The strong onset of winter that occurred once more in December again confronted the European producers with exceptionally great challenges. The record demand could not be fully met despite more imports from overseas.

DE-ICING SALT – NORTH AMERICA

While the winter in the USA passed relatively normally during the first quarter, Canada experienced a very mild wheather. In terms of early stocking-up, the position was thus made more difficult for suppliers in relation to the local invitations to tender by still relatively high stocks and increasing competitive pressure on the East Coast. This resulted in moderate price declines and generally lower contract volumes. A relatively late onset of winter in the fourth quarter meant that while demand improved in comparison to a weak same quarter in the previous year, it was nonetheless below average.

INDUSTRIAL SALT

The European industrial salt market was characterised by an overall positive demand trend. The performance of the industrial salt market in North America developed relatively stable. A certain degree of reluctance to purchase due to a difficult economic environment was still experienced in the case of water-softening products. In South America, the business was relatively stable.

FOOD GRADE SALT

The demand for food grade salt in Europe and North America proved to be relatively stable on a high level in the year under review. In South America, the situation on the market for food grade salt normalised during the course of the year, after demand had risen significantly at the start of the year due to the earthquake in Chile.

SALT FOR CHEMICAL USE

As for salt for chemical use, demand in Europe normalised thanks to a stabilising economic recovery. However, this was not yet true for the North American market. In the South American market for salt for chemical use, competitive pressure increased as a result of the earthquake and of customers being adversely impacted by higher energy costs.

KEY EVENTS AFFECTING THE COURSE OF BUSINESS

+ In 2010, the international fertilizer market was characterised – as has already been pointed out in the 'Industry-specific framework conditions' section – by a strong increase in demand. This resulted in the utilisation of capacity of most potash producers again reaching a relatively high level against the backdrop of significantly declining inventories during the course of the year, so that K+S, also in light of a rising global market price level, was able to raise the prices for granulated potassium chloride in Europe in the course of the year from € 285 to € 335 per tonne. The European production facilities for nitrogen fertilizers were already operating at high capacity in the first half of the year and, in the second half, even at full capacity. The prices for nitrogen fertilizers also rose significantly in view of increasing input costs.
+ On 2 April 2009, K+S signed an agreement to acquire MORTON SALT. Closing took place on 1 October 2009. The initial inclusion of MORTON SALT for the whole year in 2010 produced a consolidation effect amounting to € 582.2 million in revenues and € 68.6 million in operating earnings. The contribution to earnings was adversely affected by depreciation on value adjustments to be made within the framework of purchase price allocation, as well as by integration costs and one-off effects from revaluation and consolidation within the valuation of inventories in accordance with IFRS.
+ Sales volumes of de-icing salt largely depend on winter weather conditions during the first and fourth quarters. Against this backdrop, the positive de-icing salt business in Europe described in 'Industry-specific framework conditions', which was above the multi-year average in terms of sales volumes, resulted in a significant increase in revenues and earnings in the Salt business segment.

TREND IN SHARE PRICE

The K+S share gained 40.9 % during the year under review. You can find a detailed description of the K+S share price, price trends, ratios and further important information about the K+S share in the section 'K+S on the Capital Market' on pages 11 et seqq.

GENERAL STATEMENT OF THE BOARD OF DIRECTORS ON THE COURSE OF BUSINESS IN 2010

In comparison to a rather low starting point for 2009, a year negatively impacted by the financial and economic crisis, the course of business in 2010 showed a very welcome development, which most of us would scarcely have dared to imagine a year ago. It is true that already at the start of the year under review the trade sector showed a high catch up demand in order to again build up the very low stocks of fertilizers ahead of the spring season. However, this alone would have not been sufficient to speak of a normalisation of the demand for fertilizers, because for this it was also necessary that farmers too returned to sustained consumption behaviour. Happily, this did happen, because the considerably lower use of fertilizers in 2009 had resulted in relatively low nutrient content in the soil and thus to a greater risk of lower yields in coming harvests. The sharp increase in international cereal prices that started in the second half of the year and the accompanying improved income situation of farmers then even further boosted the demand for fertilizers. These effects resulted in an increase in our sales volumes of fertilizers of more than 40 %. For the Salt business segment, we expected already at the beginning of the year that the first consolidation of MORTON SALT for a whole year should have a positive impact on our business. Additionally, both at the start and at the end of the year we experienced a winter in Europe of an intensity that had not been seen for many years. While the long-term average and thus the sales volume budget for our European salt subsidiary ESCO is about 2 million tonnes of de-icing salt, more than twice that much was sold here alone last year. We are pleased that the K+S GROUP was able to achieve significant increases in its revenues and earnings and thus emerged from the crisis strengthened.

COMPARISON OF ACTUAL AND PROJECTED COURSE OF BUSINESS

REVENUE FORECAST

The forecast for 2010 made by the Board of Executive Directors on 23 February 2010 as part of the Financial Report 2009 assumed that revenues would increase significantly in relation to the previous year's level (€ 3.6 billion), given an anticipated US dollar rate of 1.39 USD/EUR. At that time it was still unclear whether the positive sales volume situation in the Potash and Magnesium Products business segment at the start of 2010 was only a normalisation of the inventories of the trade sector or a sustained normalisation of demand from end customers. Against this backdrop, the outlook was based on an expected increase in sales volumes to just under 6 million tonnes of goods in the Potash and Magnesium Products business segment (2009: 4.3 million tonnes). However, already at that time we held out the prospects of increasing this forecast, assuming a good spring season. The sales volume forecast of the Potash and Magnesium Products business segment was then raised in May, with the publication of the Quarterly Financial Report Q1/10, to a good 6.5 million tonnes of goods against the backdrop of continued strong demand. The outlook of the Half-yearly Financial Report H1/10 published in August for the first time contained a specific range of expected revenues of between € 4.6 and € 5.0 billion, based on a newly raised sales volume forecast for the Potash and Magnesium Products business segment of 6.5 to 7.0 million tonnes of goods. This outlook was

ACTUAL VS. FORECAST COMPARISON TAB: 4.5.2

		Forecast Financial Report 2009 + Q1/10	Forecast H1/10	Forecast 9M/10	ACTUAL 2010	ACTUAL 2009[1]	%
K+S Group							
Revenues	€ billion	Significant increase	4.6 to 5.0	4.8 to 5.0	5.0	3.6	39.7
EBITDA	€ million	Significant increase	800 to 850	880 to 920	975.2	411.8	136.8
Operating earnings (EBIT I)	€ million	Significant increase	550 to 600	630 to 670	726.9	238.0	205.4
Group earnings, adjusted	€ million	Significant increase	330 to 370	375 to 405	445.3	93.6	375.7
Earnings per share, adjusted	€	Significant increase	1.75 to 1.95	1.95 to 2.10	2.33	0.56	316.1
Capital expenditure[2]	€ million	260	210	200	201.0	177.6	7.8
Depreciation and amortisation[2]	€ million	230	250	250	248.3	173.8	42.9
Energy costs[3]	€ million	Moderate increase	Significant increase	Significant increase	265.8	210.7	26.2
Personnel expenses[3]	€ million	Moderate increase	Significant increase	Significant increase	1,019.3	756.4	34.8
Costs of freight[3]	€ million	Significant increase	Strong increase	Strong increase	790.0	521.8	51.4
Potash and Magnesium Products business segment							
Sales volume	million tonnes	FR 09: almost 6.0 Q1/10: a good 6.5	6.5 to 7.0	6.7 to 6.9	6.99	4.35	60.7
Salt business segment							
Sales volume crystallised salt	million tonnes	n/a	21 to 22	22	22.53	14.81	52.1
– of which de-icing salt	million tonnes	n/a	12 to 13	13	13.49	8.96	50.1

[1] Since Q4/2009 incl. Morton Salt.
[2] Cash-effective investments in or depreciations on property, plant and equipment, intangible assets.
[3] Consolidation-related effects of the acquisition of Morton Salt were faded out for the forecast.

further concretised in the Quarterly Financial Report Q3/10 with expected revenues of € 4.8 to € 5.0 billion.

In 2010, the revenues of the K+S GROUP reached € 5.0 billion and thus were, as expected, significantly above the previous year's level and at the upper end of the forecast range.

EXPENSES FORECAST

In the Financial Report 2009, we forecast that the total costs would probably rise significantly in comparison to the previous year, mainly due to the first-time consolidation of MORTON SALT. Without this consolidation-related effect, we expected a moderate increase in personnel and energy costs, and a significant one in costs of freight. We expected depreciation and amortisation charges, including MORTON SALT, to amount to about € 230 million. In the framework of the higher expected sales volumes of the Potash and Magnesium Products business segment, since the publication of the Half-yearly Financial Report H1/10, we forecast a significant increase in energy and personnel costs as well as a sharp increase in costs of freight. The depreciation and amortisation charges forecast was raised to about € 250 million.

In 2010, personnel expenses stood at € 1,019.3 million and were, as expected, significantly higher than in the previous year. For energy costs, we expected a significantly higher level. An increase of 26 % to € 265.8 million confirmed this forecast. For costs of freight, we assumed a sharp increase; at € 790.0 million, this cost position rose by 51 %. For depreciation and amortisation charges, we forecast € 250 million; in 2010, they stood at € 248.3 million.

EARNINGS FORECAST

The earnings outlook which was formulated by the Board of Executive Directors on 23 February 2010 in the 2009 Financial Report and confirmed in the Quarterly Financial Report Q1/10 assumed that operating earnings EBIT I would be significantly higher in the 2010 financial year than in the previous year. In the Half-yearly Financial Report H1/10 we narrowed this forecast down to a range of € 550 million to € 600 million and raised it with the publication of the Quarterly Financial Report Q3/10 to € 630 million to € 670 million. The reasons for this were in particular to be found in the rising earnings expectations of the Potash and Magnesium business segment over the year, which, like the Nitrogen business segment, profited from significantly higher demand for fertilizers. Finally, operating earnings in 2010 as a whole roughly tripled to € 726.9 million in comparison to the figure for the previous year (€ 238.0 million) and thus exceeded the forecast amount published in the Quarterly Financial Report Q3/10 by 8 %. This is primarily attributable to the positive development of the de-icing salt business in Europe in the fourth quarter. / TAB: 4.5.2

4.6 EARNINGS POSITION

AT € 5.0 BILLION, REVENUES RISE 40 % YEAR ON YEAR

In financial year 2010, we achieved revenues of € 4,993.8 million, which was 40 % above the figure for the previous year. A certain seasonality was evident from the quarterly revenues figures posted during the course of the year: Thus, the first quarter tends to be the strongest and third quarter the weakest. In terms of volumes, the Fertilizer business sector usually profits in the first quarter from the start of the spring fertilizing season in Europe; although the autumn fertilizing season occurs in the third quarter, it is, however, less important than the spring fertilizing season in terms of sales volumes. The de-icing salt business is normally focused on the first and fourth quarters of a year, while during the second and third quarters, customers stock up at prices that are usually more favourable. / TAB: 4.6.2

/ A DETAILED EXPLANATION OF THE REVENUES OF THE INDIVIDUAL BUSINESS SEGMENTS can be found on pages 122 et seqq.

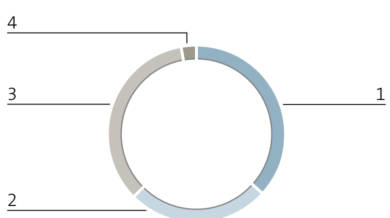
VARIANCE ANALYSIS TAB: 4.6.1

in %	2010
Change in revenues	**+39.7**
volume/structure	+27.8
prices/price-related	(6.5)
exchange rates	+2.1
consolidation	+16.3

REVENUES BY BUSINESS SEGMENT TAB: 4.6.2

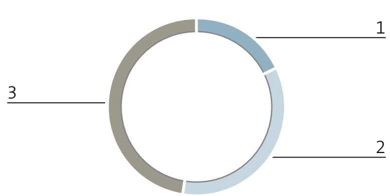
in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Potash and Magnesium Products	498.4	463.5	417.8	465.0	1,844.7	1,421.7	+29.8
Nitrogen Fertilizers	385.5	287.4	306.1	307.2	1,286.2	1,016.2	+26.6
Salt	616.4	275.3	305.2	531.8	1,728.7	1,014.6	+70.4
Complementary Business Segments	33.2	32.2	31.8	36.5	133.7	120.7	+10.8
Reconciliation	0.1	0.1	0.3	0.0	0.5	0.6	(16.7)
K+S Group	**1,533.6**	**1,058.5**	**1,061.2**	**1,340.5**	**4,993.8**	**3,573.8**	**+39.7**
Share of total revenues (%)	30.7	21.2	21.3	26.8	100.0	—	—

REVENUES BY BUSINESS SEGMENT FIG: 4.6.1



	in %	2010	2009
1	Potash and Magnesium Products	36.9	39.8
2	Nitrogen Fertilizers	25.8	28.4
3	Salt	34.6	28.4
4	Complementary Business Segments	2.7	3.4

REVENUES BY REGION FIG: 4.6.2



	in %	2010	2009
1	Germany	18.0	18.0
2	Rest of Europe	34.5	35.1
3	Overseas	47.5	46.9

The increase in revenues in 2010 is particularly attributable to positive volume and consolidation effects, which were able to more than make up for negative price effects. The Potash and Magnesium Products and Nitrogen Fertilizers business segments achieved strong revenue increases, since the demand for fertilizers recovered significantly during the year under review.

In the Salt business segment, both the consolidation of MORTON SALT for the whole year and high sales volumes of de-icing salt in the first and fourth quarters had a positive impact on revenues. / TAB: 4.6.1

The Potash and Magnesium Products business segment again posted the highest revenues of all the K+S GROUP's business segments, accounting for just under 37 % of the total, and was followed by Salt and Nitrogen Fertilizers. / FIG: 4.6.1

In Europe, we achieved revenues of € 2.6 billion (+38 %). Thus, this region accounted for approximately 53 % of total revenues. The acquisition of MORTON SALT contributed to the regional distribution of Group revenues now being very balanced shared between Europe and overseas. Revenues in the overseas markets rose by 41 % to a total of € 2.4 billion, equalling 47 % of total revenues. / FIG: 4.6.2

CURRENT AND FUTURE DEVELOPMENT OF ORDERS

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

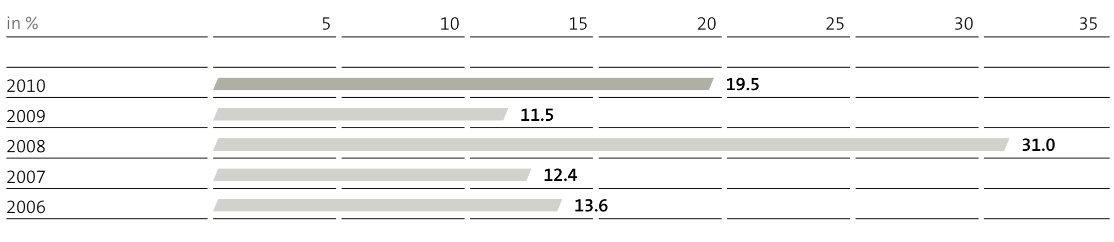
Thus, the disclosure of the backlog of orders of the K+S GROUP and its business segments is of no relevance for assessing the short- and medium-term earnings capacity.

EBITDA BY BUSINESS SEGMENT TAB: 4.6.3

in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Potash and Magnesium Products	171.5	139.9	100.0	155.7	567.1	317.2	+ 78.8
Nitrogen Fertilizers	17.3	28.9	5.4	15.8	67.4	(94.4)	—
Salt	146.4	56.3	60.8	106.2	369.7	200.3	+ 84.6
Complementary Business Segments	7.9	7.8	5.8	6.2	27.7	21.7	+ 27.6
Reconciliation[1]	(10.0)	(15.9)	(7.7)	(23.1)	(56.7)	(33.0)	(71.8)
K+S Group	**333.1**	**217.0**	**164.3**	**260.8**	**975.2**	**411.8**	**+ 136.8**
Share of total revenues (%)	34.2	22.3	16.8	26.7	100.0	—	—

[1] Expenses and income that cannot be allocated to business segments are recorded separately and shown under 'Reconciliation'.

EBITDA MARGIN FIG: 4.6.3



DEVELOPMENT OF SELECTED COST TYPES

Increased production output and the first-time consolidation of MORTON SALT for the whole year resulted in an increase in revenues of around 40 % in comparison to 2009. The two effects also had a significant impact on the development of total costs. The most important cost types have developed as follows: At € 1.02 billion, the personnel expenses of the K+S GROUP increased by 35 % against the previous year. Without the provision effects, the personnel costs rose by 34 % to € 1.03 billion in comparison to 2009, of which € 149.6 million is attributable to the consolidation effect due to the acquisition of MORTON SALT. Raw materials, supplies and purchase merchandise (material costs), measured in terms of revenues about 25 %, increased by around 27 % to € 1.29 billion due to consolidation and volume-related effects. Freight costs, measured in terms of revenues about 15 %, rose somewhat stronger than revenues due to consolidation and volume-related effects as well as higher freight rates, by 51 % to € 790.0 million. Energy costs, about 5 % of revenues, increased primarily due to volume and consolidation-related effects by 26 % to € 265.8 million.

DEVELOPMENT OF EARNINGS

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA) ROSE SIGNIFICANTLY

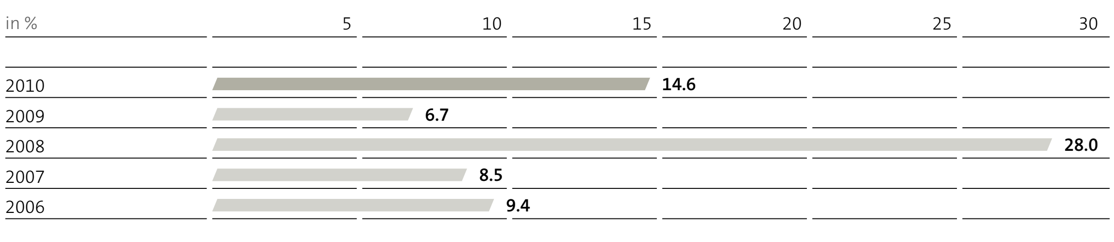
During the year under review, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 137 % to € 975.2 million. As the EBITDA is not affected by depreciation on valuations made within the framework

EBIT I BY BUSINESS SEGMENT TAB: 4.6.4

in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Potash and Magnesium Products	150.6	119.2	79.4	126.7	475.9	231.7	+105.4
Nitrogen Fertilizers	14.5	26.0	2.6	12.6	55.7	(108.1)	—
Salt	107.9	21.8	31.8	76.6	238.1	140.4	+69.6
Complementary Business Segments	6.4	6.2	4.3	4.3	21.2	15.2	+39.5
Reconciliation[1]	(11.7)	(17.7)	(9.6)	(25.0)	(64.0)	(41.2)	(55.3)
K+S Group	**267.7**	**155.5**	**108.5**	**195.2**	**726.9**	**238.0**	**+ 205.4**
Share of total revenues (%)	36.8	21.4	14.9	26.9	100.0	—	—

[1] Expenses and income that cannot be allocated to business segments are recorded separately and shown under 'Reconciliation'.

EBIT MARGIN FIG: 4.6.4



of purchase price allocations, which have increased significantly after the acquisition of MORTON SALT, the EBITDA will now be more important in assessing the operating earnings capacity. / TAB: 4.6.3 / FIG: 4.6.3

OPERATING EARNINGS EBIT I INCREASED SIGNIFICANTLY

The key control variable of the K+S GROUP, operating earnings EBIT I, increased by € 488.9 million or 205 % to € 726.9 million (2009: € 238.0 million). This includes depreciation of € 248.3 million, which increased by € 74.5 million in comparison to the previous year. This increase included € 66.5 million attributable to the consolidation effect of MORTON SALT. Depreciation on the value adjustments to be made within the framework of purchase price allocation at MORTON SALT amounted to € 52.0 million during the year under review.

/ TAB: 4.6.4 / FIG: 4.6.4

/ AN EXPLANATION OF THE TERM 'PURCHASE PRICE ALLOCATION' can be found on page 224.

Operating earnings were particularly impacted by the following effects: While the Potash and Magnesium Products and Nitrogen Fertilizers business segments improved their earnings as a result of the significantly higher demand for fertilizers throughout 2010, the good earnings of the Salt business segment can be attributed both to a positive consolidation effect (€ 68.6 million) and an above-average business for de-icing salt in Europe in the first and fourth quarter.

The balance of expenses and income that cannot be allocated to the business segments (reconciliation) amounted to € (64.0) million in the year under review. In comparison to the figure for the previous year, the reconciliation thus rose by € 22.8 million. This is mainly to be attributed to the following factors: higher performance-related remuneration for the Board of Executive Directors, the Supervisory Board and for employees, non-recurrent expenses within the framework of reorganisation the long-term remuneration components for the Board of Executive Directors and managers (LTI programme) as well as consultancy costs, in particular within the framework of the corporate carve-out of COMPO.

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

/ **A DETAILED EXPLANATION OF THE EARNINGS OF THE INDIVIDUAL BUSINESS SEGMENTS** can be found on pages 122 et seqq.

DEVELOPMENT OF OTHER KEY ITEMS OF THE INCOME STATEMENT

AT 38 %, GROSS MARGIN SIGNIFICANTLY HIGHER THAN A YEAR AGO

In 2010, revenues rose by 40 %. As cost of sales only rose by 31 %, the gross margin improved to 38 % after having been 34 % in the previous year. It proved possible to more than make up for the cost increases described on page 109. through the volume-related increases in revenues of all business segments. A decisive factor in this was the fixed cost degression that is customary in the mining industry.

SELLING EXPENSES SIGNIFICANTLY HIGHER DUE TO VOLUME EFFECTS

The selling expenses of the K+S GROUP rose by € 259.4 million or 36 % to € 971.9 million in the year under review; € 116.5 million was attributable to the inclusion of MORTON SALT for the full year. Freight outward, which accounts for more than one half of selling expenses, increased by 61 % to € 571.7 million during the period under review because of a higher transport volume and higher freight rates. The other costs for sales personnel, marketing and supply chain management amounted to € 400.2 million in the year under review (2009: € 326.8 million). Therein, a medium double-digit million euro amount spent on advertising in the form of press advertisements, brochures, TV and radio commercials, trade fairs, product launches etc. is included. The majority of these costs are incurred in the Salt and Potash and Magnesium Products business segments and at COMPO.

GENERAL AND ADMINISTRATIVE EXPENSES HIGHER DUE TO CONSOLIDATION FACTORS

In 2010, general and administrative expenses rose by € 60.5 million or 49 % to € 183.6 million. A large part of this increase can be attributed to the first-time consolidation of MORTON SALT for the whole year (€ 36.2 million) as well as to the increased performance-related remuneration as a result of higher earnings.

OTHER OPERATING INCOME AND EXPENSES ALMOST EQUAL

In 2010, the balance for other operating income and expenses came to € (2.9) million after having been € (98.7) million in the previous year. The improvement can mainly be attributed to the disappearance of non-periodic subsequent charges in the Nitrogen Fertilizers business segment, lower allocations to provisions for semi-retirement employment due to the expiry of the statutory regulations and positive non-recurrent effects in the area of provisions in the Salt business segment.

INCOME FROM INVESTMENTS, NET AT € 4.8 MILLION

In 2010, at € 4.8 million, net income from investments was above the level of the previous year (2009: € 0.9 million). This can be attributed to higher investment income and lower value adjustments to investment carrying amounts.

EARNINGS AFTER OPERATING HEDGING TRANSACTIONS EBIT II SIGNIFICANTLY HIGHER

Earnings after operating hedging transactions EBIT II achieved € 731.5 million during the year under review, having been € 241.9 million in the previous year. EBIT II benefited from earnings effects resulting from operating forecast hedges of € 4.6 million (2009: € +3.9 million). This amount corresponds to that part of the earnings from operating forecast hedges which was not yet recorded as realised earnings in EBIT I.

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

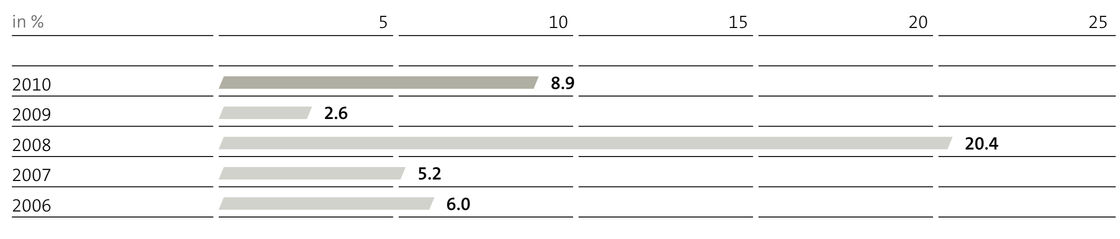
FINANCIAL RESULT BURDENED BY NON-RECURRENT EFFECTS

The financial result consists of net interest income and other financial result. At € (126.6) million (2009: € (57.0) million), net interest income deteriorated in 2010. In addition to higher interest expenses as a result of financing the acquisition of MORTON SALT, there were one-off expenses in the amount of € 20.3 million due to the restructuring of our financial liabilities. Furthermore, non-cash unplanned interest expenses for provisions for mining obligations of € 23.0 million arose. These resulted from a necessary lowering of the average weighted discount rate for provisions for mining obligations of the K+S GROUP from 5.6 to 4.7 % in line with the significantly lower long-term interest level during the course of the year which has been necessary due to IFRS rules. Against this backdrop, non-cash interest expenses for provisions for mining obligations rose to a total of € 44.4 million in comparison to € 8.6 million in the year 2009, which additionally had benefited from a non-recurrent release of a provision. Non-cash interest expenses for pension provisions came to € 7.6 million and were thus at the level of 2009. Other financial result improved by € 61.5 million to € 3.1 million in the year under review. This was mainly attributable to there no longer being any negative extraordinary effects arising from the hedging transactions used for hedging the acquisition

COMPUTATION OF THE ADJUSTED GROUP EARNINGS — TAB: 4.6.5

in € million	2010	2009
Group earnings after taxes and minority interests	448.6	96.4
Result from operating forecast hedges	+ 17.6	+ 35.9
Realised earnings from operating forecast hedges	(22.2)	(39.8)
Elimination of resulting deferred respectively cash taxes	+ 1.3	+ 1.1
Adjusted Group earnings after taxes and minority interests	**445.3**	**93.6**

RETURN ON REVENUES — FIG: 4.6.5



GROUP EARNINGS AND EARNINGS PER SHARE — TAB: 4.6.6

in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Group earnings	172.3	76.3	76.8	123.2	448.6	96.4	+ 365.4
Earnings per share (€)	0.90	0.40	0.40	0.64	2.34	0.58	+ 303.5
Average number of shares	191.23	191.33	191.40	191.40	191.34	166.15	+ 15.2
Group earnings, adjusted	175.8	97.5	40.4	131.6	445.3	93.6	+ 375.7
Earnings per share, adjusted (€)	0.92	0.51	0.21	0.69	2.33	0.56	+ 316.1

price of MORTON SALT in 2009. Overall, the financial result was € (123.5) million after having been € (115.4) million in the previous year.

EARNINGS BEFORE TAXES AND ADJUSTED EARNINGS BEFORE TAXES ALMOST INCREASED FIVE TIMES

Earnings before taxes amounted to € 608.0 million for the year under review. If the earnings are adjusted for the earnings from operating forecast hedges which have not yet been recorded as realised earnings in EBIT I (€ 4.6 million), adjusted earnings before taxes amount to € 603.4 million. This financial indicator thus increased by € 480.8 million year on year.

GROUP EARNINGS AND ADJUSTED GROUP EARNINGS AFTER TAXES INCREASED SHARPLY

Group earnings after taxes and minority interests for the year under review were € 448.6 million (2009: € 96.4 million). The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.2 % (previous year: 27.9 %).

Tax expense totalling € 158.6 million was incurred in 2010 (2009: € 29.6 million); this amount comprised a deferred and thus non-cash tax income of € 20.6 million (2009: tax income of € 8.7 million).

For reasons of comparison we additionally report adjusted Group earnings, which only contain the result actually realised on operating forecast hedges of the respective reporting period. Market value changes of the still outstanding operating forecast hedges are not taken into consideration here, so that the adjusted Group earnings reflect the result free from market value changes of these derivatives on the balance sheet date. Furthermore, the effects resulting from the adjustment on deferred and cash taxes are also eliminated. The calculation of adjusted Group earnings is shown in table 4.6.5. / TAB: 4.6.5

At € 445.3 million, adjusted Group earnings exceeded the previous year's figure by € 351.7 million (2009: € 93.6 million). The main reason for this were the far higher operating earnings. The adjusted Group tax ratio was thus 26.2 % in the year under review, after having been 23.6 % in the previous year. / FIG: 4.6.5

MULTIPERIOD OVERVIEW OF MARGIN AND YIELD KEY FIGURES TAB: 4.6.7

Figures in %	2010	2009	2008	2007	2006
EBITDA Margin	19.5	11.5	31.0	12.4	13.6
EBIT Margin	14.6	6.7	28.0	8.5	9.4
Return on revenues	8.9	2.6	20.4	5.2	6.0[1]
Return on equity after taxes	18.7	8.4	68.6	16.1	17.7[1]
Return on total investment	14.7	6.9	44.9	11.0	12.3
Return on Capital Employed (ROCE)	20.9	9.3	64.0	15.5	17.4

[1] Without non-recurrent deferred tax income of € 41.9 million or € 0.25 per share.

ADJUSTED EARNINGS PER SHARE AMOUNT TO € 2.33 (2009: € 0.56)

For the year under review, adjusted earnings per share amounted to € 2.33 and were roughly four times higher than the figure for the previous year of € 0.56. They were computed on the basis of an average number of 191.34 million no-par value shares outstanding (previous year: 166.15 million no-par value shares). / TAB: 4.6.6

We held no shares of our own as of 31 December 2010. At the end of the year, the total number of shares outstanding of the K+S GROUP was 191.40 million no-par value shares.

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

KEY FIGURES ON EARNINGS POSITION

The margin key figures were significantly better than those of the previous year. The earnings before depreciation, interest and taxes of € 975.2 million resulted in an EBITDA margin of 19.5 % (2009: 11.5 %), the EBIT margin reached 14.6 % after 6.7 % in 2009. At 8.9 %, the return on revenues was also significantly higher than the figure for the previous year of 2.6 %.

/ **DEFINITIONS OF THE KEY FIGURES** used can be found in the Glossary on pages 222 et seqq.

In the year under review, against a backdrop of an accompanying increase in tied-up capital, substantially higher contributions to earnings resulted in significantly higher yield figures: In the reporting year, our return on equity after taxes amounted to 18.7 % (2009: 8.4 %) and the return on total investment to 14.7 % (2009: 6.9 %). The return on capital employed (ROCE), which we pay particular attention to, was 20.9 % for the year under review compared with 9.3 % in the same period last year. It is thus far above our cost of capital of about 9.5 % before taxes, i.e. the K+S GROUP created added value of € 397.0 million during the past financial year. / **TAB: 4.6.7**

/ **A DETAILED EXPLANATION OF THE FINANCIAL PERFORMANCE KEY FIGURES** can be found on pages 91 et seq.

KEY FIGURES FOR THE MANAGEMENT OF THE CAPITAL STRUCTURE TAB: 4.7.1

	Target corridor	2010	2009	2008	2007	2006
Net indebtedness / EBITDA	1.0 to 1.5	0.8	2.4	0.4	2.6	1.8
Net indebtedness / Equity (%)	50 to 100	27.6	64.5	33.2	116.4	63.9
Equity ratio (%)	35 to 45	47.6	40.1	49.5	31.4	39.7

4.7 FINANCIAL POSITION

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT OF THE K+S GROUP

FINANCIAL MANAGEMENT IS CONTROLLED CENTRALLY

The overriding goals of the financial management of the K+S GROUP include:

+ securing liquidity and controlling it efficiently across the Group,
+ maintaining and optimising the financial capacity of the Group as well as
+ reducing financial risks also by means of financial instruments.

In cash management we focus on the management of our liquidity as well as the optimisation of payment streams within the Group. In order to maintain and optimise the financial capacity of the Group, we aim to achieve a situation where the K+S GROUP has a capital structure in the long term, which is oriented to the usual criteria and indicators for an "investment grade" rating. Within the possibilities provided by the aimed-for level of creditworthiness, we intend to optimise the cost of capital for borrowed capital and for equity. The management of the capital structure is undertaken on the basis of the key figures shown in table 4.7.1.

/ **TAB: 4.7.1**

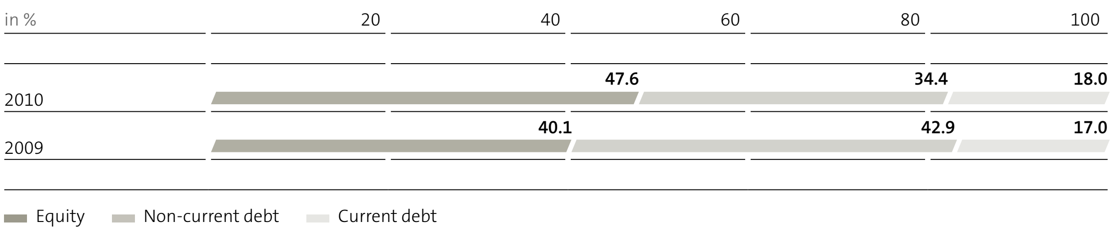
Against the backdrop of the significant increase in earnings and the reduction in net indebtedness, it proved possible to again achieve the targets set for the key figures for the management of the capital structure and even exceed them as of 31 December 2010. In view of the upcoming investments in the Werra package of measures as well as the expansion of our potash capacities in Canada (acquisition of POTASH ONE), this solid capital structure provides a very good starting point for the further development of the K+S GROUP.

Group currency and interest rate management is performed centrally for all Group companies. Derivative financial instruments are only entered into with top-

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT TAB: 4.7.2

	2009	Q1/10	Q2/10	Q3/10	Q4/10	2010
USD/EUR exchange rate after premiums	1.48	1.39	1.29	1.33	1.39	1.35
Average USD/EUR spot rate	1.39	1.38	1.27	1.29	1.36	1.33

EQUITY AND LIABILITIES FIG: 4.7.1



rated banks and are spread across several banks so as to reduce the risk of default.

FOREIGN CURRENCY HEDGING SYSTEM

Exchange rate fluctuations between the euro and the national currencies relevant to our business can lead to the value of the service performed not matching the value of the consideration received in transactions, because expenditure and income arise in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, play an important role for the Potash and Magnesium Products business segment. For these transaction risks, options and, in some cases, also futures are concluded for the time the revenues are expected to arise (plan hedging). The US dollar receivables that arise after billing are then, less expected US dollar expenditure, hedged for the agreed time of the incoming payment via futures (bill hedging). In the Salt business segment, currency risks normally result from the translation of the earnings achieved by MORTON SALT and SPL, which are predominantly denominated in US dollars, into the Group currency, which is the euro. Analogous to the hedging strategy for the Potash and Magnesium Products business segment, options and, in some cases, futures are concluded in relation to these translation risks (plan hedging).

The derivatives used are a mix of options and futures. A worst case is therefore hedged, but at the same time, opportunities are created for part of the operating forecast hedges to participate in a better price performance.

For 2010, the price realised by the Potash and Magnesium Products business segment was 1.35 USD/EUR including costs, and the realised price for the Salt business segment was 1.39 USD/EUR. / TAB: 4.7.2

FINANCING ANALYSIS

The K+S GROUP has a strong financial basis as well as a high potential for operating earnings. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities if they make sense strategically and satisfy our profitability criteria.

SOLID FINANCING STRUCTURE

In comparison to the end of 2009, the financing structure of the K+S GROUP has significantly improved: As of 31 December 2010, a good 80 % of the financing of the K+S GROUP results from equity and non-current debt, which itself consists of bond payables and provisions. Furthermore, there are sufficient financing possibilities available at banks, which, if need be, offer us additional borrowing. / FIG: 4.7.1

Equity increased mainly due to earnings-related effects and the equity ratio rose from 40.1 to 47.6 % of the

MULTIPERIOD OVERVIEW OF FINANCIAL POSITION TAB: 4.7.3

in € million	2010	2009	2008	2007	2006
Equity	2,651.6	2,094.6	1,718.3	931.8	1,124.3
Equity ratio (%)	47.6	40.1	49.5	31.4	39.7
Non-current debt	1,919.1	2,235.7	756.4	1,004.2	822.1
Current debt	1,003.0	886.8	999.1	1,028.8	844.5
Non-current provisions as share of balance sheet (%)	15.5	16.0	16.4	20.5	20.9
Financial liabilities	786.6	1,266.9	266.4	688.3	370.7
Net financial liabilities	38.2	737.8	98.6	600.8	251.8
Net indebtedness[1]	732.5	1,351.3	570.0	1,085.1	718.3
Level of indebtedness I (%)	29.7	60.5	15.5	73.9	33.0
Level of indebtedness II (%)	28.3	64.5	33.2	116.4	63.9
Working Capital	959.4	970.5	962.3	570.6	603.1
Cash flow from operating activities[2]	863.1	499.9	844.6	258.7	227.6
Free cash flow before acquisitions/divestments[2]	672.9	330.9	674.5	115.3	155.6
Cash flow for/from financing activities	(454.2)	1,168.1	(318.0)	81.7	170.9

[1] Without cash invested with or received from affiliated companies.
[2] Adjusted for the change in the tie-up of funds for premium payments for hedging transactions.

balance sheet total. Due to lower financial liabilities, the proportion of non-current debt including non-current provisions declined to 34.4 % of the balance sheet total (31 December 2009: 42.9 %). The proportion of the current debt remained almost stable at 18.0 %.

/ **FURTHER DETAILS OF THE CHANGE IN INDIVIDUAL BALANCE SHEET ITEMS** can be found in the Notes on pages 164 and 190.

As of 31 December 2010, the K+S GROUP's debt consisted of approx. 40 % provisions, just under 27 % financial liabilities, around 18 % accounts payable trade, and 12 % tax liabilities from income tax and deferred taxes. The main non-current provisions of the K+S GROUP are provisions for mining obligations (€ 528.4 million) as well as for pensions and similar obligations (€ 184.8 million). As of 31 December 2010, financial liabilities amounted to € 786.6 million, of which only € 17.5 million was classified as current.

Financial liabilities in foreign currencies are predominantly denominated in US dollar. As at 31 December 2010, they totalled € 19.0 million. Additionally, financial liabilities in Canadian dollar (€ 5.6 million) as well as Chilean peso (€ 10.3 million) existed. / TAB: 4.7.3

A LOW MARKET INTEREST RATE LEVEL RESULTED IN ADJUSTMENTS TO THE DISCOUNT FACTOR FOR PROVISIONS

The actuarial measurement of pension provisions is performed applying the projected unit credit method in accordance with IAS 19. The average weighted discount factor for pensions and similar obligations as of 31 December 2010 was 5.1 after 5.7% in the previous year. The average weighted discount factor for provisions for mining obligations as of 31 December 2010 fell from 5.6 to 4.7%.

The lowering of the discount rates took place in line with the significant drop in the long-term interest rates that occurred in 2010. While this resulted in a non-cash increase in interest expense for provisions for mining obligations (€ 23.0 million), the lowering of the discount rate for pensions and similar obligations due to the corridor method applied under IFRS had effects neither on the interest expense nor on equity.

A change in the level of market interest rates in 2011 would first of all impact on the measurement of provisions for mining obligations. In this case, an increase in the discount factor of one percentage point would result in a reduction of the carrying amount by about € 85 million. Conversely, a reduction in the discount factor of one percentage point would result in provisions for mining obligations to rise by about € 142 million.

CAPITAL EXPENDITURE BY BUSINESS SEGMENT TAB: 4.7.4

in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Potash and Magnesium Products	12.3	14.6	23.7	46.3	96.9	107.4	(9.8)
Nitrogen Fertilizers	2.5	2.4	2.8	5.2	12.9	11.2	+15.2
Salt	11.1	14.9	15.7	37.3	79.0	48.0	+64.6
Complementary Business Segments	0.4	1.4	1.9	0.5	4.2	4.6	(8.7)
Other capital expenditure	1.0	1.1	1.4	4.5	8.0	6.4	+25.0
K+S Group	**27.3**	**34.4**	**45.5**	**93.8**	**201.0**	**177.6**	**+13.2**
Share of capital expenditure (%)	13.6	17.1	22.6	46.7	100.0	—	—

It is important to note in this regard that the aforementioned changes in provisions resulting from a change in the discount rate do not result in a corresponding impact on earnings. The adjustments on the basis of the change in assessment parameters under the provisions of IFRIC 1 must be carried out for a material part of the provisions for mining obligations. Thus, a balance sheet reduction or extension would inevitably result for the corresponding items of the provisions. Furthermore, effects arising from the adjustment of other assessment parameters (e.g. the rate of inflation) can counteract the effect of a change in the discount rate. A change in the level of market interest rates would also impact on the amount of the pension obligations, but this would not, however, entail any changes to the carrying amount because of the use of the corridor method (IAS 19).

SIGNIFICANCE OF OFF-BALANCE SHEET FINANCING INSTRUMENTS FOR THE FINANCIAL AND THE ASSET POSITION

Off-balance sheet financing instruments in the sense of the sale of receivables, asset-backed securities, sale and lease back transactions or contingent liabilities in relation to special purpose entities not consolidated only exist to a negligible extent. We primarily use operating leases in respect of, for example, IT equipment and vehicles and the extent of them has no material bearing on the economic position of the Group.

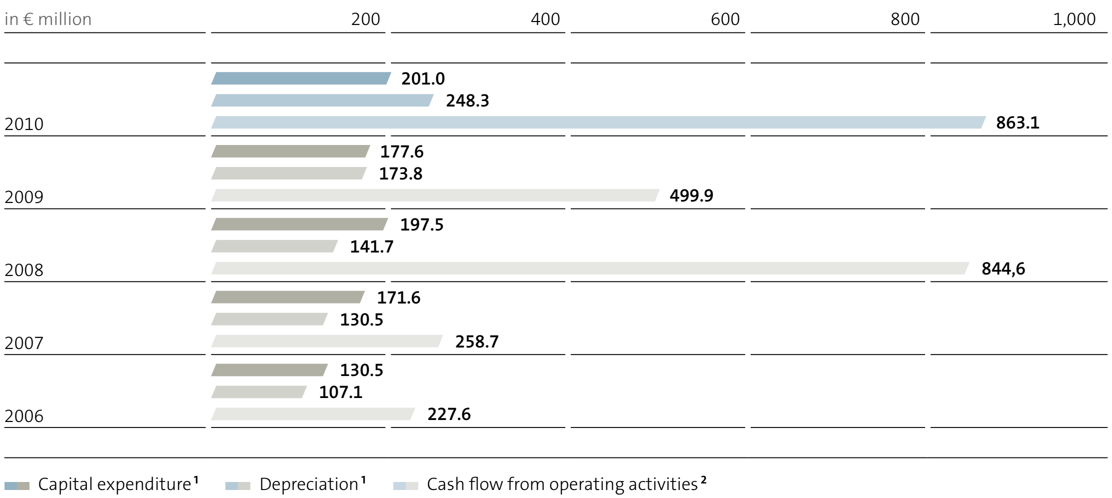
CAPITAL EXPENDITURE ANALYSIS

In 2010, the K+S GROUP invested a total of € 201.0 million, of which € 49.2 million was accounted for by MORTON SALT. Adjusted for the effect of the consolidation of MORTON SALT (€ 24.8 million), the volume of capital expenditure was at about the same level as the previous year. In the 2009 Financial Report, we had reckoned with capital expenditure of € 260 million for 2010. In the H1/10 Half-yearly Financial Report, we revised this forecast downward initially by € 50 million, and then in the Q3/10 Quarterly Financial Report by a further € 10 million to about € 200 million. The volume of capital expenditure, which was lower than expected at the beginning of the year, can be attributed to the delays in investment projects, and mainly also in the realisation of the package of measures on water protection on the basis of the still outstanding agreement between K+S and the federal states of Hesse and Thuringia pursuant to the public law agreement. A certain degree of seasonality is evident for capital expenditure; investment undertakings are largely implemented predominantly in the third and fourth quarters, since we use the pauses in production that arise then to implement larger-scale investment undertakings. / TAB: 4.7.4

At the end of the year, there were capital expenditure obligations totalling € 59.8 million, which relate to as yet uncompleted investment undertakings from 2010.

Of the investments made, € 145.5 million or a good 72 % was accounted for by measures relating to replacing and ensuring production. This was significantly less than the depreciation of € 248.3 million. / FIG: 4.7.2

CAPITAL EXPENDITURE COMPARED WITH DEPRECIATION AND CASH FLOW FROM OPERATING ACTIVITIES FIG: 4.7.2



[1] Cash-effective investments in and depreciations on property, plant and equipment, intangible assets.
[2] Adjusted for the tie-up of funds for premium payments for hedging transactions.

CASH FLOW REVIEW TAB: 4.7.5

in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Gross cash flow	321.2	181.6	81.1	246.3	830.2	323.9	+156.3
Cash flow from operating activities	364.9	258.4	100.4	133.8	857.5	534.8	+60.3
Cash flow for investing activities	(28.0)	(33.0)	(46.3)	(82.9)	(190.2)	(1,345.9)	+85.9
– of which acquisitions/divestments	—	—	—	—	—	(1,176.9)	—
Free cash flow	336.9	225.4	54.1	50.9	667.3	(811.1)	—
Free cash flow before acquisitions/divestments	**336.9**	**225.4**	**54.1**	**50.9**	**667.3**	**365.8**	**+82.4**
Share of total free cash flow (%)	50.5	33.8	8.1	7.6	100.0	—	—
Cash flow for/from financing activities	(366.6)	(72.1)	1.6	(17.1)	(454.2)	1,168.1	—
Change in cash and cash equivalents	(21.8)	+162.1	+44.4	+35.8	+220.5	+359.6	(38.7)

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

At € 96.9 million, capital expenditure in the Potash and Magnesium Products business segment was down € 10.5 million on the previous year due to delays in investment projects. The focus was on energy projects at the Zielitz and Wintershall sites, projects to reduce solid and liquid residues at the Neuhof-Ellers site as well as projects to improve the exploitation of raw materials and optimise processes. Measures relating to replacing and ensuring production account for about three quarters of the capital expenditure.

NITROGEN FERTILIZERS BUSINESS SEGMENT

In the year under review, we invested € 12.9 million in the Nitrogen Fertilizers business segment or about € 1.7 million more than in 2009. The largest project was the construction of the third facility for coated fertilizers in Krefeld. Measures relating to replacing and ensuring production accounted for about half of the capital expenditure. Moreover, we invested in projects in the area of plant protection, which we carry out in collaboration with SYNGENTA.

SALT BUSINESS SEGMENT

In 2010, a total of € 79.0 million was invested in the Salt business segment of which € 49.2 million was accounted for by MORTON SALT. Adjusted for the effect of the consolidation of MORTON SALT in the first nine months (€ 24.8 million), the volume of capital expenditure rose by € 6.2 million. The main projects included the modernisation of a shaft winding engine at the Borth site, the replacement of the de-icing salt loading facility at the Braunschweig-Lüneburg site, the refurbishment of a loading terminal on the Bahamas, the installation of higher-performance crystallisation facilities at the Grand Saline site in Texas, as well as expenses for the extension of the useful life of a part of the fleet of ships at EMPREMAR. Measures relating to replacing and ensuring production account for just under 80 % of the volume of capital expenditure.

COMPLEMENTARY BUSINESS SEGMENTS

The capital expenditure of the Complementary Business Segments was € 4.2 million in the year under review and thus € 0.4 million lower than the level of the previous year. In the Waste Management and Recycling as well as Animal Hygiene Products business areas, measures relating to replacing and ensuring production were the main focus. In Logistics, capital expenditure related to the completion of the container terminal for combined traffic at the Werra location. Altogether, around a good third of the capital expenditure applied to measures relating to expansion.

LIQUIDITY ANALYSIS

Gross cash flow reached € 830.2 million in the year under review. It was thus € 506.3 million up on the figure for the previous year (2009: € 323.9 million) mainly due to significantly increased operating earnings. / TAB: 4.7.5

The cash flow from operating activities reached € 857.5 million after having been € 534.8 million a year earlier. This increase of € 322.7 million was lower than in the case of the gross cash flow. After the inventories had decreased significantly in the previous year partly due to value adjustments in the Nitrogen Fertilizers business segment, in the year under review, there was a slight increase in the inventories of the Salt business segment. The effects of rising receivables and liabilities from the revival of the operating business almost completely offset each other.

Cash flow for investing activities amounted to € (190.2) million in 2010 and was thus substantially below the level of the previous year (2009: € (1,345.9) million). The period in the previous year had included the purchase price payment for the acquisition of MORTON SALT (€ (1,089.0) million) as well as disbursements for the associated exchange rate hedging (€ (87.9) million). If the cash flow for investment activities of the previous year is adjusted for these payments, the figure for the year under review would be above the level of the previous year due to higher disbursements for capital expenditure on property, plant and equipment and intangible assets (€ (169.0) million).

Free cash flow before acquisitions / divestitures reached € 667.3 million in the period under review, after having been €365.8 million in the previous year.

In the reporting year, cash flow for financing activities amounted to € (454.2) million and primarily relates to the settlement of financial liabilities of € 411.6 million. In the previous year, the cash flow from financing activities stood at € 1,168.1 million and principally comprised proceeds from the issuance of a bond and equity contributions from the capital increase carried out in December 2009. At year-end 2010, cash and cash equivalents were € 740.6 million (2009: € 520.1 million).

4.8 ASSET POSITION

ANALYSIS OF ASSET STRUCTURE

The K+S GROUP balance sheet total rose by 6.8 % to € 5,573.7 million as of 31 December 2010. This was primarily due to the increase in cash and cash equivalents, receivables and inventories. At 53:47, the ratio of non-current to current assets is still regarded as very balanced. At the end of 2010, cash and cash equivalents totalled € 748.4 million (previous year: € 529.1 million). After the inclusion of cash and cash equivalents, the provisions for pensions and for mining obligations (€ 184.8 million and € 528.4 million respectively) as well as financial liabilities (€ 786.6 million) and taking into consideration, reimbursement claims in connection with a bond at MORTON SALT of € 18.9 million, K+S GROUP net indebtedness at the end of the year amounted to € 732.5 million (previous year: € 1,351.3 million). The decline can be attributed to the strong free cash flow, which resulted in an increase in cash and cash equivalents and was used for the reduction of financial liabilities.

/ **TAB: 4.8.1** / **FIG: 4.8.1**

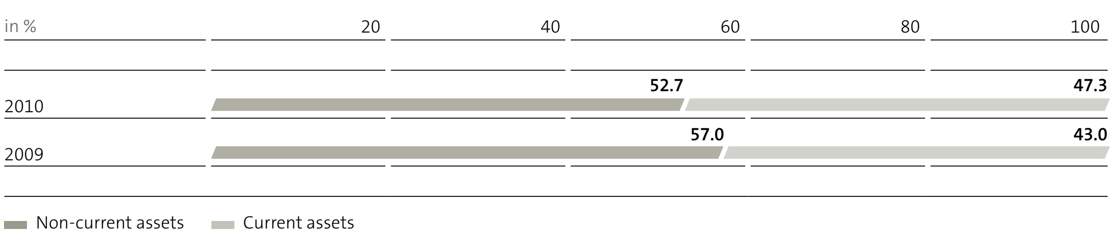
/ **DEFINITIONS OF THE MARGIN AND RETURN KEY FIGURES USED** can be found in the section 'Further information' on page 221.

MULTIPERIOD OVERVIEW OF NET ASSET POSITION TAB: 4.8.1

in € million	2010	2009	2008	2007	2006
Property, plant and equipment, intangible assets	2,803.3	2,658.0	1,423.5	1,297.3	1,271.7
Financial assets and non-current securities	24.1	22.4	22.3	54.9	61.5
Cash and cash equivalents and current securities	748.4	529.1	167.8	53.1	79.6
Net financial liabilities	19.3	737.8	(98.6)	600.8	251.8
Net indebtedness[1]	732.5	1,351.3	570.0	1,085.1	718.3
Equity/fixed assets ratio I (%)	93.8	78.2	119.9	85.6	82.4
Equity/fixed assets ratio II (%)	161.8	161.7	171.9	162.1	146.2
Liquidity ratio I (%)	74.6	59.7	16.7	4.8	9.0
Liquidity ratio II (%)	186.7	172.6	121.7	108.8	119.1
Liquidity ratio III (%)	262.9	252.7	192.8	148.2	162.2

[1] Without cash invested with or received from affiliated companies and including non-current provisions for pensions and for mining obligations.

ASSETS FIG: 4.8.1



EARMARKED PLAN ASSETS

In 2005, we started on the out-financing of obligations for pensions and semi-retirement through a Contractual Trust Arrangement (CTA) model. By making allocations to the CTA model, the corresponding financial resources are earmarked for the purpose of settling pension obligations and early retirement arrangements. The same applies to plan assets, which are earmarked for financing the pension obligations of MORTON SALT. In accordance with IFRS, the balance sheet items are recorded on a net basis. The funds earmarked in connection with personnel obligations increased by € 33.5 million to a total of € 272.1 million as a result of higher returns from plan assets as well as positive exchange rate effects. Information about the composition of these plan assets as well as the external financing undertaken in 2010 can be found in the consolidated Notes under note (24) Provisions for pensions and similar obligations as well as under note (26) Non-current obligations to employees.

OFF-BALANCE SHEET ASSETS

As at 31 December 2010, other financial obligations totalled € 141.8 million (2009: € 130.7 million) and concern both obligations arising from as yet uncompleted capital expenditure projects as well as from operating leases for items of factory and office equipment (e.g. printers, photocopiers and IT peripherals). In addition, vehicles are also leased. Due to the chosen contractual structures, these items are not to be carried under fixed assets on the balance sheet. Information about other intangible, unrecognised assets in the sense of customer and supplier relationships as well as organisational and procedural advantages can be found in our Corporate/Sustainability Report on pages 69 et seq., 89 et seq. and

123 et seq. Investors and capital market relationships are explained in the section 'K+S on the Capital Market' on pages 17 et seqq.

COMMENTS ON ACQUISITION AND DISPOSAL OF COMPANIES

No acquisitions or disposals of companies were undertaken during the year under review. In line with our strategy, we want to grow externally in our established business sectors, also through acquisitions and cooperations. In doing so, we will not jeopardise the strong financial base of the K+S GROUP and will continue to proceed prudently.

In November 2010, we made a friendly takeover bid to the shareholders of the Canadian company POTASH ONE for the acquisition of all shares at a price of CAN$ 4.50 per share. On 7 February 2011, we announced that the tender ratio increased to 90.9 %. As the bid was accepted by more than 90 % of the POTASH ONE shareholders, the remaining POTASH ONE shares outstanding will be acquired by means of a compulsory acquisition within the framework of the Canada Business Corporations Act. The acquisition should be completed by mid-May 2011.
/ FURTHER INFORMATION CAN BE FOUND IN THE SUBSEQUENT EVENTS on page 145.

4.9 GENERAL STATEMENT ON THE CURRENT ECONOMIC SITUATION [1]

ASSESSMENT OF THE ECONOMIC SITUATION BY THE BOARD OF DIRECTORS

The broad product, sector and customer portfolio of the K+S GROUP is so diversified that critical developments of individual customer groups in respect of the profitability of the K+S GROUP as a whole can be cushioned. The acquisition of MORTON SALT has further improved our portfolio, not least in terms of its regional strengths. The recent acquisition of POTASH ONE in Canada will furthermore enable us to invest in low-cost deposits that are rich in raw materials, to increase our potash capacities, to prolong the average lifetime of our mines and to participate in market growth over the medium to long term. Moreover, we have a solid financial basis, which allows us to act flexibly, even in times of crisis.

Currently, both the demand for and the price level of mineral fertilizers are growing all around the world. In the current year, the salt business too will probably profit again from above-average demand for de-icing salt. As regards the development of the business in 2011, from today's perspective, we therefore anticipate a tangible increase in revenues. As the expected rise in costs will probably lag behind the increase in revenues, we even see good opportunities for a significant increase both for operating earnings EBIT I and for Group earnings in comparison with the corresponding figures for the previous year.

In the medium to long term, the K+S GROUP is well positioned to exploit important global megatrends, such as a growing world population, rising living standards, increasing meat consumption in the emerging market countries and the associated increase in the demand for feed as well as growing demand for biofuels. However, we do not seek growth as an end in itself, but also seek to create values.

USE OF ALLOWED ALTERNATIVE ACCOUNTING TREATMENT

Off-balance sheet financing instruments in the sense of the sale of receivables, asset-backed securities, sale and lease back transactions, factoring or contingent liabilities in relation to special purpose entities not consolidated only exist to a negligible extent. Further information on the use of allowed alternative accounting treatment can be found in the Notes on pages 177 et seqq. The effects of a change in the level of market interest rates on the valuation of provisions are described on pages 116 et seq.

[1] As of 1 March 2011.

4.10 BUSINESS SEGMENT DEVELOPMENT

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

/ A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE FERTILIZER BUSINESS SECTOR can be found on pages 103 et seq. in the 'Industry-specific conditions' section.

AT € 1,844.7 MILLION, REVENUES RISE 30 % YEAR ON YEAR

In financial year 2010, the revenues of the business segment increased by 30 % or € 423.0 million to € 1,844.7 million. This was primarily attributable to significantly higher sales volumes, which were able to more than make up for a decline in the average price. In Europe, it proved possible to increase sales volumes by 109 %. Overseas, sales volumes rose by 24 %, after they had declined significantly less than in Europe in the previous year. Overall in 2010, sales volumes stood at 6.99 million tonnes and were thus 61 % above the level of the previous year (2009: 4.35 million tonnes). / TAB: 4.10.1, 4.10.2, 4.10.3

As a result of the substantially stronger increase in sales volumes in Europe, the proportion of the revenues generated in Europe increased from 44 % in the previous year to 56 %. This revenue share is largely free of any direct foreign exchange risk. As for the revenues generated overseas, we were able to benefit from the increase in the US dollar spot rate during the year. / FIG: 4.10.1

During the year under review, revenues for potassium chloride – our most significant product in terms of volume – rose by € 215.3 million or about 32 % to € 879.8 million. The sharp increase in volume was able to more than make up for negative price effects. While overseas revenues remained almost stable (+1 %), revenues in Europe increased by more than 170 %. In Europe, the sales volume of potassium chloride was 1.13 million tonnes and thus increased by 260 %. Overseas sales amounted to 1.96 million tonnes and thus were 17 % up on the previous year.

In the case of fertilizer specialities, we achieved revenues of € 700.1 million during the past financial year, which

VARIANCE ANALYSIS TAB: 4.10.1

in %	2010
Change in revenues	**+29.8**
volume/structure	+47.1
prices/price-related	(19.7)
exchange rates	+2.4
consolidation	—
Potassium chloride	+32.4
Fertilizer specialities	+51.9
Industrial products	(10.7)

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION [1] TAB: 4.10.3

		Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Revenues	**€ million**	**498.4**	**463.5**	**417.8**	**465.0**	**1,844.7**	**1,421.7**	**+29.8**
Europe	€ million	316.6	233.4	224.8	248.4	1,023.1	624.2	+63.9
Overseas	US$ million	250.5	292.4	249.2	294.3	1,086.4	1,116.3	(2.7)
Volumes	**t eff. million**	**1.94**	**1.73**	**1.58**	**1.74**	**6.99**	**4.35**	**+60.7**
Europe	t eff. million	1.26	0.89	0.83	0.94	3.92	1.88	+108.6
Overseas	t eff. million	0.68	0.84	0.75	0.80	3.07	2.47	+24.2
Average Prices	**€/t eff.**	**256.2**	**268.7**	**265.8**	**266.6**	**264.1**	**327.1**	**(19.3)**
Europe	€/t eff.	250.6	262.5	273.2	263.5	261.1	332.3	(21.4)
Overseas	US$/t eff.	367.5	350.0	332.6	367.0	354.1	452.0	(21.7)

[1] Revenues include prices both inclusive and exclusive of freight costs and, in the case of overseas revenues, are based on the respective USD/EUR spot rates. For most of these revenues, hedging transactions have been concluded. The price information is also affected by the respective product mix and is therefore to be understood as providing a rough indication only.

were thus just under 52 % higher than in the previous year (2009: € 460.8 million). The decisive factor in this product group too were significant increases in sales volumes, which were able to more than make up for negative price effects. Revenues in Europe increased by almost 89 % and by 4 % overseas. The European sales volume reached 2.12 million tonnes (+118 %). At 0.91 million tonnes, the volume of overseas sales was 43 % higher than in the previous year.

In the industrial products area, revenues declined by 11 % to € 264.8 million. Positive volume effects were not able to completely make up for negative price effects. While in Europe revenues fell by just about 18 % year on year, overseas revenues increased by almost 20 %. Sales volumes amounted to 0.65 million tonnes (+11 %) in Europe and to 0.20 million tonnes (+28 %) overseas. / FIG: 4.10.2

EBITDA AND OPERATING EARNINGS EBIT I UP SHARPLY

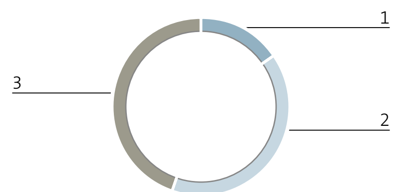
For the year under review, earnings before interest, taxes, depreciation amortisation (EBITDA) of the business segment amounted to € 567.1 million and were up € 249.9 million, or 79 %, year on year.

It proved possible to increase the key control variable for the K+S GROUP, operating earnings EBIT I, in the Potash and Magnesium Products business segment by € 244.2 million or 105 % to € 475.9 million. This includes depreciation of € 91.2 million which increased by € 5.7 million in comparison to those of the previous year.

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT TAB: 4.10.2

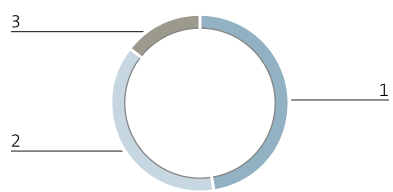
in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Revenues	498.4	463.5	417.8	465.0	1,844.7	1,421.7	+29.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	171.5	139.9	100.0	155.7	567.1	317.2	+78.8
Operating earnings (EBIT I)	150.6	119.2	79.4	126.7	475.9	231.7	+105.4
Capital expenditure	12.3	14.6	23.7	46.3	96.9	107.4	(9.8)
Employees as of reporting date (number)	7,766	7,706	7,878	—	7,900	7,818	+1.0

REVENUES BY REGION FIG: 4.10.1



	in %	2010	2009
1	Germany	15.5	12.3
2	Rest of Europe	40.0	31.6
3	Overseas	44.5	56.1

REVENUES BY PRODUCT GROUP FIG: 4.10.2



	in %	2010	2009
1	Potassium chloride	47.7	46.7
2	Fertilizer specialities	38.0	32.4
3	Industrial products	14.3	20.9

The significantly higher revenues were able to more than make up for the mainly volume-related higher total costs, which, however, rose disproportionately due to the fixed cost degression customary in the mining industry. The development of the US dollar in relation to the euro also had a positive effect on earnings.

/ **STATEMENTS REGARDING THE FUTURE DEVELOPMENT OF REVENUES AND EARNINGS OF THE POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT** can be found on page 154.

NITROGEN FERTILIZERS BUSINESS SEGMENT

The strategy of the K+S GROUP provides in particular for growth in the Potash and Magnesium Products and the Salt business segments and for a corresponding focus of management and financial resources on this. Against this backdrop, the examination of a sale of COMPO was initiated in June 2010. The result will be forthcoming in mid-2011. In preparation, K+S worked out and implemented a concept for a possible company-law and corporate carve-out of COMPO from the K+S GROUP. At the start of this year, contact was made with potential interested parties, which received documents providing information at the start of February.

/ **A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE FERTILIZER BUSINESS SECTOR** can be found on pages 103 et seq. in the 'Industry-specific conditions' section.

REVENUES UP BY ALMOST 27% TO € 1,286.2 MILLION

During the year under review, revenues in the Nitrogen Fertilizers business segment rose by just under 27% to € 1,286.2 million principally as a result of volume factors. The business segment generated about 74% of its revenues in Europe and was thus influenced by currency fluctuations to a limited extent only.

/ **TAB: 4.10.4, 4.10.5 / FIG: 4.10.3**

VARIANCE ANALYSIS TAB: 4.10.4

in %	2010
Change in revenues	**+26.6**
volume / structure	+24.0
prices / price-related	+1.0
exchange rates	+1.6
consolidation	–
Consumer	(5.6)
Expert	+53.2
Complex fertilizers	+26.8
Straight nitrogen fertilizers	+37.4
Ammonium sulphate	+30.3

Complex fertilizer revenues increased about 27% or € 77.8 million to € 368.6 million in the year under review. Positive volume effects were able to significantly make up for negative price effects. It proved possible to increase total sales volumes of complex fertilizers in 2010 by 47% to 1.14 million tonnes.

In the case of straight nitrogen fertilizers, thanks to a recovery in demand, both volume and price increases resulted in an increase in revenues of 37% to € 355.5 million (2009: € 258.8 million). It proved possible to achieve revenue growth in all regions. The sales volume of straight nitrogen fertilizers rose by about 18% to 1.85 million tonnes.

In 2010, revenues with ammonium sulphate increased by about 30% to € 176.6 million. This increase is mainly attributable to positive price and volume effects in Europe. The sales volume of ammonium sulphate reached 1.64 million tonnes and could thus be increased by almost 7% in comparison to the previous year.

In the Consumer area, revenues for the year under review fell by 5.6% to € 195.5 million. Revenue growth in Germany, Austria and Switzerland was not able to completely make up for volume- and price-related declines in revenues in France and Southern Europe.

In the Expert area, revenues reached € 190.0 million and were thus above the level of the previous year due to volume and structural effects. The Expert sales volume increased by 40% to 0.26 million tonnes in the reporting year. / **FIG: 4.10.4**

EBITDA AND OPERATING EARNINGS EBIT I POSITIVE AGAIN AFTER LOSSES IN THE PREVIOUS YEAR

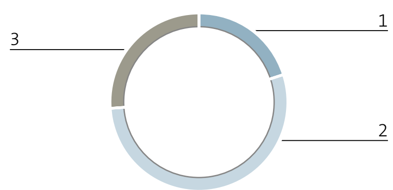
During the year under review, earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Nitrogen Fertilizers business segment reached € 67.4 million after € (94.4) million in 2009.

The key control variable for the K+S GROUP, operating earnings EBIT I, in the Nitrogen Fertilizers business segment reached € 55.7 million after € (108.1) million in the previous year. This includes depreciation of € 11.7 million which decreased by € 2.0 million in comparison to those of the previous year.

NITROGEN FERTILIZERS BUSINESS SEGMENT TAB: 4.10.5

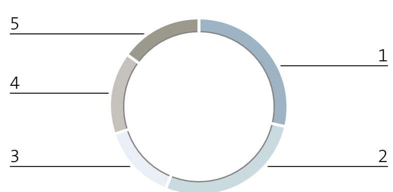
in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Revenues	385.5	287.4	306.1	307.2	1,286.2	1,016.2	+26.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	17.3	28.9	5.4	15.8	67.4	(94.4)	–
Operating earnings (EBIT I)	14.5	26.0	2.6	12.6	55.7	(108.1)	–
Capital expenditure	2.5	2.4	2.8	5.2	12.9	11.2	+15.2
Employees as of reporting date (number)	1,264	1,252	1,226	–	1,226	1,249	(1.8)

REVENUES BY REGION FIG: 4.10.3



	in %	2010	2009
1	Germany	20.0	18.6
2	Rest of Europe	54.1	54.8
3	Overseas	25.9	26.6

REVENUES BY SEGMENT FIG: 4.10.4



	in %	2010	2009
1	Complex fertilizers	28.7	28.6
2	Straight nitrogen fertilizers	27.6	25.5
3	Ammonium sulphate	13.7	13.3
4	Consumer	15.2	20.4
5	Expert	14.8	12.2

The growth in earnings was attributable to higher sales volumes, price increases for straight nitrogen fertilizers and ammonium sulphate, which were able to more than make up for the increases in input costs, as well as significantly lower input costs for complex fertilizers. Furthermore, it should be noted that 2009 had been adversely affected by value adjustments of inventories as well as by expenditure on restructuring measures within the framework of the reorganisation of the business with nitrogenous fertilizers.

/ **STATEMENTS REGARDING THE FUTURE DEVELOPMENT OF REVENUES AND EARNINGS OF THE NITROGEN FERTILIZERS BUSINESS SEGMENT** can be found on page 154.

SALT BUSINESS SEGMENT

MORTON SALT has been included in the consolidated financial statements of the K+S GROUP from 1 October 2009. In 2010, for the first time, it was included for a whole year. Due to the resultant consolidation effect for the first nine months, the previous year's figures are not comparable.

/ **A DESCRIPTION OF THE MARKET ENVIRONMENT IN THE SALT BUSINESS SECTOR** can be found on page 104 in the 'Industry-specific conditions' section.

REVENUES REACH € 1,728.7 MILLION (+70 %)

In the year under review, revenues generated by the Salt business segment amounted to € 1,728.7 million and were therefore up € 714.1 million or 70 % on the previous year's figure. Of the annual revenues, € 833.5 mil-

VARIANCE ANALYSIS TAB: 4.10.6

in %	2010
Change in revenues	**+70.4**
volume/structure	+6.9
prices/price-related	+3.7
exchange rates	+2.4
consolidation	+57.4
Food grade salt	+117.5
Industrial salt	+104.4
Salt for chemical use	+38.0
De-icing salt	+48.6
Other	+33.1

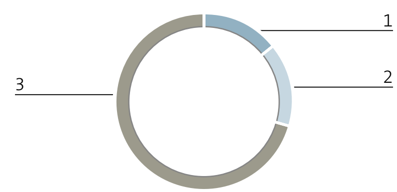
lion were accounted for by MORTON SALT. The increase in revenues is to be attributed to positive volume and price effects as well as the effect of € 582.2 million on the first nine months that arose from the consolidation of MORTON SALT. Sales volumes of crystallised salt during the year under review totalled 22.53 million tonnes and were therefore up 52 % on the previous year's level (14.81 million tonnes). Of this amount, MORTON SALT sold 9.60 million tonnes over the year; the effect from the consolidation in the first nine months amounted to 6.48 million tonnes. / **TAB: 4.10.6, 4.10.7, 4.10.8**

Last year, just under 30 % of revenues were generated in Europe and are therefore largely free of any direct foreign exchange risk. Through the inclusion of MORTON SALT, the overseas share has increased significantly since the fourth quarter of 2009. / **FIG: 4.10.5**

SALT BUSINESS SEGMENT TAB: 4.10.7

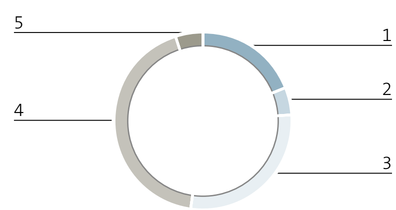
in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Revenues	616.4	275.3	305.2	531.8	1,728.7	1,014,6	+70.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	146.4	56.3	60.8	106.2	369.7	200.3	+84.6
Operating earnings (EBIT I)	107.9	21.8	31.8	76.6	238.1	140.4	+69.6
Capital expenditure	11.1	14.9	15.7	37.3	79.0	48.0	+64.6
Employees as of reporting date (number)	5,268	5,283	5,283	—	5,235	5,279	(0.8)

REVENUES BY REGION FIG: 4.10.5



	in %	2010	2009
1	Germany	14.3	17.6
2	Rest of Europe	15.4	22.3
3	Overseas	70.3	60.1

REVENUES BY PRODUCT GROUP FIG: 4.10.6



	in %	2010	2009
1	Food grade salt	19.0	14.9
2	Industrial salt	5.0	6.2
3	Salt for chemical use	28.3	23.6
4	De-icing salt	42.8	49.0
5	Other	4.9	6.3

At € 328.2 million, food grade salt revenues were up € 177.3 million or 118 % for the year under review, € 226.7 million of which was achieved by MORTON SALT. Positive price effects were able to more than make up availability-related negative volume effects in Brazil. In the first nine months, € 170.6 million was accounted for by the consolidation of MORTON SALT. The sales volume amounted to 1.61 million tonnes and was up about 34 % year on year. Of this amount, MORTON SALT sold 0.84 million tonnes over the year; the consolidation effect in the first nine months amounted to 0.63 million tonnes.

Revenues for industrial salts, e.g. fishery, feed and high-purity pharmaceutical salts, amounted to € 490.3 million for the past financial year and thus increased by € 250.4 million or 104 %. MORTON SALT contributed € 287.4 million to this in the year under review. Higher sales volumes in South America and Europe were able to more than make up for somewhat lower prices. In the first nine months, € 217.0 million was accounted for by the effect of the consolidation of MORTON SALT. Sales volume amounted to 5.02 million tonnes and thus was 89 % above the level for the previous year of 2.65 million tonnes. Of this, 2.63 million tonnes were sold by MORTON SALT; the consolidation effect amounted to 1.96 million tonnes in the first nine months.

At € 86.5 million, revenues in the salt for chemical use business were up € 23.9 million or 38 % in comparison to the previous year, € 16.7 million of which was achieved by MORTON SALT. The increase in revenues is to be attributed to positive volume and price effects as well as to the effect in the amount of € 12.3 million of the consolidation of MORTON SALT in the first nine months. Sales volumes amounted to 2.41 million tonnes and were up 20 % year on year. Of this amount, MORTON SALT sold 0.41 million tonnes over the year; the consolidation effect in the first nine months amounted to 0.31 million tonnes.

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES [1] TAB: 4.10.8

		Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
De-icing salt								
Revenues	€ million	376.5	26.8	58.1	277.8	739.2	497.6	+48.6
Sales volumes	t million	7.05	0.49	1.10	4.85	13.49	8.96	+50.6
Average prices	€/t	53.4	54.5	52.8	57.3	54.8	55.5	(1.3)
Industrial salt, salt for chemical use and food grade salt								
Revenues	€ million	217.4	232.0	228.2	227.4	905.0	453.5	+99.6
Sales volumes	t million	2.20	2.26	2.23	2.35	9.04	5.85	+54.5
Average prices	€/t	98.9	102.8	102.4	96.8	100.1	77.5	+29.1
Other								
Revenues	€ million	22.5	16.5	18.9	26.6	84.5	63.5	+33.1
Salt business segment								
Revenues	€ million	616.4	275.3	305.2	531.8	1,728.7	1,014.6	+70.4

[1] Revenues include prices both inclusive and exclusive freight costs. The price information is also affected by the respective product mix and is therefore to be understood as providing a rough indication only.

De-icing salt revenues were up € 241.6 million or 49 % to reach € 739.2 million for the year under review. MORTON SALT achieved revenues of € 293.3 million. The following effects had a positive impact: Higher volumes and prices as a result of an exceptionally good business with de-icing salt in the first and fourth quarters in Europe as well as the consolidation effect of MORTON SALT in the first nine months of € 175.2 million. Sales volume amounted to 13.49 million tonnes and was thus 51 % higher compared to the previous year. MORTON SALT sold 5.73 million tonnes in the period under review; the consolidation effect in the first nine months amounted to 3.58 million tonnes.

In addition to the business with other de-icing agents, such as magnesium chloride solution, "Other" also includes the third-party logistics business of the shipping company EMPREMAR belonging to the Chilean SPL Group. The revenues recorded under "Other" rose by € 21.0 million to reach € 84.5 million. Of this, MORTON

SALT achieved € 9.4 million. The increase in revenues is attributable to increases in the sales volume and in prices at EMPREMAR as well as to the effect of the consolidation of MORTON SALT affecting the first nine month in the amount of € 7.2 million. / FIG: 4.10.6

EBITDA AND OPERATING EARNINGS EBIT I UP SHARPLY

As the EBITDA is not affected by depreciation on valuations made within the framework of purchase price allocations and as these have increased significantly after the acquisition of MORTON SALT, a higher importance is now assigned to the EBITDA in assessing the operating earnings capacity. In the year under review, this increased by almost 85 % to reach € 369.7 million.

The operating earnings EBIT I of the Salt business segment rose by € 97.7 million to € 238.1 million. The earnings were favourably affected between € 50 million and € 70 million by an above-average business with de-icing salt in comparison to the long-term average figure. The variance in profitability against a normal year can vary widely, since this depends on the regional mix, the respective utilisation of capacity, the local margin as well as the exchange rates. MORTON SALT made a contribution to earnings of € 101.8 million, which included costs of € 6.9 million for the integration process, which thus far has been proceeding according to plan. Of the depreciation of € 131.6 million (2009: € 59.9 million) included in EBIT I, € 52.0 million was accounted for depreciation on the value adjustments to be made within the framework of purchase price allocation (PPA).

The significantly higher revenues were on the costs side also faced with consolidation effects as well as volume-related higher production and freight costs; these, however, could be more than made up for. In the first nine months, the effect of the consolidation of MORTON SALT was € 68.6 million. In the year under review, non-recurrent effects totalling € 13.2 million also had an adverse affect on earnings: Negative effects resulted from the revaluation and consolidation within the valuation of inventories in accordance with IFRS at MORTON SALT, the closure of an uneconomic ESCO site in France as well as unscheduled depreciation of property, plant and equipment in the Netherlands. These negative effects were offset by a positive one-off effect in the area of provisions at MORTON SALT.

/ STATEMENTS REGARDING THE FUTURE DEVELOPMENT OF REVENUES AND EARNINGS OF THE SALT BUSINESS SEGMENT can be found on page 154.

COMPLEMENTARY BUSINESS SEGMENTS

REVENUES REACH € 133.7 MILLION (+11%)

At € 133.7 million, revenues of the Complementary Business Segments were just under 11 % above the level of the previous year. According to IFRS, revenues deriving from services rendered to K+S GROUP companies are not included in these figures. Including these internal revenues, in the period under review, total revenues amounted to € 175.3 million (2009: € 155.8 million).

/ TAB: 4.10.9, 4.10.10 / FIG: 4.10.7, 4.10.8

Revenues for the Waste Management and Recycling segment were up just under 10 % to € 73.8 million (2009: € 67.2 million). Decisive factors here were in particular price increases in the recycling business for the secondary aluminium industry and increases in sales volumes in the areas of waste recycling and disposal. The revenues with Logistics (€ 13.6 million) and Animal Hygiene Products (€ 34.2 million) increased predominantly due to volume factors. The trading business achieved revenues of € 12.1 million. The increase of € 4.0 million in comparison to the figure for the previous year is attributable to the successful marketing of nitric acid.

/ YOU CAN FIND AN OVERVIEW OF THE INDIVIDUAL AREAS OF ACTIVITY on pages 81 et seq.

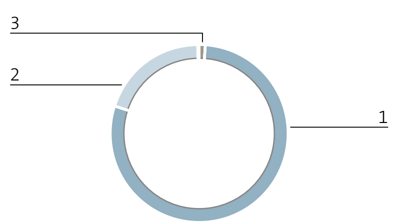
VARIANCE ANALYSIS TAB: 4.10.9

in %	2010
Change in revenues	**+10.8**
volume/structure	+9.5
prices/price-related	+1.3
exchange rates	–
consolidation	–
Waste Management and Recycling	+9.7
Logistics	+9.7
Animal hygiene products	+4.0
Trading	+49.4

COMPLEMENTARY BUSINESS SEGMENTS TAB: 4.10.10

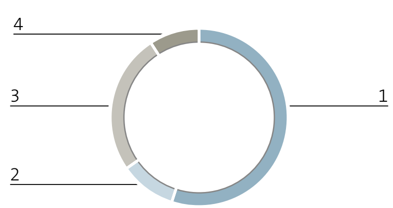
in € million	Q1/10	Q2/10	Q3/10	Q4/10	2010	2009	%
Revenues	33.2	32.2	31.8	36.5	133.7	120.7	+10.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	7.9	7.8	5.8	6.2	27.7	21.7	+27.6
Operating earnings (EBIT I)	6.4	6.2	4.3	4.3	21.2	15.2	+39.5
Capital expenditure	0.4	1.4	1.9	0.5	4.2	4.6	(8.7)
Employees as of reporting date (number)	280	277	281	—	280	278	+0.7

REVENUES BY REGION FIG: 4.10.7



	in %	2010	2009
1	Germany	79.9	81.8
2	Rest of Europe	20.0	18.1
3	Overseas	0.1	0.1

REVENUES BY SEGMENT FIG: 4.10.8



	in %	2010	2009
1	Waste Management and Recycling	55.2	55.7
2	Logistics	10.2	10.3
3	Animal hygiene products	25.6	27.3
4	Trading	9.0	6.7

EBITDA AND OPERATING EARNINGS EBIT I UP SIGNIFICANTLY

The earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Complementary Business Segments for the year under review amounted to € 27.7 million and were thus up € 6.0 million, or 28 %, year on year. Operating earnings EBIT I reached € 21.2 million (2009: € 15.2 million). The depreciation included here amounted to € 6.5 million and were at the level of the previous year. Higher quantities for handling, transporting and freighting made a positive contribution to earnings in the Logistics segment and compensated for the declines in earnings in the Animal Hygiene Products area. The Waste Management and Recycling segment was able to significantly increase its earnings as a result of higher revenues in all areas.

/ **STATEMENTS REGARDING THE FUTURE DEVELOPMENT OF REVENUES AND EARNINGS OF THE COMPLEMENTARY BUSINESS SEGMENTS** can be found on page 154.

4.11 RISK REPORT

RISK POLICY

The business policy of the K+S GROUP is geared towards securing the existence of the Company, sustainably generating risk-adequate returns as well as systematically and continuously increasing enterprise value. To achieve this objective, our global activities require a permanent, responsible consideration of opportunities and risks. We define risks as the possible occurrence of internal and external events, which may adversely affect the achievement of both our short-term and our strategic goals. Systematic risk management is an ongoing task for the Board of Executive Directors and for managers in their respective fields of responsibility. Over the long term, we can only be successful if we take opportunities and identify risks at an early stage, analyse them and correspondingly manage and monitor them. Taking account of the overall circumstances, we decide the extent to which risks are incurred, so that we can use opportunities. However, even an appropriate and functioning risk management system cannot guarantee any absolute certainty.

OPPORTUNITY MANAGEMENT

Opportunity and risk management are closely interlinked within the K+S GROUP. Chances are internal and external developments, which may have a positive impact on the Group. We essentially derive our opportunity management from the goals and strategies of our business segments and ensure a balanced relationship between opportunity and risk. Direct responsibility for the early and regular identification, analysis and use of opportunities rests with the operational management of the business segments and/or the heads of the central holding units. Opportunity management is an integral part of the groupwide planning and controlling systems. We occupy ourselves intensively with analyses of markets and competition, market scenarios, relevant cost drivers and critical success factors, including those in the political environment in which the Company operates. This serves as the basis for identifying concrete opportunity potentials that are specific to business segments and which are then discussed within the framework of the goal-setting talks held between the Board of Executive Directors and the managers responsible for the business segments. Selected opportunity potentials for the K+S GROUP are discussed in the forecast report.

RISK MANAGEMENT SYSTEM

The business segments of the K+S GROUP have different opportunities and risks and to identify them in good time as well as to assess and limit these, we use our uniform planning, management and control systems. The methods used to determine risks extend from analyses of markets and competition through close contacts with customers, suppliers and institutions to observing risk indicators in an economic and socio-political environment. Risks are assessed particularly with regard to the likelihood of materialisation and to potential loss levels. A further building block of risk management is the development of countermeasures taking account of alternative risk scenarios. In this way, we endeavour to systematically counteract risks.

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

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

Competences and responsibilities both in the process of risk identification and with regard to the analysis, management and communication of identified risks are regulated in an unambiguous manner. Thus, directly responsibility for dealing with risks rests with the operational management of the business segments and/or the heads of the central holding units. The risks of the individual business segments and the holding unit are identified on a quarterly basis, and potential risks are analysed, quantitatively assessed and reported to the Board of Executive Directors. If a risk can be reliably held in check by effective and appropriate measures, the focus of consideration will be on the residual risk. We are particularly monitoring risks whose likelihood of materialisation is 5 % or more and whose damage potential at the same time exceeds business-segment-related limits. The risk profiles relate both to the current year and to medium-term planning and thus cover a period of three years. Expected risks with a likelihood of materialisation of 50% and more are taken account of in medium-term planning and extrapolation to a year in the form of deductions from earnings. Risks that arise in the short term are, if urgent, immediately communicated directly to the Board of Executive Directors outside normal reporting channels. The Supervisory Board is briefed by the Board of Executive Directors in just as regular and timely a manner, and immediately informed in especially urgent cases. In accordance with groupwide rules, transactions and measures of particular importance and scope require the approval of the Board of Executive Directors and, in special cases, of the Supervisory Board too.

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

RISK MANAGEMENT IN RELATION TO FINANCIAL INSTRUMENTS (IFRS 7)

The financial objective of the K+S GROUP is to limit financial risks (e.g. price change risk, risk of default and liquidity risk) through systematic financial management. To this end, centralised financing management has been established in K+S AKTIENGESELLSCHAFT. Furthermore, the K+S GROUP manages its capital structure and, if necessary, makes adjustments, taking into consideration the expected economic framework conditions. The aim of the Group's capital structure management is to sustainably secure the business and ability to invest of the Company. A more detailed explanation of the management of the capital structure can be found on page 114.

Our international activities can give rise to currency-related market price risks, which we counteract under our currency management system by hedging transactions. Internal procedure instructions regulate permitted hedging instruments as well as hedging strategies, responsibilities, processes and control mechanisms. Other market price risks may result from raw material prices (e.g. energy) and transport costs (e.g. sea freight). To the extent that derivatives are used selectively for this, analogous rules apply. The hedging instruments are used exclusively to secure hedged items, and not for trading or speculation. Financial transactions are only concluded with banks that have a high credit rating. In this connection, in order to limit the risk of default, the guideline stipulates, among other things, that derivatives should be distributed across various banking institutions. Hedging transactions are entered into either in the case of already existing hedged items or future hedged items, which can be anticipated with a high level of probability on the basis of empirically reliable findings (forecast hedges). A more detailed explanation of hedging transactions can be found in the presentation of risks arising from exchange rate fluctuations on page 142 and in the notes on pages 194 et seqq.

DESCRIPTION OF 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 the 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 IFRS stipulate 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 reporting of the companies included.

New provisions and amendments to existing regulations for the accounting are analysed on a timely basis for their effects and are, to the extent that these are 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, proper 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. Only in individual cases, such as with regard to the assessment of pension obligations, the valuation is carried out by external experts.

To prepare the consolidated financial statements of the K+S GROUP, the financial statements of those companies whose accounting is kept on the uniform IT platform of the K+S GROUP are directly played into an IT consolidation system. In the case of the remaining companies included, the data of the financial statements are transferred through an internet-based interface. The validity of the data transferred is reviewed on the basis of systematic controls. In addition, the financial statements submitted by the companies included are reviewed centrally with due consideration being given to the reports prepared by the auditors. An adequate and complete elimination of internal Group transactions is ensured by the system-based deduction and formalised inquiry of consolidation-relevant information. All consolidation processes for the preparation of the consolidated financial statements are carried out and documented in the IT consolidation system. The components of the consolidated financial statements, including key information for the Notes, are developed from this.

Process-integrated and process-independent monitoring measures are the cornerstones of the internal monitoring system. Automatic IT process controls are a key element of the process-integrated measures. In addition to manual process controls such as, for example, the "four-eye principle," there is an organisational separation of administrative, executive, settlement and approval functions. Further monitoring tasks are performed by Group entities, such as the central legal or tax departments.

The internal audit is integrated into the internal control system with process-independent audit functions.

The annual financial statements of companies subject to mandatory audit and the consolidated financial statements are audited by independent auditors. These constitute the main process-independent monitoring measures in relation to the Group accounting process. The annual financial statements of the other German companies are audited by the internal audit department.

OVERVIEW OF CORPORATE RISKS

Risks material to the K+S GROUP are described in the following sections, but no conclusions should be drawn from their sequence regarding their likelihood of materialisation or the potential extent of losses.

In doing so, the possible materialisation and effect of risks following counter-measures under the current framework conditions is appraised; this is based on a Group perspective and relates to the period of medium-term planning.

The assessment of the likelihood of a risk materialising is based on the criteria

+ unlikely (likelihood of materialisation: < 5 %)
+ possible (likelihood of materialisation: 5 – 50 %)
+ likely (likelihood of materialisation: > 50 %)

The assessment of the possible effect is based on the qualitative criteria

+ moderate
+ significant
+ jeopardising the continued existence of the Company

A change in the framework conditions in comparison to our medium-term planning may result in a reassessment of our estimates in the course of time and is communicated correspondingly in our interim reporting.
/ TAB: 4.11.1

EXTERNAL AND SECTOR-SPECIFIC RISKS

EFFECTS OF MACROECONOMIC TRENDS

The behaviour of demand for fertilizers of the K+S GROUP is considerably influenced by general economic growth as well as economic trends and the associated improving living standards in relevant markets. Greater prosperity, mainly in the emerging market countries, results in changes in eating habits, which are particularly reflected in the greater consumption of meat. As the production of meat requires many times more cereals, soy beans and other products used as animal feed, this results in a greater need for agricultural raw mate-

OVERVIEW OF CORPORATE RISKS TAB: 4.11.1

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

rials (soft commodities), which in turn creates a higher demand for fertilizers.

The significant global economic recovery in 2010 should also continue in 2011, although the pace of growth may be somewhat more moderate. The sharp increase in cereal prices that started in the second half of 2010 and the accompanying improved income situation of farmers benefited demand for fertilizers. If the economic recovery does not prove to be sustained, the prices for agricultural products could again fall to a level that triggers a new wave of uncertainty among farmers regarding their future yield situation and thus has an adverse effect on their demand behaviour in relation to fertilizers. Depending on its duration and intensity, this possible scenario could have an important influence on the financial condition and results of operations of the K+S GROUP.

By contrast, the impact of the general economic situation on the demand for de-icing, food grade and industrial salts is of minor importance, since the business is largely independent of economic conditions.

FLUCTUATIONS IN DEMAND AND PRICE

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

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

An entry of new competitors into the international potash market could result in a tangible shift in the structure of the sector. Mining groups with a strong capital base, such as BHP BILLITON and VALE, have announced that they will invest in new potash projects in the medium to long term. An aggressive expansion of new potash capacities by a producer that has, until now, operated outside the sector could bring about an increase of competitive pressure if the market are not able to absorb these additional volumes completely or if the new competitor attempts to establish himself on the market by means of an aggressive pricing policy. However, as both the creation of new potash capacities as well as the acquisition of a significant potash producer are very capital intensive, such a squeezing-out policy, due to the resultant high costs of capital, might only be short-lived, if it were adopted at all. Against this backdrop, we regard a long-term aggressive pricing policy among market participants, which would have a material impact on our expected results, as unlikely.

SEASONAL FLUCTUATIONS IN DEMAND

A significant sales risk for the Potash and Magnesium Products, Nitrogen Fertilizers and Salt business segments results in particular from the seasonality of demand, especially due to their dependence on weather conditions. Prolonged cold and wet weather during the spring season, particularly important for Europe, can result in sales shifts or even lower volumes of fertilizers and plant care products. Likewise, mild winters may considerably reduce the sale volumes of de-icing salt in the main sales regions (Europe, North America) for this product group. We are responding to these fluctuations in the form of regional diversification, needs-based production management and flexible working hours. We have not used special derivatives to hedge this risk thus far because of what we consider to be unattractive market terms for these instruments. We consider corresponding adverse effects resulting from the influence of the weather to be possible, but we assess the effect in relation to the expected results as moderate, however.

Furthermore, the building up and destocking of inventories by our customers, depending on their expectations regarding future market price trends, the weather or their liquidity management, results in fluctuations in demand. This can lead to an under-utilisation of production capacity and thus to rising unit costs. The readiness of the trade sector to early stock up with fertilizers depends on their expectations regarding demand on the part of farmers. K+S offers, e.g. via a graduated price system, financial incentives in order to promote a readiness to stock up. Nevertheless, it cannot be ruled out that the trade sector will choose not to early stock up in times of high market fluctuations. As a result of this, during the fertilizer season we might be faced with such high volume requirements that on the one hand the stocks in our depots might not be sufficient or, on the other, they might not be able to be fully covered due to logistical bottlenecks. The same is true for salt if towns and cities, communities and road maintenance depots – also in view of public authority budgets – build up insufficient de-icing salt inventories off-season. Such possible effects may have a moderate impact on the net assets, financial position and results of operations of the K+S GROUP as well as making it more difficult to compare the quarterly financial statements.

EFFECTS OF POLITICAL AND SOCIAL CHANGES

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

CHANGES IN THE LEGAL ENVIRONMENT

RISKS ARISING FROM THE CHANGE OR REFUSAL OF OFFICIAL APPROVALS

DISPOSAL OF SALINE WASTE WATER

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

For the Hattorf, Unterbreizbach and Wintershall sites located on the Werra, whose share of the total potash production capacity of the K+S GROUP amounts to about 45%, the existing injection and discharge permits are limited to November 2011 and December 2012. Already in October 2008, we presented a comprehensive package of measures which should, with an investment volume of € 360 million, considerably further reduce the injections and the discharges of saline waste water by 2015. In addition, a public law agreement was concluded with the states of Hesse and Thuringia, in which the parties to the agreement jointly committed themselves to sustainable economic action, securing jobs and treating nature with the utmost respect for the next 30 years. There can be no assurance, though, that the permits will be extended or newly granted on this basis. The possibility cannot therefore be ruled out that further investments in these sites may become necessary, that production costs may continue to rise, and that under certain circumstances even the closure of these production sites may be required. The reduction of solid and liquid production residues from potash production will continue to be among the focal points of our research and development.

Between March 2008 and February 2010, at the Round Table on Water Protection Werra/Weser and Potash Production, on the initiative of the states of Hesse and Thuringia and of K+S, Werra residents, representatives from business, politics and administration as well as professional associations discussed long-term solutions for improving water quality. The task faced by participants in the Round Table: Proposing solutions which at the same time further improve the ecological condition of the Werra and Weser, make a contribution to securing jobs in the potash industry and strengthen economic structures in the regions concerned. The participants at Round Table have in total met 16 times and examined a large number of measures for dealing with saline waste water. Moreover, external proposals were assessed and a series of expert opinions commissioned.

In a final meeting held on 9 February 2010, the Round Table recommended that, starting from 2020 at the latest, the discharge of saline waste water into the Werra and its injection underground be completely discontinued and a pipeline to the North Sea be implemented. However, it did not provide an answer to the question of how this should be achieved by 2020 on the basis of the decision-making criteria jointly defined with the states of Hesse and Thuringia and accepted at the Round Table. Thus the decision of the Lower Saxony state parliament against the construction of a pipeline is not taken into consideration, and issues of economic appropriateness and the ability of the pipeline to be financed are excluded. Furthermore, it remains open to which extent the objectives of the EU Water Framework Directive can be achieved through the construction of a pipeline. Thus, K+S did not agree to Round Table's recommendation.

As permanent local disposal is being called into question by some parties, a long-term approval of the present concept is not regarded as certain. This is why K+S, in order to demonstrate forward-looking due diligence, parallel to the implementation of the local measures, has decided to also prepare applications for approval of remote means of disposal, i.e. pipelines to the Oberweser and to the North Sea, This is being done regardless of the fact that the test criteria for pipelines defined with the federal states of Hesse and Thuringia and agreed on by the Round Table are not currently fulfilled in the view of the Company. However, this has to be the case before any decision on the construction of a pipeline can be made. Such a decision is therefore not related to the preparation of the applications

The Neuhof-Ellers potash plant had to stop injecting saline waste water into the plate dolomite layer after the injection area was fully utilised. In order to ensure the proper disposal of the tailing pile water aising there, in accordance with the valid approvals, saline waste water is transported by rail and road to the nearest site, the Werra plant, until the completion of the planning decision for the salt waste water pipeline which was issued in mid-2010.

DISPOSAL OF SOLID PRODUCTION RESIDUE

At the exploitation sites of the Potash and Magnesium business segment solid residue is currently heaped up within the framework of existing approvals. If approvals for residues heaped up are revoked or necessary projects for the expansion of tailing piles are not approved, or only approved subject to unreasonably high requirements, there is no possibility for this residue to be disposed of. The alternative, transporting the residue to the existing caverns as prewetted backfill, is only possible to a limited extent. In the longer term, there are physical limits to how much backfill can be disposed of in this way, since only a far lower density is achieved than that of crude salt in the deposit. Furthermore, the high additional costs result in an economically unjustifiable relationship to the cost. We assess possible effects on the net assets, financial position and results of operations of the K+S GROUP as significant.

TAILING PILES EXPANSION

On 18 November 2009, the administrative court of Hanover upheld the complaints of the BUND FÜR UMWELT UND NATURSCHUTZ DEUTSCHLAND E.V. (BUND) and the NATURSCHUTZBUND DEUTSCHLAND E.V. (NABU) and set aside the planning approval decision of the Landesamt für Bergbau, Energie und Geologie Lower Saxony (LBEG) of 10 August 2007 as well as the modification decision of 13 March 2009 on the expansion of the tailing pile of the Sigmundshall plant. In the planning approval decision, the covering of the pile was a prerequisite for the expansion of the heaped production residues. The judgements of the administrative court relate exclusively to the type of pile covering planned by K+S, whose suitability for an independent greening of the pile that would be secure in the long term was called into question. The further heaping of residues from potash processing was not regarded as impermissible by the administrative court. The relevant mining authorities have appealed against the two judgements, and K+S

KALI GMBH will support them in further proceedings. Currently, in the short term, no restrictions arise for the operation of the Sigmundshall potash plant. At present, long-term effects cannot yet be assessed. In the medium term, we assess possible effects on the net assets, financial position and results of operations of the K+S GROUP as moderate.

COLLATERAL SECURITY

The requirement for insolvency-proof securities for the "infinity costs" of maintaining tailing piles and for the Company's own landfill sites cannot be ruled out for the future. Already today, the necessary expenditure for the systematic maintenance of tailing piles is being provided for in the balance sheet via provisions. If in addition to the creation of provisions collateral securities would have to be deposited, funds would be tied up, and this could limit the financial leeway of the Company. For the medium term, we assess possible effects on the net assets, financial position and results of operations of the K+S GROUP as moderate.

RISKS ARISING FROM THE CHANGE IN WORKPLACE LIMITS

The EU initiative on setting indicative workplace limits for nitrogen monoxide (NO), nitrogen dioxide (NO_2) and carbon monoxide (CO) could pose a risk to our mining activities, since such thresholds can be of considerable importance in the granting of permits for mining activities and thus for underground production. It should be possible to achieve realistic limits meaningful over the long term through intensive cooperation between the EU Commission and national governments as well as the companies concerned and their pressure groups. If thresholds were lowered significantly, substantial capital expenditure needed for us to comply with the thresholds could become necessary. If the workplace limits become so stringent that production at the sites concerned in compliance with these limits were no longer possible at justifiable expense or overall technically, this might even compel us to close these sites in the long term. In the medium term, adverse effects are possible, but we currently consider them to be moderate.

RISKS ARISING FROM THE REDUCTION IN ANTI-DUMPING PROTECTION

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

TAX LAW RISKS

In the area of energy taxes, the subsidiaries of the K+S GROUP in Germany that are classified as energy-intensive can currently make use of the so-called compensation for peak load. The relevant regulations were approved by the EU Commission until 2012 and grant companies in the manufacturing sector energy and power tax relief for certain energy products and electricity, which they use for commercial purposes. Within the framework of the German law on budgetary consolidation, this peak load was lowered slightly with effect from 2011. This results in our energy-intensive production in Germany becoming slightly more expensive. A follow-on regulation starting from 2013 is already being initially considered at the political level. We are taking an active part in this discussion in order to achieve the continued existence of this or a comparable follow-on regulation. A complete abandonment of the peak load is possible and would, in comparison to the legal situation that still existed in 2010 result in additional energy tax burdens and to competitive disadvantages for our energy-intensive German companies, a risk we, however, assess as moderate.

OPERATIONAL AND STRATEGIC RISKS

RISKS ARISING FROM ACQUISITIONS AND INVESTMENTS

Our vision and mission provide the framework for our business activities and for the strategic orientation of the K+S GROUP and aim to explain to our employees, shareholders, lenders, customers, suppliers and the public, the basis for our thinking and actions. To that end, the Board of Executive Directors, together with the heads of the business segments, regularly discuss the strategic orientation with its opportunities and risks.

Opportunities, but also risks arise from the expansion of our business activities through acquisitions. Across the Group, we make ambitious demands related to returns in every acquisition and expansion investment, which are discussed in detail on page 91 et seq. under 'Financial targets'. K+S is monitoring the market environment in relation to appropriate acquisition projects or cooperations. When it appears advantageous from a strategic perspective, we acquire or sell companies or parts of companies. Company valuations incorporating the findings of due diligence procedures and further analyses are of central importance in this respect. Once made, acquisitions are intensively accompanied by integration teams. In addition, follow-up checks are carried out in the case of important investment and acquisition projects. Risks may arise from the integration of employees, processes, technologies and products. Unexpectedly high integration costs may jeopardise the achievement of planned goals and synergies. Moreover, acquisitions may negatively impact the level of indebtedness and the financing structure and result in an increase in non-current assets, including goodwill. Write-downs on such assets due to unforeseen business developments may result in negative effects.

The K+S GROUP is currently completely taking over the Canadian company POTASH ONE. POTASH ONE holds several potash exploration licenses in the Canadian province of Saskatchewan including an already advanced greenfield project for the construction of a potash solution plant. K+S expects a production capacity of at least 2.7 million tonnes of potassium chloride per year when the legacy project has been fully developed. The implementation of this production capacity would involve an investment volume in Saskatchewan totalling about US$ 2.5 billion. The company will be based in Saskatchewan, Canada. All assumptions and estimates made within the framework of the project are subject to potential business, economic, political and social uncertainties. The current risk consists in the fact that the expectations could not be fulfilled, although in advance of the takeover a intensive due diligence was carried out and the geological, technical, legal and financial framework conditions were examined. Factors, which could result in serious effects, would be e.g. unexpected geological faults, technical difficulties in developing the deposit, and changes in the local legislation, approvals and regulations. The above-mentioned factors could, under certain circumstances, result in a need to recognise an impairment charge in relation to the acquired assets and have a material effect on the net assets, financial position and results of operations, but are currently unlikely.

/ **FURTHER INFORMATION ABOUT THE ACQUISITION OF POTASH ONE** can be found in the 'Subsequent Events' section on page 145.

In the event of future acquisitions, cooperations and investments, the risk exists that, due to political restrictions, they might only be able to be carried out under more difficult conditions or not at all. This could affect attractive raw material deposits in certain politically unstable regions. A resultant lack of suitable acquisition objects could have a significant adverse effect on the growth prospects of the K+S GROUP. Suitable partners could reduce these risks or improve our opportunities. We regard material adverse effects here as unlikely.

RISKS ARISING FROM LOSS OF SUPPLIERS AND SUPPLY BOTTLENECKS

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

RISKS ARISING FROM ENERGY COSTS AND ENERGY SUPPLY

The energy costs of the K+S GROUP (2010: € 265.8 million) are determined in particular by the consumption of natural gas. This applies to various degrees to all business segments. Energy prices are frequently subject to sharp fluctuations. Significant energy price rises in comparison to the current price level cannot be ruled out in the future. To limit this risk, the need for natural gas for our potash and salt production is constantly being reduced through the use of steam from substitute fuel heating plants. The price risk for obtaining natural gas is furthermore diminished by the following instruments. In addition to the targeted use of fixed-price agreements (e.g. contractual securing of natural gas prices for up to two years in the case of MORTON SALT), we have also agreed energy supply contracts with time delay clauses with some suppliers. Hedging transactions are used selectively in order to cover the remaining risk. There is no assurance that we will be able to completely hedge ourselves against price fluctuations for energy sources or to pass energy cost increases onto our customers. Furthermore, we depend on the reliability of the energy supplies, so that, if the supply of gas is interrupted briefly, there are risks for the security of supply. We regard risks arising from energy costs and energy supply, which could have a moderate impact on the net assets, financial positions and results of operations, as possible.

RISKS ARISING FROM THE PRICE INCREASE IN AMMONIA

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

RISKS ARISING FROM FREIGHT COSTS AND AVAILABILITY OF TRANSPORT CAPACITY

Our total costs are influenced by freight costs to a not inconsiderable degree (2010: € 790.0 million). While the products of our Potash and Magnesium Products business segment are extracted from our six mines in Germany, last year, we achieved 40 % of revenues in Europe outside Germany and 45 % overseas. In the Salt business segment we have production sites in Europe, North and South America. A characteristic feature of our business activity is the, in some cases, large transport distance that our products have to cover with simultaneously high transport volumes. A reduced availability of freight capacity could result in higher costs for transportation. Furthermore, considerable additional costs arise in the event of increasing mineral oil prices. There can be no assurance that increasing transport costs can always be passed onto customers. By means of the long-term securing of freight capacity with a high fixed-price proportion and the use of low-cost container transport, we counteract such developments; in addition, hedging transactions are also employed selectively to limit the effects of price fluctuations. The high level of transport intensity of our business operations moreover makes us substantially dependent on infrastructure facilities such as ports, roads and loading stations. A failure or a bottleneck could restrict the production and sales possibilities. We consider corresponding adverse effects from rising freight costs or the limited availability of transport capacity to be possible, but we regard the effect in relation to the expected results as moderate.

PRODUCTION RISKS

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

RISKS ARISING FROM ENVIRONMENTAL DAMAGE DUE TO ROCK BURSTS

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

RISKS ARISING FROM CARBON DIOXIDE POCKETS IN DEPOSITS

Carbon dioxide pockets in certain mines constitute a latent potential danger. If carbon dioxide from these pockets were to escape in an uncontrolled manner, the K+S GROUP could be held liable for damages or injuries associated with this, suffer damage to its own equipment and be exposed to cuts in or losses of production. To keep any impact on people, machinery and deposits as low as possible, extraction operations underground are always conducted in compliance with the special safety guidelines applicable to potential CO_2 leaks. We regard the possible damage potential as moderate.

RISKS ARISING FROM WATER INGRESS

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

RISKS ARISING FROM RESEARCH AND DEVELOPMENT ACTIVITIES

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

PERSONNEL RISKS

The competence and commitment of our employees are important factors in our successful development. Our vocational training, in the context of demographic change too, contributes to securing and strengthening these factors. By means of practice-based support for future generations of employees, targeted further training measures and encouragement for those who display potential, the K+S GROUP has demonstrated that it is an attractive employer able to retain managerial personnel in particular over the long term. With this strategy and increased cooperation with selected colleges, we offer qualified employees very promising career prospects. Key positions are regularly analysed with respect to forward-looking succession planning, and suitable candidates are prepared for such tasks. Further elements of our personnel strategy are assistance and advice geared towards target groups as well as attractive incentive systems. Furthermore, the K+S GROUP maintains a good and constructive relationship with its employees and their unions, in which they, particularly in Germany and North America, are traditionally largely organised. Overall, we consider even moderate effects on the net assets, financial position and results of operation from the personnel risks described as unlikely.

COMPLIANCE RISKS

Compliance with applicable laws, corporate guidelines and regulatory standards recognised by the Company is an integral part of the corporate culture and thus a responsibility and duty of every employee. In order to ensure behaviour that complies with these regulations, we have established a groupwide compliance programme, which, for example, provides for employee training on the risk areas antitrust / competition law and anticorruption. We regard serious violations by individual employees, which could have a significant impact on the net assets, financial positions and results of operations, as unlikely. A detailed presentation of our compliance system can be found in the 'Corporate Governance' chapter on pages 21 et seqq. of this Financial Report.

IT RISKS

Our IT systems support almost all Company functions to a high degree. Our management of information technology risks is based on the DIN ISO 31000 standard "Risk Management – Principles and Guidelines." With the establishment of an IT security management system based on the DIN ISO 27001 standard, a key prerequisite for the management of IT risks was created. In order to protect our business processes against such risks, structures were established and measures adopted, which make the occurrence of risks improbable. The redundant design of the IT systems and their infrastructure are of particular importance in this. Our computer centre is thus operated as a two-location system, and the components of the infrastructure (power supply, data cables etc.) are duplicated. We meet the increased security requirements faced by the IT organisation through the functions of IT compliance, the IT security officer and the data protection officer. To a great extent, our operational concepts, e.g. in the areas of monitoring, data backup, access control, fault management and business continuity management, ensure the availability of the IT systems. We classify the likelihood of short-term effects due to IT risks as moderate. We consider it improbable that damage will occur. The IT integration of MORTON SALT which began at the start of 2010 will probably be completed in 2012 with the provision of all necessary IT functionalities. It is planned for POTASH ONE to make all SAP modules available for project and investment controlling in the first half of 2011.

FINANCIAL RISKS

Due to the global nature of its business operations, the K+S GROUP is exposed to different financial risks. These include the price change risk (consisting of the currency and interest rate risk), the default risk, the liquidity risk and the resultant fluctuations in payment flows. We regard market price risks in the sense of energy price risks, risks arising from the change of freight rates and from the price increase of ammonia as operating risks. These are described on page 139. If derivative financial instruments are used to hedge the respective risks, these are explained in detail in the description of risk management in relation to financial instruments on page 131.

RISKS DUE TO EXCHANGE RATE FLUCTUATIONS

A currency risk results from transactions, which are not effected in our functional currency (euro). With this risk, we draw a further distinction between transaction and translation risks.

While a great part of the revenues of the K+S GROUP is settled in euros, in financial year 2010, the part of our revenues generated in US dollar accounted for almost 40 % of Group revenues. In addition to this, revenues of a secondary magnitude were also generated in other national currencies (e.g. Canadian dollar, Chilean peso and pound sterling). As a result, our business operations are exposed to the fluctuations in exchange rates between the euro and the various other currencies. This can lead to the value of the service performed not matching the value of the consideration received in transactions, because income and expenditure arise in different currencies (transaction risks). Exchange rate fluctuations, especially in relation to the US dollar, play an important role for the Potash and Magnesium Products business segment.

Furthermore, currency effects also have an effect in the Salt business segment where a significant part of earnings and cash flows are generated in US dollar and in Canadian dollar and converted into the Group currency, the euro (translation risks). Such translation risks also exist in relation to the net assets of subsidiaries, whose functional currency is not the euro, which may result in fluctuations in equity as at the reporting date. This applies especially in the case of the acquisition of MORTON SALT, which was completed in October 2009, which has resulted in a significant proportion of foreign currency assets.

Exchange rate fluctuations may have an adverse effect on the net assets, financial position and results of operations of the K+S GROUP. In order to counter these exchange rate risks, we use derivative financial instruments (see ‘Risk management in relation to financial instruments’ on page 131 and note (18) ‘Derivative financial instruments’ in the Notes on pages 194 et seqq.). Within the framework of transaction hedging, net positions, i.e. the payments resulting from revenues generated in foreign currencies less the outgoing payments in foreign currencies, are hedged against exchange rate fluctuations through derivatives, normally options and futures. Hedge transactions are concluded in relation to billed receivables and anticipated net positions on the basis of projected revenues. The net positions are determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis in order to avoid excess hedging or hedging shortfalls. In addition, planned earnings are also hedged against translation risks, in so far as these are of material significance. More information on the foreign currency hedging system can be found on page 115. In relation to the current results, we consider the possible risk arising from exchange rate fluctuations to be moderate.

RISKS ARISING FROM THE CHANGE IN THE GENERAL INTEREST RATE LEVEL

The interest rate change risk results from market-related fluctuations in the general level of interest rates. On the one hand, a change has an effect on the amount of interest payments, on the other hand, on the market values of financial instruments.

As of 31 December 2010, the financial liabilities are almost completely hedged against a rise in interest rates by means of fixed-rate financing. The investments predominantly have a short-term interest rate lock-down. Rising interest rates would thus tend to improve the financial result and the associated cash flows on the basis of the asset and capital structure as of 31 December 2010. Falling interest rates would lead to an adverse impact. Therefore, interest rates are analysed regularly to manage this risk. We regard a change, particularly an increase, in the general level of interest rates in comparison to the assumption made in the medium-term planning as possible, while we assess the effects as moderate. Information regarding the change in Group earnings depending on the change in interest rates can be found in the consolidated Notes on page 207.

RISKS ARISING FROM THE DEFAULT OF PAYMENT BY CUSTOMERS AND THE RISK OF FINANCIAL INSTITUTIONS FAILING

This default risk should be understood as the partial or complete non-fulfilment of contractually assured obligations on the part of one or more contractual partners.

We maintain extensive business relationships with many customers. If one or more major customers are not in a position to fulfil their contractual obligations towards us or become insolvent, this could result in corresponding losses for us. The majority of risks arising from defaults of payment are covered for us by credit insurance. The waiving of an insurance cover for receivables is only possible after specific approval has been obtained, which, depending on the magnitude, has to be issued by the management of the business segment or the competent member of the Board of Executive Directors, and after the long-term customer relationship has been reviewed critically. Across the Group, more than 80 % of all insurable receivables are hedged against a default.

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

Sureties and default guarantees only exist between companies within the K+S GROUP, not, however, for third parties.

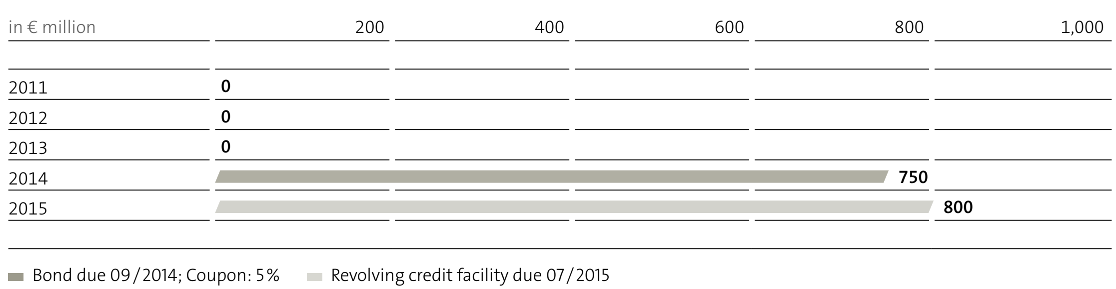
A potential default on receivables or failure of a bank could have a moderate adverse effect on the financial position of the K+S GROUP. However, due to measures adopted for hedging receivables and the selection of financial institutions as well as the diversification described above, we regard this as unlikely.

LIQUIDITY RISKS

The liquidity risks consists in the funds needed to meet payment obligations not being procured in time and consequently higher refinancing costs being potentially incurred. For this reason, the main goals of our liquidity management consist in ensuring the ability to pay at any time and the constant fulfilment of contractual payment obligations. The need for liquidity is essentially determined via liquidity planning and is covered via assured credit lines and liquid funds.

Liquidity is managed via a Group-wide cash pool system by the central treasury unit. In the case of investments, we pursue the goal of optimising the income earned from liquid funds at low risk. In the case of all forms of investments, there are certain set creditworthiness requirements in relation to issuers that have to be met. We optimised the due date profile of the financing instruments of the K+S GROUP in financial year 2010. Therefore, two revolving credit lines were grouped as one syndicated credit line with more favourable terms and the maturity was extended from April 2012 to July 2015. / **FIG: 4.11.1**

MATURITY PROFILE OF FINANCIAL LIABILITIES FIG: 4.11.1



Beyond that, there are also bilateral framework credit agreements which have not been taken up so far. There is no particular dependency on any individual lenders. Within the framework of the existing credit lines, the K+S GROUP has entered into certain obligations (financial covenants) to maintain certain financial figures. If these obligations were violated, a premature termination of this financing through lenders is possible. However, a violation of the currently valid financial covenants appears unlikely due to significantly positive financial figures. The bond issued in September 2009 with a volume of € 750 million and a term of five years is not subject to the obligation to maintain certain key figures. With regard to the maturity structure of our liabilities, we classify a material liquidity or financing risk for the K+S GROUP as unlikely.

RISKS ARISING FROM A CHANGE IN THE COMPANY RATING

Ratings are used to assess the creditworthiness of companies and are normally issued by external rating agencies. In particular for credit institutions and institutional investors, the rating provides indications of the ability to pay of companies and has, e.g., effects on the costs and availability of financing possibilities.

At present, we are rated in the "investment grade" by the rating agencies "STANDARD & POOR'S" and "MOODY'S INVESTORS SERVICE". While the outlook given by STANDARD & POOR'S is "positive" in view of our strong financial figures, it is classified as "stable" by MOODY'S (STANDARD & POOR'S issuer rating: BBB positive outlook, MOODY'S issuer rating: Baa2 stable outlook). Rating downgrades, in particular the loss of the rating into the "investment grade" category, could have a negative impact on the terms of financing. Downgrades can, for example, require the furnishing of creditors with collateral and decrease the readiness of business partners to do business with the K+S GROUP. In the case of existing credit lines, higher interest margins would have to be paid under certain circumstances. At the same time, new credit lines could become more expensive. We regard the risk of a downgrade of the credit rating, in particular into the "non-investment grade" segment, as unlikely. We classify the effect as moderate. / TAB: 4.11.2

DEVELOPMENT OF CREDIT RATINGS TAB: 4.11.2

Date	Rating	Outlook
Standard & Poor's		
17 January 2011	BBB	positive
29 October 2010	BBB	Stable
30 November 2009	BBB	Stable
27 August 2009	BBB	Negative
18 June 2009	BBB+	Negative
23 April 2009	BBB+	stable
Moody's		
29 November 2010	Baa2	Stable
31 March 2010	Baa2	Stable
4 September 2009	Baa2	Negative
23 April 2009	Baa2	stable

ASSESSMENT OF OVERALL RISK SITUATION

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

4.12 SUBSEQUENT EVENTS

No material changes have occurred in the economic environment or in the position of our industry since the end of the financial year.

K+S ACQUIRES MAJORITY INTEREST IN POTASH ONE

On 22 November 2010, K+S AKTIENGESELLSCHAFT and POTASH ONE had signed an agreement under which K+S made an offer to all POTASH ONE shareholders to acquire all shares at a price of CAN$ 4.50 (transaction volume: CAN$ 434 million, equivalent to around € 325 million). POTASH ONE holds several potash exploration licences in the Canadian province of Saskatchewan including the Legacy Project – an advanced greenfield project for the construction of a potash solution plant. The formal takeover bid was sent to the holders of the POTASH ONE shares on 13 December 2010. The term of acceptance ended initially on 18 January 2011.

On 19 January 2011, K+S announced that about 81 % of the POTASH ONE shares had been tendered by the offer deadline. The deadline was extended until 4 February in order to give the remaining shareholders the opportunity to tender their shares. On 7 February, we announced that the tender ratio had risen to 90.9 %. As the bid was accepted by more than 90 % of the POTASH ONE shareholders, the remaining outstanding POTASH ONE shares will be acquired by means of an exclusion procedure within the framework of the Canada Business Corporations Act. By mid-May 2011, the acquisition of POTASH ONE should be completed.

Apart from this, no other events of material importance for the K+S GROUP requiring disclosure have occurred.

4.13 FORECAST REPORT

FUTURE GROUP DIRECTION

NO CHANGES IN BUSINESS POLICY INTENDED

We do not intend to introduce any fundamental change in our business policy over the coming years. We want to expand our market positions in our business segments, especially by increasing sales of speciality products, enhance our efficiency through the exploitation of further synergies, press ahead with the expansion of new potash capacities at POTASH ONE as well as grow both organically and externally in our core business sectors.

FUTURE SALES MARKETS CONTINUE TO BE BALANCED INTERNATIONALLY

During the past year, demand for potash and magnesium products increased significantly, primarily in Europe. As a result of the first-time inclusion of the North American salt producer MORTON SALT for a whole year, overseas revenues also increased significantly, so that the revenue split between Europe and overseas for the K+S GROUP was almost balanced. The rise in demand in the Potash and Magnesium Products business segment expected for 2011 should result in an increase in revenues in all regions. In the Salt business segment, the expected decline in revenues in Europe should be compensated for by a corresponding increase overseas, particularly in North America. Against this backdrop, we expect that 2011 revenues will again be split almost equally between Europe and overseas.

The growing global population as well as the tendency for the emerging market countries to consume more meat and the associated increase in the need for feed should further boost demand for large parts of our fertilizer product range both in Europe and on overseas markets during the coming years. In the medium to long term, the growth rates of the overseas markets South America and South East Asia should thereby gain further momentum. We assume that we will in future sell just under one third of our fertilizer products in these regions. Over the medium term, the planned expansion of potash capacities at POTASH ONE in Saskatchewan, Canada, should facilitate access to these growth regions.

The European salt market is a mature market with rather constantly high salt consumption, except for fluctuations in the use of de-icing salt due to weather conditions. In comparison to the more rapidly growing overseas markets, it displays lower levels of susceptibility to fluctuations, thanks to developed structures and a demand that is very differentiated. Since the acquisition of the Chilean salt producer SPL in 2006, we are, however, now also exploiting the potential offered by overseas markets that are more dynamic as a result of a growing and increasingly more prosperous population. The change in the lifestyle habits of South Americans is leading to a marked increase in demand for food grade salt, industrial salt and salt for chemical use. Following the acquisition of MORTON SALT, we have gained access to regions of the North American de-icing salt market, which also tend to be characterised by a lower susceptibility to fluctuation, and to the food grade salt and industrial salt segments in North America.

In order to be able to respond even more flexibly to weather-related regional fluctuations in demand for de-icing salt in the Salt business segment, we are intending to further intensify the use of the network of production plants in Europe, North America and South America.

/ **FURTHER INFORMATION ABOUT THE FUTURE DEVELOPMENT OF SALES MARKETS** can be found in the description of the 'Future industry situation' on pages 149 et seqq.

FUTURE USE OF NEW PROCESSES PERMITS GREATER PROCESS EFFICIENCY

We are continuously working on process improvements to increase the raw material exploitation and energy efficiency of our plants and factories and to further reduce solid and liquid production residues. In the Potash and Magnesium Products business segment in particular, very promising processes enhancing economic efficiency and raw material exploitation are being developed for both underground and above-ground applications. ESCO, SPL and MORTON SALT are working together to identify best practice processes and transfer suitable processes within the Salt business segment.

At POTASH ONE, we are planning to construct a production site for potassium chloride products on the basis of solution mining technology in Saskatchewan, Canada. Production here should commence in 2015 at the earliest.

The solution mining technology permits, to the extent that the deposit conditions allow for such a process, a faster commencement of production than do conventional mining techniques, a more flexible starting curve of production and the mining of lower-lying deposits. Moreover, the ratio of crude salt to solid and liquid production residues is more favourable.

FUTURE RESEARCH AND DEVELOPMENT WITH MAIN FOCUS ON ENVIRONMENTAL ISSUES

In the future too, we want to pursue our research and development goals defined in close consultation with marketing and production. These can be found on pages 95 et seq. of this report. In 2011, research and development expenditure should again be significantly higher than it was in 2010. The number of employees working in research should further increase in 2011, particularly in order to overcome the coming challenges in the area of environmental protection and to further advance research into the area of solution mining. For 2012, we expect a stable number of employees working in research in comparison to this year.

The research projects in 2011 and 2012 are enumerated below. Some of the projects described were already begun in previous years. Detailed information can be found under 'Research and Development' on pages 98 et seqq. of this report.

FERTILIZER BUSINESS SECTOR

+ In the Potash and Magnesium Products business segment we are pressing ahead with the improvement of extraction and production processes in order to achieve increases in efficiency and reductions in solid and liquid production residues. Within this framework, in particular the further development of dry processing technologies and improvements in preliminary deposit explorations form important focal points.
+ At K+S NITROGEN, the main focuses are the development of fertilizers with new inhibitors, research into the sustainability of nutrient management in the soil when using complex fertilizers, research into the effect of specific fertilizers under tropical conditions in Asia and issues related to the environmental relevance of the fertilizers used.
+ The development of plant protection products both in in-house development by COMPO and in cooperation with other substance manufacturers, in particular SYNGENTA, is being continued.

SALT BUSINESS SECTOR

+ Research into processes for improving the quality of rock salt for industrial applications shall be advanced through the collaboration between ESCO, SPL and MORTON SALT.
+ The improvement in extraction management and facility sites in our open-cast mining in the Chilean Atacama desert, which began in 2010, is being further pursued.
+ The main focuses of MORTON SALT continue to be research into innovative de-icing agents, the reduction of sodium in food and the further development of water-softening salts.
+ We will also pursue further cooperation with the Dutch research institute WETSUS on the generation of renewable energy from saline solutions.

FUTURE PRODUCTS AND SERVICES

+ In the Potash and Magnesium Products business segment, we are not assuming that there will be a material change in the product portfolio. However, we will in particular further improve the agricultural application consulting in 2011 through research activities and teaching at the INSTITUTE FOR APPLIED PLANT NUTRITION in Göttingen established jointly by ourselves and the University of Göttingen and by means of an effective transfer of knowledge from research to practical agriculture.
+ Within the framework of the research activities of K+S NITROGEN a urease inhibitor was developed, which can considerably reduce ammonia losses during the application of urea and thus facilitates a more efficient supply of nitrogen. Its launch overseas is planned still for 2011.
+ In 2011, the activities of ESCO will be focused on product optimisations in Europe for the brands BALANCE® SALZ, CÉRÉBOS® SEL ÉQUILIBRE and VATEL® SAL EQUILÍBRIO, in order to be even better able to serve the rising demand for low-sodium mineral salts in the food industry and among consumers.
+ At SPL in South America, the supplementation of the product portfolio of the BIOSAL® brand as well as the sale and treatment of brine for the fishing industry is being further advanced.
+ In 2011, MORTON SALT will focus on expanding its offer of food specialties.

Apart from this, we assume no substantial changes in our range of products and services.

HIGHER NUMBER OF EMPLOYEES, HIGHER PERSONNEL EXPENSES

In future too, K+S will face competition for good employees. We will continue to bring young people in particular into the Company in order to respond to the demographic change in a timely manner. However, we also want to win older and experienced employees for our Company.

K+S regards vocational training as an important investment into the future and continues to strive for a training ratio of about 6 % for its German companies. Advanced education will also continue to be given special emphasis. Also in the years to come, we want to recruit many of our future specialist and managerial personnel from our own ranks.

As for the end of 2011, we are expecting the number of employees to be slightly higher than as of 31 December 2010 (15,241). The average number of employees should also increase slightly in the current year to reach about 15,480 (2010: 15,168). The reasons for the increase are particularly an increase in the number of personnel in order to maintain the volumes of crude salt mined in the Potash and Magnesium Products business segment. With regard to personnel expenses (2010: € 1,019.3 million) we expect that the additional costs of the most recent pay settlements under collective bargaining agreements and the higher number of employees will result in a tangible increase.

FUTURE MACROECONOMIC SITUATION

The following discussion about the future macroeconomic situation is essentially based on the assessments of the INSTITUTE FOR THE WORLD ECONOMY KIEL (Kiel Discussion Papers: Weltkonjunktur und deutsche Konjunktur im Winter 2010, December 2010) and of DEKA BANK (Makro Research, Volkswirtschaft Prognosen of 8 February 2011). / TAB: 4.13.1

The significant recovery in the global economy in 2010 should, in the opinion of leading economic research

PERCENTAGE CHANGE IN GROSS DOMESTIC PRODUCT TAB: 4.13.1

in %; real	2012e	2011e	2010	2009	2008
Germany	+1.9	+2.5	+3.6	(5.0)	+1.3
European Union (EU-25/EU-27)	+1.8	+1.6	+1.7	(4.1)	+1.2
World	+4.2	+4.2	+4.9	(1.1)	+3.1

Source: Deka Bank

institutes, also continue in 2011 and 2012, although the pace of growth will probably be more moderate. The forecasts of DEKA BANK for the global economy assume growth in the gross domestic product of 4.2 % for 2011 and 2012 respectively.

A financial policy that is increasingly restrictive in its impact and a declining foreign demand will, the INSTITUTE FOR THE WORLD ECONOMY KIEL predicts, result in a slowdown in economic development in the eurozone. While a recession cannot be ruled out in Greece, Spain and Portugal due to the high level of national debt, the German economy and those of the other countries in the eurozone should grow further. For 2011 and 2012, DEKA BANK expects a moderate GDP increase in Europe of 1.6 and 1.8 % respectively.

In the USA, the economic recovery should further continue in 2011 without gathering particularly great momentum. A stronger recovery will probably be held back not only by the restrictive effects of the expiry of the economic stimulus programme, but also by the continued high level of indebtedness of private households and the structural problems of the real estate market. The INSTITUTE FOR THE WORLD ECONOMY KIEL believes, however, that there is no danger of the recession returning. Against this backdrop, DEKA BANK is assuming a growth rate for the gross domestic product of 3.3 and 3.2 % for 2011 and 2012 respectively.

As regards the emerging market countries, leading economic institutes predict a slight decline in the momentum of growth. This is due not only to lower demand from abroad but also to the measures taken within monetary and financial policy intended to prevent the economy from overheating. Above all, the economies in China and India will probably continue to perform very positively. Here DEKA BANK is assuming GDP growth of almost 10 % in 2011 and 2012.

The expansive monetary policy of the central banks should continue further, against the backdrop of continued high unemployment and deteriorating economic prospects. The INSTITUTE FOR THE WORLD ECONOMY KIEL expects that the central bank interest rates across the whole of 2011 will remain unchanged at their current low level and only be gradually raised in 2012. Our expectations regarding the USD/EUR exchange rate, which underlie our corporate planning, are on average about 1.35 USD/EUR for 2011 and 2012, while we assume an oil price level of just under US$ 90 per barrel.

IMPACT ON K+S

+ The economic upturn in the emerging market countries is continuing and is improving the prosperity level of the population of such countries. This increases global per capita consumption of food, including meat, as well as the pressure on the agricultural sector to meet this challenge.
+ Since the second half of 2010, the recovery in the prices of agricultural products resulted in a tangible increase in the demand for fertilizers. The futures traded at exchanges for agricultural products indicate that in financial year 2011 too, the prices for agricultural products should remain at a level that is very lucrative for the agricultural sector. The market for fertilizers should also benefit from this development, and that is why we are assuming that for 2011 as a whole global sales of potash will amount to 57 to 60 million tonnes (2010e: 57 million tonnes).
+ Options and futures are used to hedge incoming US dollar payments expected for coming years, which for 2011 define a worst-case scenario of about 1.36 USD/EUR incl. costs for planned revenues of the Potash and Magnesium Products business segment. Within

the framework of translation hedging in the Salt business segment, hedging transactions exist, which guarantee a worst case translation of the hedged net position at 1.37 USD/EUR. The selected instruments also provide the K+S GROUP with the opportunity to participate in a potentially rising US dollar.
+ Our production costs are influenced to a considerable degree by energy costs, particularly with regard to gas. As a result of the energy supply clauses agreed with our suppliers, changes in energy prices in the Potash and Magnesium Products business segment are in part only reflected in our energy costs with a delay of six to nine months.

FUTURE INDUSTRY SITUATION

The important competitive positions of the individual business segments described in the section 'Group structure and business operations' on pages 77 et seqq. essentially remain valid.

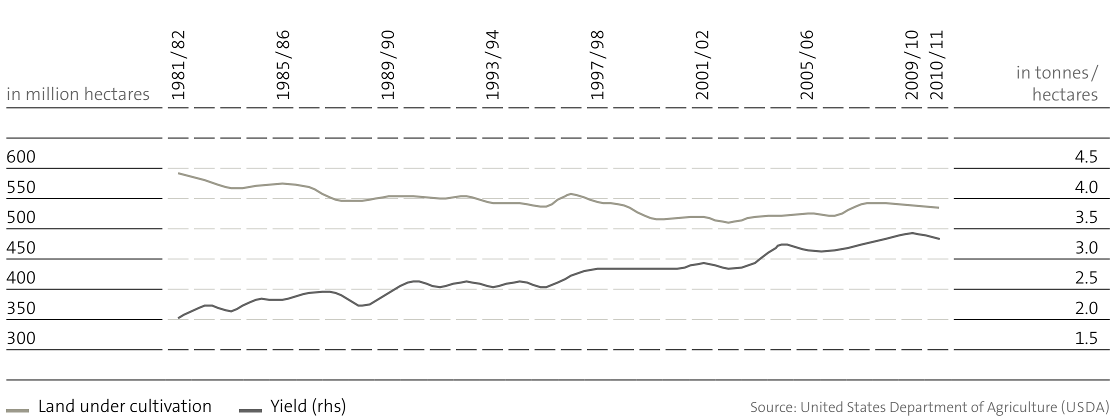
FERTILIZERS BUSINESS SECTOR

A global population that is growing by about 80 million people every year as well as changes in eating habits that are moving towards greater consumption of meat and, not least, the growing importance of renewable raw materials for the generation of bioenergy are all tending to increase demand for agricultural raw materials around the world. Especially against the backdrop of a decline in the availability of agricultural land per capita, this poses a great challenge for the agricultural sector. The following diagram shows that the land available for the cultivation of cereals worldwide decreased by a total of 0.4 % p.a. over the past 30 years. During the same period, the world's population has risen from about 4.5 to 6.9 billion people. / FIG: 4.13.1

That cereal production could nevertheless increase over this period of time can be attributed to, among others, the use of mineral fertilizers. Balanced, sustainable mineral fertilizer use will remain a decisive factor also in the future in contributing to countering the decline in the land available for cultivation, prompted by urbanisation, erosion and flooding, by means of intensifying farming on the land that remains.

Despite great efforts made on the production side, over the past few decades, more cereals have often been consumed than produced. During the past financial year too, the highest global demand for cereals so far was confronted with an insufficient production volume, so that the stocks-to-use ratio fell below the critical threshold of 20 %. In particular against this backdrop, the prices of agricultural products increased significantly during the second half of 2010. / FIG: 4.13.2

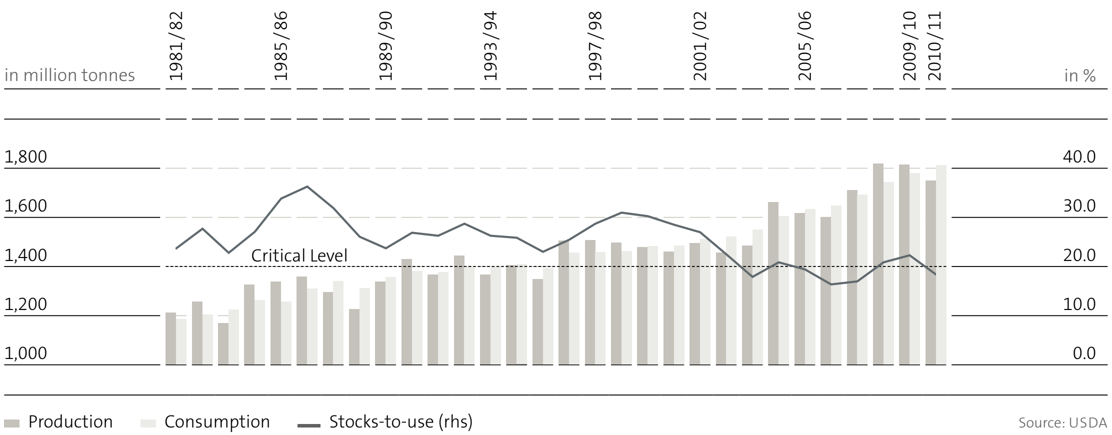
LAND UNDER CULTIVATION AND YIELD PER HECTARE FOR WHEAT AND COARSE GRAINS FIG: 4.13.1



Source: United States Department of Agriculture (USDA)

PRODUCTION/CONSUMPTION AND STOCKS-TO-USE RATIOS FOR WHEAT AND COARSE GRAINS

FIG: 4.13.2



Source: USDA

Figure 4.13.3 shows that a further decline in the stocks-to-use-ratio in financial year 2011/12 cannot be ruled out. If one assumes utilisation of land for the coming year corresponding to the average for the past five years and the average yield per hectare during this period and if one applies the five-year average growth in demand to the consumption in financial year 2010/2011, this would result in the largest production deficit ever recorded in the past 30 years accompanied by sharply declining stocks of cereals. In this case, the stocks-to-use ratio would decline from 19 to 13 % and therefore result in the lowest value since the beginning of USDA records (1973). / **FIG: 4.13.3**

Against this backdrop, the capital markets very probably regard the current higher price level for agricultural products in the next two years as being relatively stable. At least, this is reflected in the forward rates in Figure 4.13.4. / **FIG: 4.13.4**

In 2011, demand for fertilizers should increase further due primarily to a probably not only temporary positive development of agricultural prices. The resultant more attractive income prospects in the agricultural sector should provide sufficient incentive to raise yields per hectare through the increased use of fertilizers. Against this background, a high level of utilisation of the respectively available production capacities is to be expected globally both for potash and magnesium products and for nitrogen fertilizers.

In 2011 as a whole, we are therefore assuming world potash sales volumes of about 57 to 60 million tonnes (2010e: about 57 million tonnes). The level of sales volumes reached before the financial and economic crisis should therefore be achieved again and, from that level, grow again by 3 to 5 % p.a. over the coming years. As the world's fourth-largest individual producer with a market share of about 10 %, K+S should participate in this.

With regard to the most recent price announcements: Against the backdrop of highly utilised production capacities worldwide until the first quarter, in mid-December 2010, K+S announced a price increase for Europe to 335 €/tonne of granulated potassium chloride. The Russian/Belarusian export organisation BPC and the North American export organisation CANPOTEX agreed contracts with Chinese importers regarding the supply of potassium chloride standard at 400 US$/tonne (previous year: 350 US$/tonne) including freight. After BPC announced a price of 440 to 450 US$/tonne of granulated potassium chloride in Asia and Latin America for newly concluded contracts at the start of November 2010, early in February 2011, CANPOTEX announced prices of 460 US$/tonne of potassium chloride standard and 475 US$/tonne of granulated potassium chloride in these markets.

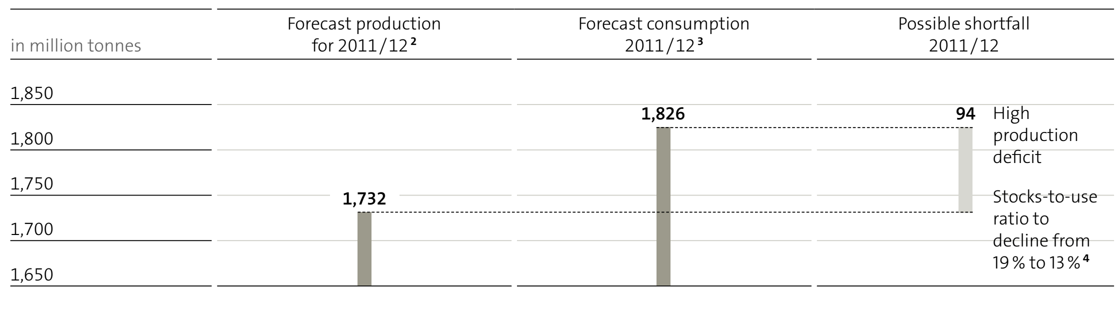
/ A DESCRIPTION OF THE PRICE DEVELOPMENT FOR POTASSIUM CHLORIDE IN THE 2010 FINANCIAL YEAR can be found in the description of the industry-specific conditions on page 103.

It is only with great difficulty that one can forecast the potash price level over the medium term. However, the economic viability of time-consuming and very capital intensive new projects (Greenfield mines) is dependent on a reasonable potash price level: New capacity cannot be realised cost effectively at the price level prevailing four to five years ago. And after decades during which the potash price remained almost constant until 2004 and the investment backlog this triggered, which also lasted for decades, the demand for potash in a globalised world with constantly rising dietary expectations cannot be met by the currently installed capacities alone. **/ FIG: 4.13.5**

SALT BUSINESS SECTOR

Over the coming years too, the situation of the industry and competition in Europe will be shaped by the continuation of the consolidation process in the salt industry. Depending on the level of freight costs, the intense competition characterising the market situation for European producers could also be exacerbated by rising imports from non-EU countries. As Europe's largest salt producer, we are well-equipped to meet the challenges arising in this market environment. Assuming average weather conditions, in 2011, the demand for de-icing salt in Europe should, however, again decline correspondingly following the peak year 2010. While demand in the

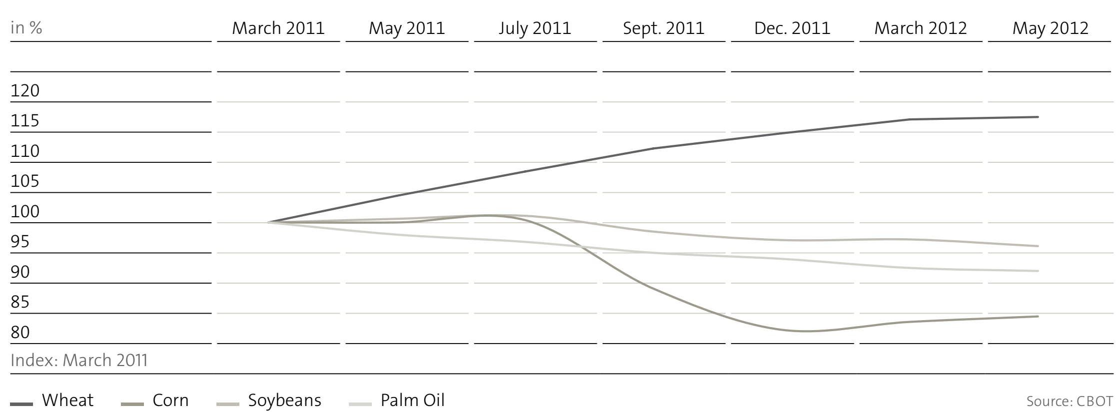
RISK FOR POTENTIAL GLOBAL WHEAT AND COARSE GRAINS SHORTFALL[1] IN 2011/12 FIG: 4.13.3



[1] Wheat and coarse grains.
[2] Based on last 5 years' average of harvested area multiplied by last 5 years' average yield (531 million hectares x 3.3 tonnes per hectare).
[3] Based on 2010/11 consumption (1,788 million tonnes) multiplied by last 5 years' annual average demand growth rate of 2.1 %.
[4] Implied stocks-to-use ratio: ending stock 2010/11 (332 million tonnes) less potential shortfall (94 million tonnes) divided by potential consumption 2011/12 (1,826 million tonnes).

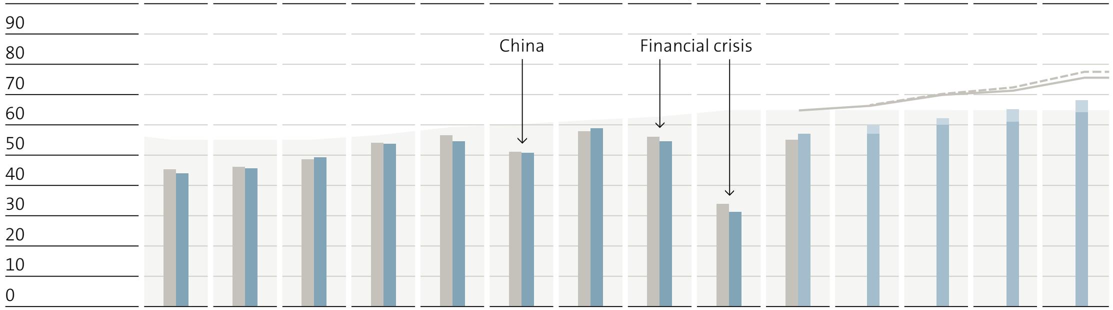
Source: USDA

FUTURES FOR AGRICULTURAL PRODUCTS FIG: 4.13.4



Source: CBOT

WORLD POTASH CAPACITY, PRODUCTION AND SALES VOLUMES FIG: 4.13.5



in million tonnes	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Production	45.1	46.0	48.5	53.9	56.5	50.9	57.8	56.0	33.7	55.0	60.0	62.0	65.0	68.0
Sales volumes	43.9	45.5	49.1	54.2	54.4	50.7	58.7	54.5	31.0	57.0	57.0	60.0	61.0	64.0

Production Sales volumes Available capacity Sales volumes estimated and from 2012 Ø +3 % growth assumed respectively Sales volumes estimated and from 2012 Ø +5 % growth assumed respectively Brownfield projects Greenfield projects

Sources: IFA, K+S

Incl. potassium sulphate and potash grades with lower K_2O content; Capacity development 2010 – 2014 based on IFA supply capability data.

food grade salt and industrial salt segments in Europe is expected to remain stable during the coming year, sales volumes of salt for chemical use should again increase moderately in light of the economic recovery.

With the Chilean salt producer SPL, the largest salt producer in South America, we have a very good starting point for participating in the dynamic growth of the South and Central American markets. While the demand from the chemical industry for salt for chemical use should increase moderately, the South American market for industrial salt and food grade salt should grow steadily in line with the local population development.

Following the acquisition of MORTON SALT, the largest salt producer in North America in terms of production capacity, in the de-icing salt sector we have access to new markets with winter business in North America that is less susceptible to fluctuations. In the industrial salt and food grade salt segments too, North America is now among our most important sales regions. With the brands UMBRELLA GIRL® and WINDSOR CASTLE®, MORTON SALT has brands in the United States and in Canada that are very well positioned in the consumer business, which should enable us to achieve stronger sales volumes of higher-margin speciality products. Assuming average weather conditions, in 2011, the demand for de-icing salt in North America should slightly increase against the previous year, that has somewhat lagged behind the long-term average. Early stocking-up over the summer months should be above average, considering the wintry conditions at the start of the year. The consumption of food grade and industrial salts should continue to be stable. Demand on the part of the chemical industry for salt for chemical use should again increase moderately in light of the emerging economic recovery.

EXPECTED DEVELOPMENT OF REVENUES AND EARNINGS

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

For a number of years, K+S has principally been pursuing a clearly defined forecast policy:

+ In the Financial Report, an outlook for two years is given. In terms of quality, the outlook uses the expressions "slight", "moderate, "tangible", "significant" and "strong". The respective expressions normally follow an internal classification depending on the expected percentage change in comparison to the figures for the previous year.
+ In the Quarterly Financial Report for the first quarter, the outlook for the current year is taken up and, if necessary, adjusted. The outlook uses the same qualitative classification as the Financial Report.
+ In the Half-yearly Financial Report the outlook is quantified for the first time and ranges are specified for the expectations regarding revenues, EBITDA, operating earnings EBIT I, Group earnings and earnings per share.
+ In the Quarterly Financial Report for the third quarter, the ranges are, if necessary, adjusted and narrowed for the current year. Furthermore, the qualitative outlook of the Financial Report for the following year is taken up again and, if necessary, changed.

K+S GROUP WITH ATTRACTIVE PROSPECTS

IN 2011, REVENUES SHOULD INCREASE TANGIBLY IN COMPARISON WITH THE PREVIOUS YEAR'S FIGURE

Following the estimates in the outlook for the third quarter of 2010 and against the background of the positive demand and price trends emerging at the end of the year and during the course of the first quarter of 2011, revenues of the K+S GROUP should rise tangibly in financial year 2011 against the previous year (previously: moderately). While in the Potash and Magnesium Products business segment we are assuming a tangible increase in revenues and, in the Nitrogen Fertilizers business segment, a significant (previously: slight) one, in the Salt business segment we expect a stable (previously: moderately declining) revenue level. The revenue forecast assumes an average US dollar exchange rate of 1.35 USD/EUR (2010: 1.33 USD/EUR).

COSTS WILL PROBABLY RISE TANGIBLY, BUT BY A LOWER PROPORTION

The following forecast of the development of costs is structured by cost type: The total costs of the K+S GROUP should rise tangibly year on year. As far as personnel expenses are concerned, in light of a slightly higher number of employees and the most recent higher pay settlements under collective bargaining agreements, we anticipate a tangible increase. Energy and freight costs too should rise tangibly and significantly, respectively, in relation to the preceding year. Finally, higher input prices will probably also result in a significant increase in material costs. We expect depreciation/amortisation charges to be at a moderately higher level.

OPERATING EARNINGS LIKELY TO RISE SIGNIFICANTLY

For the financial year 2011, we are forecasting significantly higher operating earnings EBIT I in comparison to last year's figure. This is primarily due to the expected significantly higher earnings in the Potash and Magnesium Products business segment as well as a moderate (previously: tangible) improvement in operating earnings in the Nitrogen Fertilizers business segment. On the other hand, the operating earnings of the Salt business segment will probably fall moderately (previously: significantly). On the basis of our US dollar estimate of 1.35 USD/EUR (average rate for 2010: 1.33 USD/EUR) this does not result in a material currency-related effect.

GROUP EARNINGS AFTER TAXES WILL PROBABLY IMPROVE SIGNIFICANTLY

In 2011, the adjusted Group earnings after taxes should also be significantly higher in line with the development of operating earnings. Our projection is based not only on the effects described for revenues and operating earnings, but also on the following circumstances expected from today's perspective:

+ a significantly better financial result, after this was negatively impacted by special effects in 2010;
+ a domestic Group tax rate of 28.2 % and an adjusted Group tax ratio of about 26 to 27 % (2010: 26.2 %).

FORECAST FOR 2012 ALSO POSITIVE

In 2012, revenues will probably develop in a largely stable manner in comparison to the previous year. Moderately higher revenues in the Potash and Magnesium Products business segment will probably be accompanied by stable revenues in the Nitrogen Fertilizers business segment and moderately lower revenues in the Salt business segment. Owing to the high profitability of the

Potash and Magnesium Products business segment, for operating earnings we see realistic opportunities for a moderate increase year on year, which should also have a correspondingly positive impact on the adjusted Group earnings after taxes.

SIGNIFICANTLY HIGHER EARNINGS EXPECTED FOR POTASH AND MAGNESIUM PRODUCTS

The prospects for the global development of demand for potash and magnesium-containing fertilizers are currently very attractive, so that from today's perspective, we expect a full utilisation of our plants and a sales volume of 7.0 million tonnes of goods for 2011 (2010: 6.99 million tonnes). On the basis of the currently achieved potash price level, a tangibly higher average price level is expected than in the previous year. On this basis, the revenues of the Potash and Magnesium Products business segment too should increase tangibly in comparison to a year ago. The total costs should only rise moderately overall, even if individual cost types such as energy and freight costs will rise tangibly. The positive effect on revenues should more than make up for the expected rise in costs and enable significant earnings growth once again.

From the perspective of today, with a stable level of sales volumes, we assume a moderate improvement of our revenue and earnings figures for 2012.

POSITIVE EARNINGS EXPECTATIONS FOR NITROGEN FERTILIZERS

In financial year 2011, revenues of the Nitrogen Fertilizers business segment should increase significantly (previously: slightly). At COMPO, revenues are likely to be able to improve as a result of a high demand for complex fertilizers, principally in the Expert area. The revenues of K+S NITROGEN from straight nitrogen fertilizers, complex fertilizers and ammonium sulphate should develop positively overall, primarily due to price factors. A high level of capacity utilisation, attractive price prospects, but also increasing raw material costs should, in comparison to good earnings in the previous year, facilitate a moderate (previously: tangible) increase in operating earnings.

In 2012, from the perspective of today, revenues should develop largely in a stable manner. Opportunities for a further moderate increase exist for operating earnings.

SALT BUSINESS SEGMENT SHOULD AGAIN BENEFIT FROM HARSH WINTER

As a result of the good start to the de-icing business both in Europe and North America due to weather conditions, we are expecting stable revenues at a high level for the Salt business segment in 2011 (previously: moderately declining) in comparison to the peak year 2010. This forecast assumes an average de-icing salt business in the fourth quarter as well as an overall relatively stable development of revenues in the food grade and industrial salt segments as well as the salt for chemical use segment, so that a forecast of 22 to 23 million tonnes of crystallised salt in 2011 appears to be realistic to us (2010: 22.5 million tonnes). On the cost side, in particular higher freight costs as well as sales from stocks should result in moderately (previously: significantly) declining operating earnings.

In comparison to the revenue level of 2011, on the basis of a normal winter business that follows the long-term average of historical de-icing salt volumes, we are anticipating moderately lower revenues and operating earnings for 2012 (assumption for crystallised salt sales volume 2012: about 21 million tonnes).

COMPLEMENTARY BUSINESS SEGMENTS SHOULD SEE STABLE DEVELOPMENT

For 2011, from today's perspective, we assume a stable development of revenues and a moderate decline of earnings.

In 2012, we expect a stable development for both revenues and earnings of the Complementary Business Segments.

ANTICIPATED FINANCIAL POSITION

EXPECTED FINANCING STRUCTURE CHARACTERISED BY HIGH EQUITY RATIO

With net indebtedness (including long-term provisions) of € 732.5 million and thus a level of indebtedness of only

29.7 % and as a result of a high operating cash flow, the K+S GROUP has a strong financial base. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities. In light of the earnings development expected for 2011 in comparison to the previous year, our net indebtedness should remain at a stable level. This assumption takes into consideration e.g. the investment budget expected for 2011, the purchase price payment for the POTASH ONE shares as well as the dividend amount resulting from the dividend proposal of the Board of Executive Directors. It does not include capital expenditure at POTASH ONE, further acquisitions or share repurchase transactions. In 2011 and 2012, we will, under these conditions, in all likelihood display an equity ratio of around 50 %, while the level of indebtedness should be less than 30 %.

POSITIVE DEVELOPMENT OF LIQUIDITY EXPECTED FOR THE COMING TWO YEARS

The earnings development forecast for 2011 and 2012 should also have a positive impact on the cash flow provided by business activities. The latter might tangibly exceed outlays connected with capital expenditure (excluding POTASH ONE) and the purchase price payment for the POTASH ONE shares, so that we can expect to generate a positive free cash flow over the next two years.

PLANNED CAPITAL EXPENDITURE

K+S GROUP

Our aim is essentially that capital expenditure related to replacement and safeguarding production capacity will not exceed the level of depreciation. Also, cash flow from operating activities should offer sufficient scope for profitable investments in expansion and rationalisation projects.

In 2011, the K+S GROUP's level of capital expenditure should be at least € 300 million. Capital expenditure at POTASH ONE is not yet included in this figure. However, initial investment in the infrastructure as well as first drillings will be needed for this project to be continued systematically. It is planned that the funds for investment necessary for the implementation of the overall first phase of expansion will be determined in the second half of 2011. Capital expenditure of about € 35 million is being set aside for the package of measures on water protection for the Hesse and Thuringia potash district. Investments in measures relating to replacement and ensuring production should account for about 80 % of the total amount of capital expenditure; this share should thus be slightly below the expected depreciation of € 250 million.

In 2012, the K+S GROUP's capital expenditure should, in the light of expenditure of a good € 50 million accounted for by the package of measures, amount to € 320 million. Capital expenditure at POTASH ONE is not yet included in this figure for the reasons stated above. Measures relating to replacement and ensuring production will account for about 80 % of this.

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

At a good € 150 million, the level of capital expenditure in 2011 should significantly exceed the figure for 2010 (€ 96.9. million). About € 35 million of this increase is accounted for by the package of measures. Capital expenditure at POTASH ONE is not yet included in this figure. However, initial investments in the infrastructure and initial drilling will occur for this project in order to continue it systematically. Furthermore, investment projects have been shifted from 2010 to 2011. The focus here is primarily on projects for improving the exploitation of raw materials and process optimisation. In all, investments in replacement and ensuring production capacity will account for a good 80 % of the volume of capital expenditure.

In 2012, the level of capital expenditure should be € 185 million considering the investments of a good € 50 million due to the package of measures. Capital expenditure at POTASH ONE is not yet included in this figure for the reasons stated above. Furthermore, this assumes that we will receive approval for the planned construction of the saline water pipeline from the Neuhof site to the Werra plant and will be able to commence construction (approximately € 20 million).

NITROGEN FERTILIZERS BUSINESS SEGMENT

The volume of capital expenditure should be a good € 10 million in 2011 and therefore roughly at the level of 2010. At COMPO, outlays relating to replacement and ensuring production will account for a significant part of capital expenditure. Furthermore, 2011 will also see the implementation of projects for product development in the consumer sector. At K+S NITROGEN, investment in an equipment for the colour-marking of products will be the main focus. In all, investments in replacement and ensuring production capacity of the Nitrogen business segment will account for a good 80 % of the volume of capital expenditure.

For 2012, we expect a volume of capital expenditure of € 8 million. The majority of this is again accounted for by COMPO.

SALT BUSINESS SEGMENT

At just under € 95 million, the volume of capital expenditure in 2011 should significantly exceed the figure for the previous year (€ 79.0 million). Investments in greater flexibility in de-icing salt production in Europe and measures to enhance efficiency at MORTON SALT will mainly contribute to this increase. The focus will be on the following projects: The modernisation of a shaft winding engine at the Borth site in Germany, the expansion of grinding mills at the Bernburg site in Germany, brine field expansion at Frisia in Harlingen in the Netherlands, the modernisation of the evaporated salt facility at the Hutchinson site in Kansas, USA, the expansion of brine fields and mining claims at five different sites in the USA, the expansion of storage capacity at SPL in Brazil and the modernisation of a loading terminal and the expansion of sifting capacity in Chile. Just under 90 % will be invested in measures relating to replacement and ensuring production.

Capital expenditure of approximately € 95 million can also be expected for 2012.

COMPLEMENTARY BUSINESS SEGMENTS

Capital expenditure in each of 2011 and 2012 will be approximately € 5 million and will therefore be somewhat above the level for the year under review (€ 4.2 million) and primarily concern investments relating to replacement and ensuring production. A good € 3 million of this will be accounted for by the Waste Management and Recycling business segment and € 1 million will be invested each in the Logistics and Animal Hygiene Products business segments. In the Waste Management and Recycling business segment, a further field for underground re-utilization is being developed at the Bernburg site.

EXPECTED DEVELOPMENT OF DIVIDENDS

DIVIDEND PROPOSAL FOR FINANCIAL YEAR 2010 RAISED SUBSTANTIALLY

On 12 May 2010, the dividend of € 38.3 million for 2009 was paid from the existing accumulated profit of € 46.2 million of K+S AKTIENGESELLSCHAFT available at the end of 2009. In the financial year 2010, the K+S AKTIENGESELLSCHAFT achieved net income for the year of € 217.8 million (2009: € 42.8 million). After the inclusion of profit carried forward amounting to € 7.9 million, € 225.7 million are disclosed as accumulated profit.
/ TAB: 4.13.2

As a result of the strong increase in the adjusted earnings of the K+S GROUP and in line with our long-term dividend policy, the Board of Executive Directors proposes to the Annual General Meeting that a dividend of € 1.00 per share (previous year: € 0.20 per share) be paid.

Assuming that we will not hold any own shares on the date of the Annual General Meeting, this will result in a total dividend payment of € 191.4 million; the dividend

DEVELOPMENT OF DIVIDENDS TAB: 4.13.2

in €	2010[1]	2009	2008	2007	2006
Dividend per share	1.00	0.20	2.40	0.50	0.50

[1] The figure for 2010 corresponds to the dividend proposal.

payout rate of 43 % is within the payout corridor of 40 to 50 % of the adjusted K+S GROUP earnings that we are basically seeking to achieve.

FUTURE DIVIDEND POLICY

We pursue an essentially earnings-based dividend policy. According to this, a dividend payout rate of 40 to 50% of the adjusted Group earnings forms the basis for future dividend recommendations to be determined by the Board of Executive Directors and the Supervisory Board. The significant increase of the adjusted Group earnings after taxes expected for 2011 should have a corresponding impact on the future dividend payment. For 2012, due to the anticipated improvement in the earnings level, an appropriate increase in the dividend is possible.

OPPORTUNITIES

OPPORTUNITIES FROM THE DEVELOPMENT OF FRAMEWORK CONDITIONS

Information on our opportunities management can be found in the Risk Report on page 130.

The historically relatively low ratio of stocks of important agricultural products to annual consumption already described under the heading 'Future industry situation' on pages 149 et seqq. could be reflected in the price determination for agricultural products over the long term. Attractive price levels will in turn encourage farmers worldwide to both utilise any additional available uncultivated land and to increase the intensity of existing cultivation. Both these elements require greater use of fertilizers and could in future result in global demand for fertilizers again rising at a faster pace than the 2 to 3 % per year hitherto forecast.

CORPORATE STRATEGY OPPORTUNITIES

In view of the high level of utilisation of the technical capacity available to us in Germany in normal years as well as the probable strongly rising future demand for fertilizers, for some time now, the Potash and Magnesium Products business segment has been pursuing a strategy to expand its production capacities for potash. Against this background, on 22 November 2010, we declared our intention to submit a takeover bid for the Canadian exploration company POTASH ONE. On 7 February 2011, we announced that within the framework of this takeover bid, a majority interest of 90.9 % of POTASH ONE shares was tendered. K+S thus secured for itself the rights to several potash exploration licences in the Canadian province of Saskatchewan including the Legacy Project – an advanced greenfield project for the establishment of a potassium chloride production on the basis of potash solution mining. We expect the first quantities to be available starting from 2015 at the earliest. The acquisition of POTASH ONE provides us with the opportunity to participate in global market growth, further improve the revenues and earnings of the business segment, strengthen international competitiveness and extend the average useful lives of our mines.

Moreover, we are currently carrying out a feasibility study for our Siegfried-Giesen reserve mine near Hildesheim, Lower Saxony. The results should be available in summer 2011. Under the condition of economic viability and the granting of the necessary mining and environmental-law permits, the opportunity would arise for us through the reactivation of Siegfried-Giesen to make up to a certain extent for the loss of production capability resulting from the closure of the Sigmundshall site that will probably become necessary in 2018.

There is a particular focus on the optimisation of the international production network and the associated volume flows and logistics costs. Comparable mining processes make synergies possible between the Potash and Magnesium Products and Salt business segments in the exchange of technical, geological and logistics know-how as well as scale effects in the procurement of machines and auxiliary materials.

ECONOMIC PERFORMANCE OPPORTUNITIES

A decrease in energy costs would have a favourable impact on the cost structure and thus the business success of the energy-sensitive Potash and Magnesium Products and Salt business segments in particular. A decrease in K+S' energy costs from the current level by 10 % means just under € 30 million lower costs per year; a corresponding decrease in freight costs would result in a reduction of about € 80 million. In addition, energy and ammonia costs have tended to move in tandem in the past: accordingly, it is highly probable that a decrease in energy costs would also result in lower ammonia costs and thus in lesser procurement costs in the Nitrogen Fertilizers business segment.

OTHER OPPORTUNITIES

Rising fuel and power prices as well as environmental aspects prompt us to continuously review and improve our energy concept. Following the successful commissioning of the waste heating plant at the Wintershall site, which belongs to a German energy company and from which we obtain steam, the waste heating plant of our partner Omrin in Harlingen, The Netherlands, will be put into operation in the vicinity of our Frisia Zout site in spring 2011. With the taking over of steam agreed there too, gas will be saved and CO_2 emissions prevented. Furthermore, in partnership with E.ON Energy Projects (contracting model) at the Hattorf site, a gas turbine block will be constructed for the expansion and enhancement of efficiency of the power plant there. The aim of all these measures is to improve energy efficiency, while increasing the generation of own electricity and cutting CO_2 emissions.

Within the framework of creating greater flexibility and lowering input costs, the gas supply contracts, which were previously exclusively linked to the oil price, were renegotiated, so that future price opportunities on the gas spot markets can be exploited for part of the volumes obtained. Further opportunities arise from the evaluation of best practice approaches within the K+S GROUP. The use of cogeneration plants at our foreign sites too is also being examined.

For the K+S GROUP, the USD/EUR currency relationship is generally of great importance, since in particular potash sales, with the exception of the European market and some overseas regions, are invoiced in US dollars. Our corporate planning in 2011 is based on a US dollar exchange rate of 1.35 USD/EUR. Assuming a rise of the US dollar by 10 cents to 1.25 USD/EUR, this would have a positive overall effect on operating earnings of about € 15 million at the Group level. If, on the other hand, the US dollar were to depreciate by 10 cents to 1.45 USD/EUR, this would only result in a negligible effect on earnings thanks to the hedging instruments used by us.

GENERAL STATEMENT ON THE EXPECTED DEVELOPMENT OF THE K+S GROUP

Currently, both the demand for and price level of mineral fertilizers are growing all around the world. In the current year, the salt business too will probably profit from an once again above-average demand for de-icing salt. As regards the development of the business in 2011, from today's perspective, we therefore anticipate a tangible increase in revenues. As the expected rise in costs will probably lag behind the increase in revenues, we even see good opportunities for a significant increase in comparison with the corresponding figures for the previous year both for operating earnings EBIT I and for the Group earnings. / TAB: 4.13.3

A globally limited availability of agricultural land and, probably over a longer period, higher agricultural prices will motivate farmers all over the world to increase their acreage yields. Particularly in the emerging market countries, this requires a greater intensity of fertilizer application, so that for 2012 it can be assumed that there will be a further increase in demand with, at the same time, a high level of production capacity utilisation. Price potential especially for potash and magnesium fertilizers is therefore possible. As a result of the good start to the de-icing business both in Europe and North America due to weather conditions, we are expecting stable revenues at a high level for the Salt business segment in 2011 in comparison to the peak year 2010; on the cost side, in particular higher freight costs as well as sales from stocks should result in moderately declining operating earnings. In comparison to the figures for the previous year, it should therefore be assumed for the K+S GROUP that 2012 will overall be characterised by stable revenue development and moderately improving earnings.

Our outlook for the years 2011 and 2012 is based, among other things, on the following assumptions:
+ continued attractive agricultural prices;
+ higher average proceeds and stable sales volumes in the Potash and Magnesium Products business segment (expected sales volume in both years: about 7 million tonnes);

OVERVIEW IN TABLE FORM OF REVENUE AND EARNINGS TRENDS DESCRIBED [1] TAB: 4.13.3

in € million	Potash and Magnesium Products	Nitrogen Fertilizers	Salt	Complementary Business Segments	K+S Group
Revenues 2010	1,844.7	1,286.2	1,728.7	133.7	4,993.8
Revenues 2011	++	+++	o	o	++
Revenues 2012	+	o	–	o	o
EBIT I 2010	475.9	55.7	238.1	21.2	726.9
EBIT I 2011	+++	+	–	–	+++
EBIT I 2012	+	+	–	o	+

[1] Trend year on year; o: unchanged; –/+: slight to moderate; ––/++: tangible; –––/+++: significant.

+ 22 to 23 million tonnes of crystallised salt in 2011 and about 21 million tonnes in 2012 (normal year);
+ a US dollar exchange rate of 1.35 USD/EUR;
+ significantly rising energy costs in 2011 and a stable cost development in the following year on the basis of an oil price level of around US$ 90 per barrel and of the energy contract clauses relevant for us;
+ a stable adjusted Group tax ratio of 26 to 27 %.

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

GUARANTEE OF THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

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

Kassel, 1 March 2011

K+S AKTIENGESELLSCHAFT
THE BOARD OF EXECUTIVE DIRECTORS

FORWARD-LOOKING STATEMENTS

This financial report contains facts and forecasts that relate to the future development of the K+S GROUP and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or risks arise – examples of which are mentioned in the risk report – actual developments and events may deviate from current expectations. Outside statutory disclosure provisions, the Company does not take any obligation to update the statements contained in this management report.

CONSOLIDATED FINANCIAL STATEMENTS

5

5.1 AUDITOR'S REPORT

We have audited the consolidated financial statements, consisting of the balance sheet, income statement as well as statement of comprehensive income, statement of changes in equity, cash flow statement and notes, prepared by K+S AKTIENGESELLSCHAFT, Kassel, as well as the group management report for the financial year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Report Standards (IFRS) as applied within the EU and the supplementary commercial law provisions as applied in accordance with Sec. 315a, para. 1 of the German Commercial Code (HGB) is the responsibility of the company's Board of Executive Directors. Our responsibility is to express an opinion of the consolidated financial statements and of the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the German Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit in such manner that material misstatements affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting rules and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group as well as evaluations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control relating to the accounting system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, which is based on our audit findings, the consolidated financial statements of K+S AKTIENGESELLSCHAFT, Kassel, comply with the IFRS as applied in the EU as well as the supplementary commercial law provisions as applied in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with such provisions. The group management report is consistent with the consolidated financial statements, provides a suitable understanding of the position of the Group and suitably presents the risks of future development.

Hanover, 1 March 2011

DELOITTE & TOUCHE GMBH	(Prof. Dr. Beine)	(Römgens)
Wirtschaftsprüfungsgesellschaft	Auditor	Auditor

INCOME STATEMENT

TAB: 5.2.1

in € million	Notes	2010	2009
Revenues	[1]	**4,993.8**	**3,573.8**
Cost of sales		3,075.6	2,343.9
Gross profit		**1,918.2**	**1,229.9**
Selling expenses		971.9	712.4
General and administrative expenses		183.6	123.1
Research and development costs		15.5	18.7
Other operating income	[2]	206.1	154.5
Other operating expenses	[3]	209.0	253.3
Income from investments, net	[4]	4.8	0.9
Result from operating forecast hedges[1]	[5]	(17.6)	(35.9)
Result after operating hedges (EBIT II)[2]		**731.5**	**241.9**
Interest income	[6]	7.6	4.7
Interest expenses	[6]	(134.2)	(61.7)
Other financial result	[7]	3.1	(58.4)
Financial result		**(123.5)**	**(115.4)**
Earnings before income taxes		**608.0**	**126.5**
Taxes on income	[8]	158.6	29.6
– of which deferred taxes		(20.6)	(8.7)
Net income		**449.4**	**96.9**
Minority interests in earnings		**0.8**	**0.5**
Group earnings after taxes and minority interests		**448.6**	**96.4**
Earnings per share in € (undiluted ≙ diluted)	[11]	2.34	0.58
Operating earnings (EBIT I)[2]		**726.9**	**238.0**
Earnings before income taxes, adjusted[3]		**603.4**	**122.6**
Group earnings, adjusted[3]	[11]	**445.3**	**93.6**
Earnings per share in €, adjusted[3]	[11]	**2.33**	**0.56**
Average number of shares in million		191.34	166.15

STATEMENT OF COMPREHENSIVE INCOME

TAB: 5.2.2

in € million	Notes	2010	2009
Net income		**449.4**	**96.9**
Foreign currency translation		148.8	6.3
Earnings without recognition in profit or loss (after taxes)		**148.8**	**6.3**
Comprehensive income of the period		**598.2**	**103.2**
Minority interests in comprehensive income		**0.8**	**0.5**
Group comprehensive earnings after taxes and minority interests		**597.4**	**102.7**

OPERATING EARNINGS (EBIT I)

TAB: 5.2.3

in € million	Notes	2010	2009
Result after operating hedges (EBIT II)[2]		**731.5**	**241.9**
± Result from operating forecast hedges[1,2]	[5]	17.6	35.9
± Realised earnings from operating forecast hedges[2]		(22.2)	(39.8)
Operating earnings (EBIT I)[2]		**726.9**	**238.0**

[1] Since financial year 2009, all income from operating forecast hedges is shown under 'Result from operating forecast hedges' (see also the 'Notes to the income statement and the statement of comprehensive income' on pages et 184 seqq.).

[2] Management of the K+S Group is handled on the basis of operating earnings (EBIT I). Reconciliation of EBIT II to operating earnings (EBIT I) is recorded in Table 5.2.3 (see also the 'Notes to the income statement and the statement of comprehensive income' on pages et 184 seqq.).

[3] The adjusted key figures unalteredly only include the realised result from operating forecast hedges of the respective reporting period (see also the 'Notes to the income statement and the statement of comprehensive income' on pages et 184 seqq.). The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings. Related effects on deferred and cash taxes are also eliminated; tax rate for 2010: 28.2% (2009: 27.9%).

CASH FLOW STATEMENT TAB: 5.3.1

in € million	Notes	2010	2009
Result after operating hedges (EBIT II)		**731.5**	**241.9**
Income (–)/expenses (+) from market value changes of hedging transactions not yet due		0.8	9.7
Neutralising previous market value changes of derecognised hedging transactions		(5.4)	(13.6)
Operating earnings (EBIT I)		**726.9**	**238.0**
Depreciation (+)/write-ups (–) on intangible assets, property, plant and equipment and financial assets		248.3	173.8
Increase (+)/decrease (–) in non-current provisions (without interest rate effects)		33.2	6.5
Interests, dividends received and similar income		6.4	4.4
Gains (+)/losses (–) from the realisation of financial assets and liabilities		(1.0)	1.6
Interest paid (–)		(58.5)	(63.8)
Income taxes paid (–)		(123.2)	(38.2)
Other non-cash expenses (+)/income (–)		(1.9)	1.6
Gross cash flow		**830.2**	**323.9**
Gain (–)/loss (+) on the disposal of fixed assets and securities		(0.6)	0.4
Increase (–)/decrease (+) in inventories		(30.0)	210.2
Increase (–)/decrease (+) in receivables and other assets from operating activities		(118.1)	171.8
– of which premium volume for derivatives		(16.4)	38.2
Increase (+)/decrease (–) in liabilities from operating activities		172.4	(138.7)
– of which premium volume for derivatives		10.8	(3.3)
Increase (+)/decrease (–) of current provisions		6.3	(30.5)
Out-financing of provisions		(2.7)	(2.3)
Cash flow from operating activities		**857.5**	**534.8**
Proceeds from disposals of fixed assets		6.5	5.5
Disbursements for intangible assets		(18.1)	(4.5)
Disbursements for property, plant and equipment		(176.2)	(168.2)
Disbursements for financial assets		(2.4)	(1.8)
Disbursements for the acquisition of consolidated companies	[42]	—	(1,176.9)
Cash flow for investing activities		**(190.2)**	**(1,345.9)**
Free cash flow		**667.3**	**(811.1)**

CASH FLOW STATEMENT (CONTINUED) TAB: 5.3.1

in € million	Notes	2010	2009
Free cash flow		**667.3**	**(811.1)**
Dividends paid		(38.3)	(396.0)
Payments from the issuance of new shares (less ancillary costs)		—	668.1
Payments from other allocations to equity		6.1	7.9
Purchase of own shares		(8.4)	(13.9)
Sale of own shares		0.5	—
Increase (+)/decrease (–) in liabilities from finance lease		(2.5)	(1.2)
Taking out (+)/repayment (–) of loans		(411.6)	156.2
Incoming payments (+)/repayments(–) from the issuing of bonds		—	747.0
Cash flow for/from financing activities		**(454.2)**	**1,168.1**
Change in cash and cash equivalents affecting cash flow		**213.1**	**357.0**
Changes in cash and cash equivalents resulting from exchange rates		7.4	1.6
Consolidation-related changes		—	0.9
Change in cash and cash equivalents		**220.5**	**359.5**
Net cash and cash equivalents as of 1 January		**520.1**	**160.6**
Net cash and cash equivalents as of 31 December	[43]	**740.6**	**520.1**

BALANCE SHEET TAB: 5.4.1

in € million	Notes	2010	2009[1]
Intangible assets	[12]	999.7	932.4
– of which goodwill from acquisitions	[12]	615.3	563.5
Property, plant and equipment		1,803.6	1,725.6
Investment properties	[13]	7.8	7.9
Financial assets	[14]	24.1	22.4
Receivables and other assets	[17, 18]	43.0	254.5
– of which derivate financial instruments		6.4	—
Deferred taxes	[15]	57.8	32.7
Reimbursement of income taxes		0.4	0.5
Non-current assets		**2,936.4**	**2,976.0**
Inventories	[16]	740.2	680.4
Accounts receivable – trade	[17]	949.8	849.6
Other receivables and assets	[17, 18]	174.3	152.2
– of which derivate financial instruments		35.4	19.6
Reimbursement of income taxes		24.6	29.8
Cash on hand and balances with banks		748.4	529.1
Current assets		**2,637.3**	**2,241.1**
ASSETS		5,573.7	5,217.1

BALANCE SHEET TAB: 5.4.1

in € million	Notes	2010	2009[1]
Subscribed capital	[20]	191.4	191.4
Additional paid-in capital		647.5	648.8
Other reserves and accumulated profit	[21]	1,810.1	1,252.6
Minority interests		2.6	1.8
Equity		**2,651.6**	**2,094.6**
Bank loans and overdrafts	[29]	769.1	1,146.4
Other liabilities	[18, 29]	22.8	18.6
– of which derivative financial instruments		4.6	4.5
Provisions for pensions and similar obligations	[24]	184.8	194.3
Provisions for mining obligations	[25]	528.4	419.2
Other provisions	[26, 27]	152.4	220.1
Deferred taxes	[15]	261.6	237.1
Non-current debt		**1,919.1**	**2,235.7**
Bank loans and overdrafts	[29]	17.5	120.5
Account payable – trade	[29]	511.2	346.9
Other liabilities	[18, 29]	86.7	77.4
– of which derivative financial instruments		12.5	3.3
Income tax liabilities		82.4	41.9
Provisions	[25, 26, 27]	305.2	300.1
Current debt		**1,003.0**	**886.8**
EQUITY AND LIABILITIES		5,573.7	5,217.1

[1] The previous year's figures were adjusted on account of the final purchase price allocation of Morton Salt. More explanations can be found under 'Final purchase price allocation of Morton Salt and adjustment of the previous year's figures' on pages 174 et seqq.

STATEMENT OF CHANGES IN EQUITY

TAB: 5.5.1

in € million	Subscribed capital [21]	Additional paid-in capital	Accumulated profit/other reserves [22]	Differences from foreign currency translation [22]	Total K+S AG shareholders' equity	Minority interests	Equity
Balances as of 1 January 2010	191.4	648.8	1,263.0	(10.4)	2,092.8	1.8	2,094.6
Net income	—	—	448.6	—	448.6	0.8	449.4
Earnings without recognition in profit or loss (after taxes)	—	—	—	148.8	148.8	—	148.8
Dividend for the previous year	—	—	(38.3)	—	(38.3)	—	(38.3)
Issuance of shares to employees	—	(1.3)	—	—	(1.3)	—	(1.3)
Other changes in equity	—	—	(1.6)	—	(1.6)	—	(1.6)
Balances as of 31 December 2010	**191.4**	**647.5**	**1,671.7**	**138.4**	**2,649.0**	**2.6**	**2,651.6**
Balances as of 1 January 2009	165.0	4.5	1,564.2	(16.7)	1,717.0	1.3	1,718.3
Net income	—	—	96.4	—	96.4	0.5	96.9
Earnings without recognition in profit or loss (after taxes)	—	—	—	6.3	6.3	—	6.3
Dividend for the previous year	—	—	(396.0)	—	(396.0)	—	(396.0)
Issuance of shares to employees	—	(1.6)	—	—	(1.6)	—	(1.6)
Capital increase from cash contributions	26.4	662.4	—	—	688.8	—	688.8
Capital increase costs (after taxes)	—	(16.5)	—	—	(16.5)	—	(16.5)
Other changes in equity	—	—	(1.6)	—	(1.6)	—	(1.6)
Balances as of 31 January 2009	**191.4**	**648.8**	**1,263.0**	**(10.4)**	**2,092.8**	**1.8**	**2,094.6**

DEVELOPMENT OF FIXED ASSETS 2010

in € million	Cross carrying amounts						
	Balances as of 1.1.2010	Change from consolidation	Additions	Disposals	Reclassifications	Currency differences	Balances as of 31.12.2010
Concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	428.1	—	5.5	5.3	0.3	31.7	460.3
Goodwill from acquisitions	563.5	—	—	—	—	51.8	615.3
Internally generated intangible assets	8.6	—	0.8	0.1	0.3	—	9.6
Emission rights	0.1	—	9.5	—	—	—	9.6
Payments on account	2.8	—	2.9	—	(0.5)	—	5.2
Intangible assets [12]	**1,003.1**	**—**	**18.7**	**5.4**	**0.1**	**83.5**	**1,100.0**
Land, rights similar to land and buildings, including buildings on third-party land	672.3	—	77.1	11.0	12.0	13.8	764.2
Salt deposits	320.0	—	—	—	—	25.5	345.5
Technical equipment and machinery	2,116.1	—	97.1	34.3	41.0	25.0	2,244.9
Ships	62.3	—	4.6	—	—	4.9	71.8
Other equipment, fixtures and fittings	251.9	—	22.0	8.7	2.1	2.2	269.5
Payments on account and constructions in progress	72.2	—	37.6	0.6	(55.2)	3.3	57.3
Leasing and similar rights	10.5	—	0.2	1.4	—	0.8	10.1
Property, plant and equipment	**3,505.3**	**—**	**238.6**	**56.0**	**(0.1)**	**75.5**	**3,763.3**
Investment properties [13]	**16.9**	**—**	**—**	**0.1**	**—**	**—**	**16.8**
Investments in associated companies	12.1	—	1.5	—	—	—	13.6
Loans to associated companies	0.3	—	—	—	—	—	0.3
Investments	11.6	—	0.7	1.9	—	—	10.4
Loans to companies in which equity investments are held	0.6	—	—	0.2	—	—	0.4
Sundry loans and other financial assets	1.5	—	0.2	0.5	—	—	1.2
Financial assets [14]	**26.1**	**—**	**2.4**	**2.6**	**—**	**—**	**25.9**
Fixed assets	4,551.4	—	259.7	64.1	—	159.0	4,906.0

TAB: 5.6.1

Depreciation, amortisation and write-downs								Net carrying amounts
Balances as of 1.1.2010	Change from consolidation	Additions scheduled	Additions non-scheduled	Disposals	Reclassifications	Currency differences	Balances as of 31.12.2010	Balances as of 31.12.2010
68.5	—	31.8	—	5.3	—	2.0	97.0	363.3
—	—	—	—	—	—	—	—	615.3
2.2	—	1.0	—	—	—	—	3.2	6.4
—	—	—	—	—	—	—	—	9.6
—	—	—	0.1	—	—	—	0.1	5.1
70.7	**—**	**32.8**	**0.1**	**5.3**	**—**	**2.0**	**100.3**	**999.7**
255.4	—	20.9	1.6	1.5	0.1	0.9	277.4	486.8
6.3	—	4.4	—	—	—	0.2	10.9	334.6
1,315.7	—	140.9	11.1	28.7	(0.1)	1.3	1,440.2	804.7
11.3	—	9.0	—	—	—	0.8	21.1	50.7
189.2	—	25.6	—	8.3	—	0.3	206.8	62.7
0.1	—	—	—	—	—	—	0.1	57.2
1.7	—	1.8	—	0.4	—	0.1	3.2	6.9
1,779.7	**—**	**202.6**	**12.7**	**38.9**	**—**	**3.6**	**1,959.7**	**1,803.6**
9.0	**—**	**0.1**	**—**	**0.1**	**—**	**—**	**9.0**	**7.8**
1.5	—	—	—	—	—	—	1.5	12.1
0.1	—	—	—	—	—	—	0.1	0.2
2.1	—	—	—	1.9	—	—	0.2	10.2
—	—	—	—	—	—	—	—	0.4
—	—	—	—	—	—	—	—	1.2
3.7	**—**	**—**	**—**	**1.9**	**—**	**—**	**1.8**	**24.1**
1,863.1	—	235.5	12.8	46.2	—	5.6	2,070.8	2,835.2

DEVELOPMENT OF FIXED ASSETS 2009

							Cross carrying amounts
in € million	Balances as of 1.1.2009	Change from consolidation	Additions	Disposals	Reclassifications	Currency differences	Balances as of 31.12.2009
Concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	114.1	307.8	2.7	4.9	5.5	2.9	428.1
Goodwill from acquisitions	104.8	457.7	—	—	—	1.0	563.5
Internally generated intangible assets	9.7	—	1.3	—	(2.4)	—	8.6
Emission rights	0.1	—	—	—	—	—	0.1
Payments on account	5.7	—	0.5	0.5	(2.9)	—	2.8
Intangible assets [12]	**234.4**	**765.5**	**4.5**	**5.4**	**0.2**	**3.9**	**1,003.1**
Land, rights similar to land and buildings, including buildings on third-party land	529.4	126.5	14.8	7.4	8.3	0.7	672.3
Salt deposits	255.4	71.3	—	—	—	(6.7)	320.0
Technical equipment and machinery	1,780.4	212.6	97.8	22.3	43.3	4.3	2,116.1
Ships	55.2	2.8	6.1	—	0.1	(1.9)	62.3
Other equipment, fixtures and fittings	218.9	12.9	24.3	5.9	1.1	0.6	251.9
Payments on account and constructions in progress	57.2	36.1	32.6	1.3	(53.0)	0.6	72.2
Leasing and similar rights	3.5	6.9	—	—	—	0.1	10.5
Property, plant and equipment	**2,900.0**	**469.1**	**175.6**	**36.9**	**(0.2)**	**(2.3)**	**3,505.3**
Investment properties [13]	**17.2**	**0.6**	**—**	**0.9**	**—**	**—**	**16.9**
Investments in associated companies	11.8	(0.3)	0.6	—	—	—	12.1
Loans to associated companies	0.4	—	—	0.1	—	—	0.3
Investments	8.5	2.2	0.9	—	—	—	11.6
Loans to companies in which equity investments are held	0.8	—	—	0.2	—	—	0.6
Sundry loans and other financial assets	2.0	—	0.2	0.7	—	—	1.5
Financial assets [14]	**23.5**	**1.9**	**1.7**	**1.0**	**—**	**—**	**26.1**
Fixed assets	3,175.1	1,237.1	181.8	44.2	—	1.6	4,551.4

TAB: 5.6.2

Depreciation, amortisation and write-downs								Net carrying amounts
Balances as of 1.1.2009	Change from consolidation	Additions scheduled	Additions non-scheduled	Disposals	Reclassifications	Currency differences	Balances as of 31.12.2009	Balances as of 31.12.2009
54.1	—	16.7	0.1	4.8	2.5	(0.1)	68.5	359.6
—	—	—	—	—	—	—	—	563.5
3.2	—	0.9	0.6	—	(2.5)	—	2.2	6.4
—	—	—	—	—	—	—	—	0.1
—	—	—	—	—	—	—	—	2.8
57.3	**—**	**17.6**	**0.7**	**4.8**	**—**	**(0.1)**	**70.7**	**932.4**
235.9	—	20.1	0.1	0.7	—	—	255.4	416.9
4.1	—	2.2	—	—	—	—	6.3	313.7
1,233.7	—	102.4	0.1	20.7	—	0.2	1,315.7	800.4
4.6	—	6.9	—	—	—	(0.2)	11.3	51.0
174.0	—	20.7	—	5.6	—	0.1	189.2	62.7
0.1	—	—	—	—	—	—	0.1	72.1
1.2	—	0.5	—	—	—	—	1.7	8.8
1,653.6	**—**	**152.8**	**0.2**	**27.0**	**—**	**0.1**	**1,779.7**	**1,725.6**
9.4	**—**	**0.1**	**—**	**0.5**	**—**	**—**	**9.0**	**7.9**
0.4	—	—	1.1	—	—	—	1.5	10.6
0.1	—	—	—	—	—	—	0.1	0.2
0.7	—	—	1.4	—	—	—	2.1	9.5
—	—	—	—	—	—	—	—	0.6
—	—	—	—	—	—	—	—	1.5
1.2	**—**	**—**	**2.5**	**—**	**—**	**—**	**3.7**	**22.4**
1,721.5	—	170.5	3.4	32.3	—	—	1,863.1	2,688.3

DEVELOPMENT OF PROVISIONS

in € million	Balances as of 1.1.2010	Currency differences	Additions
Backfilling of mines and shafts	219.1	1.8	28.4
Mining damage risks	33.5	—	7.7
Maintenance of stockpiles	119.7	—	31.3
Other mining obligations	46.9	0.6	9.0
Provisions for mining obligations [25]	**419.2**	**2.4**	**76.4**
Jubilee pay	23.0	—	2.3
Partial retirement	37.1	—	15.4
Social plan expenses	0.5	—	—
Other personnel obligations	12.0	0.2	40.8
Personnel obligations [26]	**72.6**	**0.2**	**58.5**
Other environmental obligations (chemical sites) [27]	**104.9**	**8.1**	**—**
Other provisions	**42.6**	**1.6**	**22.9**
Provisions (non-current debt)	**639.3**	**12.3**	**157.8**
Other taxes	0.1	—	0.1
Provisions for mining obligations [25]	7.1	—	0.2
Personnel obligations [28]	96.3	1.8	136.4
Provisions for obligations from sale transactions [28]	89.7	0.9	57.0
Provisions for obligations from purchase contracts [28]	38.7	0.5	30.9
Other environmental obligations (chemical sites) [27]	13.2	1.2	—
Other provisions	55.0	1.4	38.0
Provisions (current debt)	**300.1**	**5.8**	**262.6**
Provisions	939.4	18.1	420.4

TAB: 5.7.1

Interest component	Provisions used	Provisions reversed	Reclassifications	CTA reclassification	Balances as of 31.12.2010
15.9	4.4	6.2	—	—	254.6
9.5	0.9	0.5	—	—	49.3
16.4	1.4	0.3	—	—	165.7
2.6	—	0.3	—	—	58.8
44.4	**6.7**	**7.3**	**—**	**—**	**528.4**
1.1	2.3	0.1	—	—	24.0
2.7	25.7	0.3	—	2.7	26.5
—	0.3	0.1	—	—	0.1
0.4	7.4	0.3	—	—	45.7
4.2	**35.7**	**0.8**	**—**	**2.7**	**96.3**
3.1	**—**	**—**	**(116.1)**	**—**	**—**
1.8	**0.6**	**1.6**	**(10.6)**	**—**	**56.1**
53.5	**43.0**	**9.7**	**(126.7)**	**2.7**	**680.8**
—	0.1	—	—	—	0.1
—	—	—	—	—	7.3
—	89.8	1.5	0.2	—	143.4
—	62.9	25.1	4.9	—	64.5
—	27.5	11.5	1.2	—	32.3
—	14.4	—	—	—	—
—	28.2	9.7	1.1	—	57.6
—	**222.9**	**47.8**	**7.4**	**—**	**305.2**
53.5	**265.9**	**57.5**	**(119.3)**	**2.7**	**986.0**

SEGMENT REPORTING

	Total revenues		of which with third parties [38]	
	2010	2009	2010	2009
in € million				
Potash and Magnesium Products	1,930.1	1,500.0	1,844.7	1,421.7
Nitrogen Fertilizers	1,297.7	1,019.5	1,286.2	1,016.2
Salt[1]	1,733.3	1,018.8	1,728.7	1,014.6
Complemenary Business Segments	175.3	155.8	133.7	120.7
Reconciliation[2] [38]	(142.6)	(120.3)	0.5	0.6
K+S Group	**4,993.8**	**3,573.8**	**4,993.8**	**3,573.8**

	Assets [39]		Liabilities	
	2010	2009	2010	2009
in € million				
Potash and Magnesium Products	1,848.4	1,480.4	777.6	630.6
Nitrogen Fertilizers	764.6	556.3	456.1	393.5
Salt[1]	2,878.1	2,640.5	444.6	371.4
Complementary Business Segments	146.6	144.1	90.3	82.9
Reconciliation[2] [38]	(64.0)	395.8	1,153.5	1,644.1
K+S Group	**5,573.7**	**5,217.1**	**2,922.1**	**3,122.5**

[1] The previous year's figures were adjusted on account of the final purchase price allocation of Morton Salt. More explanations can be found under 'Final purchase price allocation of Morton Salt and adjustment of the previous year's figures' on pages 174 et seqq.

[2] Figures for business segments are shown before intersegment consolidation. Expenses and income as well as items disclosed on the balance sheet that cannot be allocated to business segments are recorded separately. Both effects are shown under 'Reconciliation' and result in the Group figures.

TAB: 5.8.1

	of which intersegment revenues		EBIT		EBITDA		Gross cash flow	
	2010	2009	2010	2009	2010	2009	2010	2009
	85.4	78.3	475.9	231.7	567.1	317.2	596.8	334.6
	11.5	3.3	55.7	(108.1)	67.4	(94.4)	69.4	(95.9)
	4.6	4.2	238.1	140.4	369.7	200.3	372.2	205.4
	41.6	35.1	21.2	15.2	27.7	21.7	27.3	21.2
	(143.1)	(120.9)	(64.0)	(41.2)	(56.7)	(33.0)	(235.5)	(141.4)
	0.0	**0.0**	**726.9**	**238.0**	**975.2**	**411.8**	**830.2**	**323.9**

	Capital employed[3]		Capital expenditure[4] [40]		Depreciation[5]		Employees as of 31 Dec.[6]	
	2010	2009	2010	2009	2010	2009	2010	2009
	971.0	956.5	96.9	107.4	84.8	84.4	7,900	7,818
	203.9	264.1	12.9	11.2	11.6	11.5	1,226	1,249
	2,224.4	2,048.0	79.0	48.0	125.3	60.0	5,235	5,279
	111.9	118.2	4.1	4.6	6.5	6.4	280	278
	30.0	18.1	8.1	6.4	7.3	8.2	600	584
	3,541.2	**3,404.9**	**201.0**	**177.6**	**235.5**	**170.5**	**15,241**	**15,208**

[3] Operating assets and Working Capital.
[4] Relates to cash investments in property, plant and equipment and intangible assets.
[5] Concerns scheduled amortisation. Non-scheduled impairment charges are presented in the Notes (37).
[6] Workforce as of 31 Dec. including temporary employees (without students and interns) measured on full-time equivalent basis.

5.9 NOTES

GENERAL PRINCIPLES

The Group's parent company, K+S AKTIENGESELLSCHAFT, with its registered office in Kassel, Germany, has prepared the consolidated financial statements of the K+S GROUP as of and for the period ended 31 December 2010 based on the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in effect on the reporting date insofar as those have been recognised by the European Union. In the interests of clearer presentation, the individual captions in the consolidated financial statements are presented in € millions (€ million).

After being considered by the audit committee, the consolidated financial statements have been prepared by the Board of Executive Directors on 1 March 2011 and were presented to the Supervisory Board for approval for its meeting on 9 March 2011.

SCOPE OF CONSOLIDATION

The scope of consolidation changed as follows in 2010:

MORTON SALT Inc., which was formed in August 2010, was consolidated for the first time. The company took over the salt activities of MORTON INTERNATIONAL LLC (formerly: MORTON INTERNATIONAL INC.). MORTON INTERNATIONAL LLC was transferred back to DOW CHEMICAL with the non-salt activities left in it. WEEKS ISLAND LANDOWNER LLC, which was formed in September, was also consolidated for the first time. The company owns the land rights of the WEEKS ISLAND site.

K+S CANADA HOLDINGS INC., which was formed in September 2010 in the framework of the intended takeover of POTASH ONE INC., is being consolidated for the first time as at 31 December 2010.

21 (previous year: 21) domestic and 60 (previous year: 58) foreign companies were fully consolidated in the consolidated financial statements. Because of their minor significance, 41 (previous year: 35) subsidiaries were not consolidated in the consolidated financial statements and were stated at acquisition cost.

Companies over which companies of the K+S GROUP can exercise significant influence (associated companies) can be measured using the equity method unless they are immaterial. The potential impact on earnings of accounting such equity interests using the equity method is immaterial from a Group perspective. As a result of their overall immateriality, all interests in joint ventures and associated companies were stated at acquisition cost in financial year 2010.

A complete overview of the equity interests of K+S AKTIENGESELLSCHAFT can be found in the list of shareholdings on page 214.

FINAL PURCHASE PRICE ALLOCATION OF MORTON SALT AND ADJUSTMENT OF THE PREVIOUS YEAR'S FIGURES

On 1 October 2009, K+S AKTIENGESELLSCHAFT acquired 100 % of the shares of MORTON INTERNATIONAL INC., Chicago, USA, the parent company of the MORTON SALT Group, and gained control of the company. MORTON SALT operates six rock salt mines as well as seven brine plants and ten evaporated salt plants and is thus the largest salt producer in North America. Annual production capacity totals about 13 million tonnes of salt. With the UMBRELLA GIRL® and WINDSOR CASTLE® brands, MORTON SALT has very well positioned brands in the consumer business in the United States and in Canada with which consumers are highly familiar.

Given the complex nature of the identification and valuation of the assets and liabilities as well as the short period of time between the date of acquisition (1 October 2009) and the timing of the preparation of the consolidated financial statements of the K+S GROUP, no conclusive purchase price allocation could be performed as at 31 December 2009. The final acquisition costs and the final purchase price allocation are presented in the following two tables:

FINAL PURCHASE PRICE MORTON SALT

TAB: 5.9.1

in € million	Preliminary	Adjustments	Final
Purchase price	1,071.4	12.6	1,084.0
Capitalised ancillary acquisition costs	14.0	—	14.0
Expenses related to currency hedging of USD purchase price	28.8	—	28.8
Total purchase price	**1,114.2**	**12.6**	**1,126.8**

FINAL PURCHASE PRICE ALLOCATION MORTON SALT

TAB: 5.9.2

in € million	Carrying amounts at time of acquisition	Adjustments	Fair values at time of acquisition	Difference to the preliminary fair values
Intangible assets	7.6	300.3	307.9	1.5
Property, plant and equipment	204.4	264.7	469.1	(2.6)
Financial assets	—	2.2	2.2	—
Receivables and other assets	222.7	17.3	240.0	2.7
Deferred taxes	39.5	(39.5)	—	—
Non-current assets	**474.2**	**545.0**	**1,019.2**	**1.6**
Inventories	172.5	33.4	205.9	—
Accounts receivable – trade	81.5	—	81.5	—
Other receivables and assets	21.3	0.7	22.0	—
Cash on hand and balances with banks	9.0	—	9.0	—
Current assets	**284.3**	**34.1**	**318.4**	**—**
ASSETS	**758.5**	**579.1**	**1,337.6**	**1.6**
Bank loans and overdrafts	98.9	13.9	112.8	—
Other liabilities	1.1	—	1.1	—
Provisions for pensions and similar obligations	34.2	65.1	99.3	12.0
Provisions for mining obligations	19.7	—	19.7	—
Other provisions	125.9	—	125.9	—
Deferred taxes	49.8	152.7	202.5	(7.9)
Non-current debt	**329.6**	**231.7**	**561.3**	**4.1**
Bank loans and overdrafts	7.5	—	7.5	—
Accounts payable – trade	41.0	—	41.0	—

FINAL PURCHASE PRICE ALLOCATION MORTON SALT (CONTINUED)

TAB: 5.9.2

in € million	Carrying amounts at time of acquisition	Adjustments	Fair values at time of acquisition	Difference to the preliminary fair values
Other liabilities	15.4	—	15.4	—
Income tax liabilities	2.9	—	2.9	0.3
Provisions	40.3	—	40.3	—
Current debt	**107.1**	**—**	**107.1**	**0.3**
EQUITY AND LIABILITIES	**436.7**	**231.7**	**668.4**	**4.4**
Net assets acquired	**321.8**	**347.4**	**669.2**	**(2.8)**
Goodwill			**457.6**	**15.4**
Total purchase price			**1,126.8**	**12.6**

Adjustments of the provisional purchase price allocation are essentially adjustments of pension provisions due to taking into account pension increase trends and adjustments of deferred taxes. Also, shifts among individual categories of assets resulted from a reclassification of asset categories.

A comparison of the acquisition costs and the revalued net assets results in goodwill of € 457.6 million. This mainly results from assets that cannot be capitalised individually, such as the geographical location of crude salt deposits, regional market shares, the logistics network as well as the workforce. In addition, goodwill also arises from synergies from joint distribution with the SPL Group and the market opportunities related to this. The amount of goodwill is largely influenced by the recognition of deferred taxes in connection with the remeasurement of assets and liabilities.

In line with the adjustment of the purchase price allocation, the balance sheet carrying amounts of the K+S GROUP as at 31 December 2009 were also adjusted. Due to exchange rate fluctuations, they differ slightly from the adjustment amounts of the purchase price allocation as at 1 October 2009. Balance sheet information as at 1 January 2009 is not provided, because these values were not changed by the adjustment of the purchase price allocation.

ADJUSTMENTS IN K+S GROUP BALANCE SHEET TAB: 5.9.3

in € million	2009 (old)	Adjustments	2009 (new)
Intangible assets	915.3	17.1	932.4
– of which goodwill from acquisitions	548.0	15.5	563.5
Property, plant and equipment	1,728.3	(2.7)	1,725.6
Investment properties	7.9	—	7.9
Financial assets	22.4	—	22.4
Receivables and other assets	264.3	(9.8)	254.5
Deferred taxes	32.7	—	32.7
Claims for income tax refund	0.5	—	0.5
Non-current assets	**2,971.4**	**4.6**	**2,976.0**
Inventories	680.4	—	680.4
Accounts receivable – trade	849.6	—	849.6
Other receivables and assets	152.2	—	152.2
– of which derivate financial instruments	19.6	—	19.6
Claims for income tax refund	29.8	—	29.8
Cash on hand and balances with banks	529.1	—	529.1
Current assets	**2,241.1**	**—**	**2,241.1**
ASSETS	**5,212.5**	**4.6**	**5,217.1**
Subscribed capital	191.4	—	191.4
Additional paid-in capital	648.8	—	648.8
Other reserves and accumulated profit	1,252.6	—	1,252.6
Minority interests	1.8	—	1.8
Equity	**2,094.6**	**—**	**2,094.6**
Bank loans and overdrafts	1,146.4	—	1,146.4
Other liabilities	18.6	—	18.6
– of which derivative financial instruments	4.5	—	4.5

ADJUSTMENTS IN K+S GROUP BALANCE SHEET (CONTINUED) TAB: 5.9.3

in € million	2009 (old)	Adjustments	2009 (new)
Provisions for pensions and similar obligations	181.9	12.4	194.3
Provisions for mining obligations	419.2	—	419.2
Other provisions	220.1	—	220.1
Deferred taxes	245.2	(8.1)	237.1
Non-current debt	**2,231.4**	**4.3**	**2,235.7**
Bank loans and overdrafts	120.5	—	120.5
Account payable – trade	346.9	—	346.9
Other liabilities	77.4	—	77.4
– of which derivative financial instruments	3.3	—	3.3
Income tax liabilities	41.6	0.3	41.9
Provisions	300.1	—	300.1
Current debt	**886.5**	**0.3**	**886.8**
EQUITY AND LIABILITIES	**5,212.5**	**4.6**	**5,217.1**

The 2009 income statement remained unchanged. Adjustments due to the final purchase price allocation were not necessary, because they would only have resulted in minor changes in the income statement. In 2009 (1 October 2009 to 31 December 2009), MORTON SALT contributed to the earnings of the K+S GROUP as follows:

MORTON SALT INCOME STATEMENT (Q4 2009) TAB: 5.9.4

in € million	
Revenues	237.6
EBIT	9.8
Financial result	(15.8)
Earnings before taxes	(6.0)
Actual taxes	(14.2)
Deferred taxes	21.5
Earnings after taxes	1.3

Revenues and earnings for the previous year, on the assumption that the acquisition of the MORTON Group would already have taken place at the beginning of 2009, could not be determined because no reliable IFRS values were available for the period before 1 October 2009.

ACQUISITION OF POTASH ONE

K+S CANADA HOLDINGS INC., a wholly owned subsidiary of K+S AKTIENGESELLSCHAFT, gained control of 81.6% of the shares of POTASH ONE INC. (Vancouver, Canada) on 21 January 2011 under a public takeover bid. The purchase price paid in cash was € 263.2 million. At the beginning of February, a further 9.3% of the shares were acquired for € 30.1 million in cash, so that as of the date of the preparation of the balance sheet K+S holds 90.9% of POTASH ONE shares. The remaining POTASH ONE shares (9.1%) are to be acquired in an exclusion proceeding under the Canada Business Corporations Act. The 100% takeover of POTASH ONE should be achieved in mid-May 2011. Up to the date of acquisition (21 January 2011) ancillary costs of € 3.7 million related to the acquisition were incurred, which were recognised effecting net income (reported chiefly as other operating expenses); of these, € 3.3 million relate to the 2010 financial year.

/ **MORE INFORMATION ON THE ACQUISITION OF POTASH ONE** can be found in the Management Report on page 145.

POTASH ONE holds several potash exploration licenses in the Canadian province of Saskatchewan including the Legacy Project – an advanced greenfield project for the construction of a brine plant. The acquisition of POTASH ONE makes it possible to invest in rich and low-cost deposits, to increase our own potash capacities, and to participate in market growth in the medium to long term.

In the run-up to the acquisition, POTASH ONE issued a convertible bond at a nominal value of CAD 30 million on 24 November 2010, which was fully subscribed for by K+S CANADA HOLDINGS INC. The proceeds from this bond serve to finance water supply facilities for the Legacy Project. This financing measure enabled POTASH ONE to avoid delaying the development of its Legacy Project. The convertible bond (without conversion right) is shown in the financial statements of the K+S GROUP under other current receivables and assets and has a value of € 20.2 million as at 31 December; the conversion right, shown separately as a derivative in other current receivables and assets, is measured at € 2.8 million as on the balance sheet date.

The amount of the assets and liabilities to be recognised within the framework of the first-time consolidation cannot be determined before the purchase price allocation has been carried out; the aforementioned Legacy Project is the essential asset of the company. There will probably be no tax-deductible goodwill.

CONSOLIDATION METHODS

The financial statements of the consolidated companies are prepared as of the balance sheet date for the consolidated financial statements. The assets and liabilities of the consolidated companies are recognised and measured uniformly in accordance with the policies described here and in the following notes.

Revenues, expenses and income between consolidated companies that arise while the companies affected are members of the K+S GROUP are fully eliminated. Similarly, receivables and liabilities between consolidated companies and inter-company profits resulting from deliveries and services between consolidated companies are eliminated, unless they are immaterial.

In the capital consolidation, the acquisition costs of the investments are set off against the share of the remeasured equity attributable to them as of the time of acquisition. Asset-side balances that remain after allocation to the assets and liabilities are carried as goodwill. Liability-side balances from capital consolidation are released directly affecting profit or loss.

ACCOUNTING AND VALUATION PRINCIPLES

RECORDING OF INCOME AND EXPENSES

Revenues comprise sales of products and services net of sales deductions. Revenues deriving from the sale of products are reported as of the time when the associated risks of ownership have passed. Services are reported as revenues after having been performed. In addition, payment must be sufficiently probable in both cases. Other income, such as interest or dividends, is recorded for the relevant period as of the time when a respective contractual or legal claim arises.

Operating expenses are charged to profit or loss on the date of performance or at the time they are incurred.

INTANGIBLE ASSETS

Intangible assets acquired are stated at acquisition cost. Internally generated intangible assets are capitalised at development cost provided that they are likely to yield a future economic benefit and the costs of such assets can be measured reliably. Interest on borrowed capital for qualified assets is capitalised.

Insofar as their useful lives can be determined, intangible assets are amortised on a regular straight-line basis; in the event that an indefinite useful life is anticipated, no regular amortisation is applied. An indefinite useful life is also assumed in the case of goodwill. The following useful lives are applied in the case of straight-line amortisation:

USEFUL LIVES FOR INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE TAB: 5.9.5

Years	
Port concessions	250
Brands	5–15
Customer relations	5–20
Other intangible assets	2–10

Non-scheduled write-downs are recorded in the event of impairment. If the reasons giving rise to the non-scheduled write-down no longer exist, a corresponding write-up is recognised that may not exceed the amortised carrying amount. Impairment charges to goodwill are not reversed.

The value of goodwill is tested at regular intervals. Appropriate impairment charges are recognised when necessary. Any need for recognition of an impairment charge is determined in accordance with IAS 36 by making a comparison with the discounted future cash flows that are expected for the cash-generating units to which the corresponding amounts of goodwill have been allocated.

CO_2 emission rights are initially measured at acquisition cost. Thus, rights granted without payment are capitalised with a value of zero and those acquired for payment are capitalised at acquisition cost. If the value on the reporting date falls below the acquisition costs, the carrying amount of the cash-generating unit holding the emission rights is compared with the value in use of this unit within the framework of an impairment test.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at acquisition or production cost less regular, use-related depreciation. The acquisition or production costs also include future restoration expenses. In the case of certain qualified assets, interest on borrowed capital is capitalised. Non-scheduled depreciation charges are recognised for any impairment losses that exceed the use-related depreciation already recorded and are reported under other operating expenses. Such impairment losses are determined in accordance with IAS 36 by making a comparison with the discounted future cash flows that are expected for the assets affected. If no independent cash flows can be allocated to the assets affected, the cash flows for the corresponding cash-generating unit are used. Should the reasons giving rise to the non-scheduled depreciation charge cease to apply, appropriate write-ups are recognised.

Gallery and excavation work are capitalised under property, plant and equipment.

If property, plant and equipment are sold or in case of their retirement, the gain or loss represented by the difference between sales proceeds and the residual carrying amount is recorded under other operating income or expenses.

Property, plant and equipment are depreciated using the straight-line method and the depreciation charges are based on customary useful lives. Scheduled straight-line depreciation is based on the following useful lives that apply across the Group:

USEFUL LIVES FOR PROPERTY, PLANT AND EQUIPMENT TAB: 5.9.6

Years	
Salt deposits	19–250
Gallery and excavation work	5–125
Buildings	14–33⅓
Technical equipment and machinery	4–25
Other equipment, factory and office equipment	3–10

FINANCE LEASES

A lease relationship is an agreement under which the lessor transfers to the lessee the right to use an asset for a particular period of time in exchange for a single payment or a series of payments. A finance lease arises if substantially all the risks and rewards incident to ownership of an asset are transferred to the lessee. If that is the case, the lessee capitalises the asset at its present value or, if lower, at the present value of the minimum lease payments. A corresponding amount is recognised as a liability arising from the lease. The asset is depreciated in a manner that essentially does not differ from the treatment applied to comparable assets.

INVESTMENT PROPERTIES

Investment properties are mainly rented objects. They are stated at amortised cost less straight-line, scheduled, use-related depreciation. The underlying useful lives are 50 years. Income from the sale of investment properties is recorded in the financial result.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset for one of the parties to such contract and to a financial liability or equity instrument for the other party. Essentially, financial assets and financial liabilities are disclosed separately from each other (no offsetting). Financial assets mainly comprise cash on hand and balances with banks, trade receivables, other receivables, securities, financial investments as well as derivative financial instruments with a positive market value. Financial liabilities include in particular trade payables, financial liabilities, other liabilities as well as derivative financial instruments with a negative market value. Financial instruments are initially recognised at their fair value as soon as the reporting enterprise becomes a contractual party for the financial instrument. Transaction costs that are to be allocated directly to the acquisition are then taken into account in determining the carrying amount insofar as the financial instruments are not subsequently measured at fair value with recognition in profit or loss.

The classification of financial instruments to one of the following categories defined in IAS 39 determines subsequent measurement:

LOANS AND RECEIVABLES

This category mainly comprises trade receivables, other receivables, loans, and cash on hand and bank balances. The item cash on hand and bank balances as disclosed in the balance sheet mainly comprises cheques, cash on hand and bank balances. It also includes securities with maturities less than three months and which are not subject to any significant fluctuations in value.

Loans are essentially measured at acquisition cost. Interest-free loans or loans at low rates of interest are stated at present value. Foreseeable risks are reflected by non-scheduled write-downs.

After being recognised for the first time, the other financial assets belonging to this category are measured at amortised cost applying the effective interest method less impairments. Non-interest-bearing or low-interest receivables due in more than three months are discounted. Any impairments that may be required are based on the expected risk of default and are recorded in separate allowance accounts. Receivables are derecognised when settled or when they become uncollectible. Other assets are derecognised on disposal or in the absence of value.

FINANCIAL ASSETS STATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category comprises securities “held for trading,” which have been acquired with the intention to be sold over the short term. Derivatives with positive market values are also classified as “held for trading” unless they form part of a hedging relationship in accordance with IAS 39. They are stated at fair value. Changes in value are recognised in profit or loss. Securities are derecognised after disposal on the settlement date.

FINANCIAL ASSETS AVAILABLE FOR SALE

This category comprises all financial assets not allocated to any of the categories mentioned above. Securities are essentially categorised as "available for sale" unless a different categorisation is required for an explicitly designated purpose. They are measured for the first time on the transaction settlement date for the purchase. Equity instruments such as, for example, investments in (non-consolidated) associated companies as well as stocks held in listed companies also belong to this category.

Basically, financial instruments belonging to this category are subsequently measured at fair value. Changes in fair value arising on subsequent measurement are recorded in the revaluation reserve and not recognised in profit or loss. Realised gains or losses are only recognised in profit or loss upon sale. If there are objective indications of lasting impairment on the balance sheet date, a non-scheduled write-down to the fair value is to be recognised. The amount recorded in the revaluation reserve is derecognised without recognition in profit or loss. Subsequent impairment reversals are not recognised in profit or loss.

In the case of financial instruments for which there are no active markets which provide fair values to be determined reliably, such financial instruments are stated at acquisition cost. This applies to investments in (non-consolidated) associated companies and equity investments. Other than temporary impairments are accounted for by non-scheduled write-downs to lower values with recognition in profit or loss. Such write-downs may not be reversed. Shares and investments are derecognised upon disposal to a party outside the Group. Securities are derecognised after disposal on the settlement date.

FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

All financial liabilities with the exception of derivative financial instruments are stated at amortised cost applying the effective interest method. Liabilities are derecognised on settlement or if the reasons for recognising a liability no longer apply.

FINANCIAL LIABILITIES STATED AT FAIR VALUE THROUGH PROFIT OR LOSS

This category comprises derivative financial instruments with negative market values which are essentially classified as "held for trading". This rule does not apply to derivatives which are part of a hedging relationship in accordance with IAS 39.

DERIVATIVES

Hedging relationships between derivatives and underlying transactions are only established for a modest portion of the derivatives. Derivatives are stated at their market value. Changes in market value are recognised in profit or loss. Derivatives are derecognised on the settlement date.

INVENTORIES

In accordance with IAS 2, assets that are designated for sale in the normal course of business (finished goods and merchandise), are in the process of being produced for sale (work in progress) or are used in production or the rendering of services (raw materials and supplies) are recorded under inventories.

Inventories are valued at average cost or at the lower net selling price. In addition to direct costs, production costs also include reasonable proportions of fixed and variable material and manufacturing overheads as long as they occur in connection with the production process. The same applies to general administrative expenses, pension and support expenses as well as other social expenses. Interest on borrowed capital is not included. The net selling price corresponds to the estimated price less the costs that are yet to be incurred until completion and the necessary selling expenses.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Pension provisions for employees and pensioners in Germany are computed in accordance with actuarial principles applying the defined benefit obligation method. The discount factor is computed on the basis of the yields obtainable on the reporting date for first-rank fixed-rate corporate bonds, with the maturity of the bonds corresponding to the anticipated timing of the pension obligations.

Pension obligations of foreign companies are computed applying similar principles and with due consideration given to country-specific features. Insofar as plan assets exist, such assets are offset against pension provisions.

MINING AND OTHER PROVISIONS

Provisions are recognised in an amount corresponding to the extent to which they are expected to be needed for discharging present obligations in relation to third parties arising from a past event. Such need must be more probable than improbable and it must be possible to reliably estimate the amount of the obligations. Non-current provisions with a residual maturity of more than one year are discounted applying a capital market rate of interest of suitable duration to take into account future cost increases insofar as the interest rate effect is material.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are determined using the balance sheet liability method that is commonly accepted internationally. This results in the recognition of deferred tax items for all temporary differences between the taxable values and the values in the consolidated balance sheet as well as for tax loss carryforwards. However, deferred tax assets are only recognised to the extent they are expected to be realised. Deferred taxes are measured applying the tax rates that, under current provisions of the law, would apply in the future when the temporary differences will probably be reversed. The effects of changes in tax legislation on deferred tax assets and liabilities are recognised in profit or loss for such period in which the material condition causing such amendments to enter into force arise. Deferred tax assets and liabilities are not discounted applying the rules contained in IAS 12. Deferred tax assets and liabilities are offset within individual companies according to maturity.

ACQUISITIONS

Mergers are accounted for using the purchase method. In connection with the revaluation of a company that has been acquired, all the hidden reserves and hidden liabilities of the company that has been acquired are identified and assets, liabilities and contingent liabilities are stated at their fair value. Any resulting positive difference in relation to the cost of acquiring the company is then capitalised as goodwill.

DISCRETIONARY ASSUMPTIONS AND ESTIMATES

DISCRETIONARY ASSUMPTIONS CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

Non-current intangible assets, property, plant and equipment and investment properties are stated in the balance sheet at amortised cost. The also allowed alternative treatment of reporting them at fair value is not utilised.

Securities are generally classified as “available for sale” so that changes in fair value to be recognised in the balance sheet are recorded in equity without recognition in profit or loss. Insofar as securities are classified at fair value and recognised in profit or loss, changes in fair value have a direct effect on the net profit or loss for the period.

ESTIMATES AND PREMISES CONCERNING THE APPLICATION OF ACCOUNTING AND VALUATION METHODS

The values stated in the IFRS financial statements are in part based on estimates as well as on the determination of certain premises. This is particularly necessary in the case of

+ determining the useful lives of depreciable non-current assets,
+ determining measurement premises and future earnings in connection with impairment tests, especially for capitalised goodwill,
+ determining the net selling price of inventories,
+ determining the premises necessary for measuring pension provisions (discount factor, future development of wages / salaries and pensions, anticipated yield of plan assets),
+ determining amounts, performance due dates and interest rates for discounting in connection with the measurement of provisions for mining obligations,
+ selecting parameters in connection with the model-based measurement of derivatives (e.g. assumptions regarding volatility and interest rate),
+ determining the usability of tax loss carryforwards as well as
+ determining the fair value of intangible assets, property, plant and equipment as well as liabilities acquired in connection with a business combination, and determining the useful lives of the intangible assets and property, plant and equipment acquired.

Despite exercising the greatest of care in producing such estimates, actual developments may differ from the utilised assumptions.

FOREIGN CURRENCY TRANSLATION

In the single-entity financial statements of Group companies, all receivables and liabilities denominated in foreign currencies are measured at the exchange rate applicable on the balance sheet date. Hedging transactions are carried at their respective market values.

The annual financial statements of foreign Group companies are converted to euros in accordance with the functional currency concept set forth in IAS 21. All companies conduct their operations independently in financial, economic and organisational terms. The functional currency generally corresponds to the local currency. Assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. In 2010 for the first time, income and expenses are translated at the average exchange rates for the quarter. Income and expenses had previously been translated at the average exchange rate for the year.

In the case of eleven companies, however, the US dollar, in deviation from the local currency, is used as the functional currency, as these companies generate the majority of their cash inflows and cash outflows in this currency. The US dollar is used in the following companies: COMPANIA MINERA PUNTA DE LOBOS LTDA., EMPRESA DE SERVICIOS LTDA., EMPRESA MARITIMA S.A., INVERSIONES COLUMBUS LTDA., INVERSIONES EMPREMAR LTDA., K+S FINANCE BELGIUM BVBA, MORTON BAHAMAS LTD., SERVICIOS MARITIMOS PATILLOS S.A., SERVICIOS PORTUARIOS PATILLOS S.A., TRANSPORTE POR CONTAINERS S.A. and SOCIEDAD PUNTA DE LOBOS S.A.

Differences not recognised in profit or loss, resulting from the exchange rates prevailing on the balance sheet date of the previous year, are reported as a separate component of equity under 'differences from foreign currency translation'. The balance of these translation differences compared with the preceding year was € 148.8 million. If Group companies are no longer consolidated, the currency translation difference concerned is released and recognised in profit or loss.

In the year under review, conversion differences of € 30.6 million (previous year: € (8.6) million) were recognised in profit or loss, which were shown chiefly under 'other operating income or expenses'.

The translation of currencies important for the Group was based on the following exchange rates for one euro.

EXCHANGE RATES TAB: 5.9.7

						2010		2009
Exchange rate in relation to € 1	Average rate for Q1	Average rate for Q2	Average rate for Q3	Average rate for Q4	Average rate for the year	Rate on reporting date 31.12.	Average rate for the year	Rate on reporting date 31.12.
US dollar (USD)	1.383	1.271	1.291	1.358	1.326	1.336	1.395	1.441
Canadian dollar (CAD)	1.438	1.305	1.342	1.376	1.365	1.332	1.585	1.513
Swiss franc (CHF)	1.463	1.409	1.332	1.323	1.380	1.250	1.510	1.484
Brazilian real (BRL)	2.492	2.276	2.259	2.304	2.331	2.218	2.767	2.511
Chilean peso (CLP)	717.424	674.321	659.122	652.156	675.288	625.342	776.661	731.032
Mexican peso (MXN)	17.656	15.958	16.521	16.821	16.737	16.548	18.799	18.922
Great Britain Pound (GBP)	0.888	0.852	0.833	0.859	0.858	0.861	0.891	0.888

EFFECTS OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS TAB: 5.9.8

Standard / Interpretation			To be applied[1]	Endorsement[2] (until 31.12.2010)
Changes	IAS 27	Consolidated and separate financial statements	1.7.2009	yes
Changes	IAS 39	Financial instruments: recognition and measurement: qualifying underlying hedged transactions	1.7.2009	yes
Changes	IAS 39 / IFRIC 9	Embedded derivatives	30.6.2009	yes
Changes	Improvements 2009	Collective standard for the amendment of several IFRS	1.7.2009	yes
Changes	IFRS 1	First-time adoption of IFRS: additional assumptions	1.1.2010	yes
Changes	IFRS 2	Accounting treatment of share-based remuneration in the Group settled in cash	1.1.2010	yes
New	IFRS 3	Business combinations	1.7.2009	yes
New	IFRIC 17	Distribution of non-cash assets to owners	1.7.2009	yes
New	IFRIC 18	Transfers of assets from customers	1.7.2009	yes

[1] To be applied in the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

IAS 27 "CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS"

The amendments to IAS 27 give concrete form to the presentation rules to be applied if the level of an investment changes or control over a subsidiary ceases. Changes in investments are now presented as equity transactions without recognition in profit or loss. When control ceases, the result on deconsolidation is to be recognised in profit or loss. The first-time adoption of the new rules contained in IAS 27 will have an appropriate impact on how changes in investments are accounted for in the future.

IMPROVEMENTS 2009

The standard entitled "Improvements to IFRS" brings together numerous smaller changes to existing standards. The changes have no impact on the 2010 consolidated financial statements of the K+S GROUP.

IFRS 3 "BUSINESS COMBINATIONS"

IFRS 3 introduces an optional accounting treatment for non-controlling interests for measuring at fair value or at the interest's share in the identifiable net assets. There are also new rules governing how the successive acquisition of interests is to be accounted as well as how the fair value of conditional consideration is to be recorded. In addition, ancillary acquisition costs are no longer a component of acquisition costs but are to be recognised in profit or loss. The first-time application of the new rules contained in IFRS 3 will have an appropriate impact on how future business combinations will be accounted for.

The other new accounting standards and interpretations are of no relevance to the 2010 consolidated financial statements of the K+S GROUP.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED

The following accounting standards and interpretations were published by the IASB up to the balance sheet date, but their application by the K+S GROUP will only become mandatory at a later date.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS YET TO BE APPLIED TAB: 5.9.9

Standard / Interpretation			To be applied [1]	Endorsement [2] (until 31.12.2010)
Changes	IAS 12	Recovery of underlying assets	1.1.2012	no
Changes	IAS 24	Related party disclosures	1.1.2011	yes
Changes	IAS 32	Classification of rights issues	1.2.2010	yes
Changes	Improvements 2010	Collective standard for the amendment of several IFRS	1.7.2010	no
Changes	IFRS 1	Exception for IFRS 7 – comparative information for first-time adopters of IFRS	1.7.2010	yes
Changes	IFRS 1	Changeover times for first-time adopters of IFRS	1.7.2011	no
Changes	IFRS 1	Severe hyperinflation	1.7.2011	no
Changes	IFRS 7	Information on the transfer of financial assets	1.7.2011	no
New	IFRS 9	Financial instruments	1.1.2013	no
Changes	IFRIC 14	Advances under minimum funding requirements	1.1.2011	yes
New	IFRIC 19	Extinguishing of financial liabilities with equity instruments	1.7.2010	yes

[1] To be applied in the first reporting period of a financial year beginning on or after this date.
[2] Adoption of the IFRS standards and interpretations by the EU Commission.

IMPROVEMENTS 2010

The standard entitled "Improvements to IFRS" brings together numerous smaller changes to existing standards. The impact of the improvements on the consolidated financial statements of the K+S GROUP is currently being examined.

IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURE"

The changes envisage additional disclosure obligations in the derecognition of assets. The impact of the changes of IFRS 7 on the consolidated financial statements of the K+S GROUP is currently being examined.

IFRS 9 "FINANCIAL INSTRUMENTS"

The goal of IFRS 9 is to fully replace IAS 39. The implementation will take place in three phases. The phase 1, which was published in November 2009, concerns the classification and measurement of financial assets and liabilities. Phase 2 is concerned with the impairment of financial assets and liabilities. In phase 3, the treatment of hedge accounting will be revised. The impact of IFRS 9 on the consolidated financial statements of the K+S GROUP is currently being examined.

The other accounting standards and interpretations do not, from today's perspective, have any impact on the consolidated financial statements of the K+S GROUP.

NOTES TO THE INCOME STATEMENT AND THE STATEMENT OF COMPREHENSIVE INCOME

The income statement and the statement of comprehensive income are presented on page 162.

The K+S GROUP employs various derivatives to hedge exchange rate risks arising from US dollar receipts as well as risks arising from future increases in freight rates. In addition, and increasingly from the fourth quarter of 2009 onwards, risks arising from the translation of future earnings of foreign currency companies into the Group currency, the euro (translation risks), are hedged. The hedging strategy is described in greater detail in Note (18). No hedging relationship in accordance with IAS 39 is established between the derivatives and the hedged items described, with the result that market value changes of outstanding derivatives have to be recognised in profit or loss on each balance sheet date. Furthermore, earnings are also impacted by the exercise, sale or expiry of the derivates used for hedging purposes. All effects on earnings arising from the hedging of future payment positions deriving from operating activities or from the hedging of future translation risks are combined in a single earnings line item in the income statement ("Result from operating forecast hedges").

The terms "operating" and "forecast" make clear that only underlying transactions are concerned that will have effects on EBIT I in future periods (e.g. US dollar receipts, payments for freight, the translation into the euro of earnings generated in functional local currency). Now, only the effects on earnings arising from the hedging of existing foreign currency receivables are reported under "Other operating income" and "Other operating expenses" (e.g. the hedging of USD receivables against foreign currency fluctuations by means of a USD/EUR forward transaction). Hedging transactions in the financing field are reported in the financial result.

Operating earnings EBIT I, the key controlling variable for the K+S GROUP, are presented in a separate reconciliation below the income statement. In a first step, earnings after operating hedges (EBIT II) are adjusted for the result from operating forecast hedges. EBIT II includes all earnings from operating hedges, i.e. both measurement effects related to the reporting date as well as earnings from realised derivatives. If the result from operating forecast hedges is eliminated from EBIT II, a notional subtotal is arrived at for earnings that do not take account of any forecast hedges. Then, in a second step, this subtotal is adjusted to take account of the result realised from operating forecast hedges. The income realised on the hedge corresponds to the exercise value of the derivative at the time of maturity (difference between the spot rate and the hedged rate), and, in the case of options, less premiums paid. Changes in the market value of operating forecast derivatives still outstanding are not taken into account here, so that EBIT I reflects operating earnings free of any market value fluctuations related to the reporting date.

(1) REVENUES

Revenues generated by the K+S GROUP amounted to € 4,993.8 million (previous year: € 3,573.8 million), with € 4,830.8 million (previous year: € 3,423.5 million) resulting from the sale of goods and € 163.0 million (previous year: € 150.3 million) resulting from the rendering of services. The breakdown of the revenues by business segment as well as intersegment revenues are presented in the segment information on pages 172 et seq. The regional breakdown of the revenues is disclosed in the Notes to the segment reporting under note (39).

(2) OTHER OPERATING INCOME

Other operating income includes the following material items:

OTHER OPERATING INCOME TAB: 5.9.10

in € million	2010	2009
Foreign exchange rate gains	77.0	54.2
Release of provisions	68.6	50.9
Compensation and refunds received	23.8	10.0
Reversals of allowances for receivables	3.4	17.9
Income from the derecognition of inventories	3.1	8.2
Rentals and leasing	2.0	1.8
– of which investment properties	1.3	1.3
Sundry income	28.2	11.5
Other operating income	**206.1**	**154.5**

(3) OTHER OPERATING EXPENSES

Other operating expenses include the following material items:

OTHER OPERATING EXPENSES TAB: 5.9.11

in € million	2010	2009
Foreign exchange rate losses	69.7	62.0
Allocations / utilisation of other provisions	19.8	20.9
Depreciation	15.6	3.9
Expenses unrelated to the period	13.2	67.2
Consultancy, expert opinion and legal fees	11.2	7.3
Partial retirement expenses	9.7	30.2
Damages	9.0	2.6
Losses on disposals of fixed assets	6.5	2.5
Write-downs on trade receivables	5.2	3.9
Expenses / refunds for disused plants and maintenance of Merkers	4.2	16.5
Ancillary capital expenditure costs	3.5	3.3
Expenses related to leased investment properties	2.0	2.1
Sundry expenses	39.4	30.9
Other operating expenses	**209.0**	**253.3**

The item “Depreciation” mainly comprises non-scheduled depreciation on technical facilities and caverns. Expenses for damages include claims for damages from the de-icing salt business as well as other damages.

(4) INCOME FROM INVESTMENTS, NET

INCOME FROM INVESTMENTS, NET TAB: 5.9.12

in € million	2010	2009
Result from distributions from affiliates and profit transfers	4.0	3.3
Income from the disposal of investments	0.8	0.1
Write-ups / write-downs on investments	—	(2.5)
Income from investments, net	**4.8**	**0.9**

(5) EARNINGS FROM OPERATING FORECAST HEDGES

EARNINGS FROM OPERATING FORECAST HEDGES TAB: 5.9.13

in € million	2010	2009
Result from settled, sold or expired currency hedging transactions	(15.5)	(21.3)
– of which positive earnings contributions	2.4	9.9
– of which negative earnings contributions	(17.9)	(31.2)
Result from settled energy price hedging transactions	—	(4.9)
Result from settled freight rate hedging transactions	(1.3)	—
Result from settled, sold or expired hedging transactions	**(16.8)**	**(26.2)**
Market value changes from hedging transactions yet to reach maturity	(1.8)	(10.8)
– of which positive market changes	8.4	1.7
– of which negative market changes	(10.2)	(12.5)
Market value changes for freight rate hedging transactions yet to reach maturity	1.0	1.1
Result from market value changes for hedging transactions yet to reach maturity	**(0.8)**	**(9.7)**
Result from operating forecast hedges	**(17.6)**	**(35.9)**

The item “Result from settled, sold or expired hedging transactions” includes all the earnings effects arising from the exercise/settlement, sale or expiration of operating forecast hedges. The item “Result from market value changes for hedging transactions yet to reach maturity” shows market value changes for derivatives outstanding that serve to hedge future payment positions or future translation risks from business operations (for further information see ‘Notes to the income statement and the statement of comprehensive income’ on pages 184 et seqq.).

(6) INTEREST INCOME, NET

INTEREST INCOME, NET TAB: 5.9.14

in € million	2010	2009
Interest from credit institutions	4.0	1.2
Interest and similiar income	3.6	3.5
Interest income	**7.6**	**4.7**
Interest component from measurement of provisions for mining obligations	(44.4)	(8.6)
Interest component from the bond issued in 2009	(37.5)	(10.1)
Interest expenses in allocations to provisions for pensions	(7.6)	(7.6)
Interest expenses in allocations to provisions for jubilee benefits	(1.1)	(1.1)
Interest effect from the capitalisation of interest on borrowings	0.9	0.4
Sundry interest and similar expenses	(44.5)	(34.7)
Interest expenses	**(134.2)**	**(61.7)**
Interest income, net	**(126.6)**	**(57.0)**

In financial year 2010, interest on borrowed capital of € 0.9 million (previous year: € 0.4 million) was capitalised under property, plant and equipment (financing cost factor: 5 % %; previous year: 4 %).

The “Interest component from measurement of provisions for mining obligations” consists of the balance of the following items:

INTEREST COMPONENT FROM MEASUREMENT OF PROVISIONS FOR MINING OBLIGATIONS TAB: 5.9.15

in € million	2010	2009
Interest effect from the change in the discount factor for mining provisions	(23.0)	–
Increase in mining provisions due to expiry (“accumulation”)	(21.9)	(20.3)
Interest effect from the reversal of mining provisions	0.5	11.7
Interest component from measurement of provisions for mining obligations	**(44.4)**	**(8.6)**

The “Interest expenses in allocations to provisions for pensions” comprises interest expenses (“accumulation”), plan income as well as the amortisation of actuarial losses.

(7) OTHER FINANCIAL RESULT

OTHER FINANCIAL RESULT TAB: 5.9.16

in € million	2010	2009
Result from realisation of financial assets / liabilities	(1.0)	(57.5)
Result from market valuation of financial assets / liabilities	4.1	(0.9)
Other financial result	**3.1**	**(58.4)**

The income from realising financial assets / liabilities in the previous year includes expenses of € 59.2 million from transactions to hedge the USD purchase price of MORTON SALT against currency fluctuations and for which no hedging relationship was recorded within the meaning of IAS 39.

(8) TAXES ON INCOME

TAXES ON INCOME TAB: 5.9.17

in € million	2010	2009
Current taxes	179.2	38.3
– Germany	136.2	12.8
– outside Germany	43.0	25.5
Deferred taxes	(20.6)	(8.7)
– Germany	(2.1)	6.9
– outside Germany	(18.5)	(15.6)
– of which from loss carryforwards	4.7	6.8
Taxes on income	**158.6**	**29.6**

Deferred taxes in Germany were calculated using a tax rate of 28.2 % (previous year: 27.9 %). In addition to the corporate income tax rate of 15.0 % and the solidarity surcharge of 5.5 %, the average trade tax rate of 12.4 % (previous year: 12.1 %) was taken into account. Deferred taxes in foreign countries are computed applying the respective national profit retention income tax rates.

The following table reconciles the anticipated to the actual tax expense. The anticipated income tax expense was calculated based on a domestic Group income tax rate of 28.2 % (previous year: 27.9 %).

RECONCILIATION OF TAXES ON INCOME TAB: 5.9.18

in € million	2010	2009
Earnings before taxes	608.0	126.4
Anticipated income tax expense (28.2 % Group tax rate; previous year: 27.9 %)	**171.5**	**35.3**
Changes in anticipated tax expense:		
Reduction in tax resulting from tax-exempt income and other items		
– Tax-exempt income from investments and profits on disposals	(1.1)	(0.6)
– Other tax-exempt income	(20.6)	(8.9)
Trade tax additions / reductions	1.9	1.0
Increase in tax resulting from non-deductible expenses and other items	6.1	2.9
Allowances on / non-recognition of deferred tax assets	10.4	4.5
Effects from tax rate differences	(10.4)	(4.1)
Taxes for preceding years	(0.1)	(0.1)
Other effects	0.9	(0.4)
Actual tax expense	**158.6**	**29.6**
Tax ratio	**26.1 %**	**23.4 %**

(9) COST OF MATERIALS

COST OF MATERIALS TAB: 5.9.19

in € million	2010	2009
Raw materials, supplies and purchase merchandise	1,288.2	1,012.9
Purchased services	427.8	331.8
Energy costs	265.8	210.7
Cost of materials	**1,981.8**	**1,555.4**

(10) PERSONNEL EXPENSES / NUMBER OF EMPLOYEES

PERSONNEL EXPENSES TAB: 5.9.20

in € million	2010	2009
Wages and salaries	826.7	593.1
Social securities	166.4	146.4
Pension expenses	26.2	16.9
Personnel expenses	**1,019.3**	**756.4**

In 2010, the K+S GROUP introduced an indicator-based Long-term Incentive (LTI) Programme for the first time. It is based on a multi-annual assessment in accordance with the value contributions achieved. For the gaps in inflows arising in 2012 and 2013 as a result of switching the variable remuneration components with a long-term incentive effect from a two-year to a four-year term, the new LTI Programme was already started virtually in 2008 and 2009 with one tranche in each particular case. In 2010, personnel expenses of € 29.2 million were recorded for the LTI as an allocation to provisions.

/ **MORE INFORMATION ON PERSONNEL EXPENSES** can be found in the section 'Employees' in the Management Report. Information on the Long-term Incentive Programme can be found in the Remuneration Report on pages 31 et seqq.

Under the expiring stock option programme, the Board of Executive Directors and certain managerial personnel could use part of their performance-related remuneration for a basic investment in K+S shares. By acquiring and holding such basic shares, the participants receive virtual stock options that trigger a cash payment when exercised. The amount of the cash payment depends on the extent to which the K+S share outperforms the benchmark index (MDAX until 19 September 2008, DAX from 22 September 2008 onwards) and is capped at 25 % of excess performance. A lock-up period of two years applies to the exercise of the options and the options expire after a maximum period of five years.

In 2010, payments for stock options exercised totalling € 13.6 million (previous year: € 16.0 million) were recorded under personnel expenses. The expense was partially neutralised through the utilisation of provisions. A provision has been recognised for stock options that had not been exercised as of the balance sheet date (see Note (26)).

Under the employee share ownership programme, K+S GROUP employees have the possibility of acquiring K+S shares at a discount. A one-year vesting period applies to employee shares. They are stated at fair value. Expenses totalling € 1.4 million (previous year: € 1.5 million) were incurred in connection with the employee share ownership programme enacted in 2010. The issuing of free bonus shares in connection with earlier employee share ownership programmes gave rise to personnel expenses of € 0.1 million in 2010 (previous year: € 0.9 million).

The pension expenses do not include the interest component of the allocations to the pension provisions. This is reported as an interest expense in interest income, net.

Personnel expenses include sums totalling € 2.8 million that are unrelated to the reporting period.

EMPLOYEES INCLUDING TEMPORARY EMPLOYEES TAB: 5.9.21

Average number (FTE)	2010	2009
Germany	10,207	10,228
Outside Germany	4,961	2,816
Total	**15,168**	**13,044**
– of which trainees	563	557

(11) EARNINGS PER SHARE

EARNINGS PER SHARE TAB: 5.9.22

in € million	2010	2009
Group earnings after taxes and minority interests	**448.6**	**96.4**
± Result from operating forecast hedges	17.6	35.9
± Result realised on operating forecast hedges	(22.2)	(39.8)
Elimination of resulting deferred and cash taxes	1.3	1.1
Group earnings, adjusted [1]	**445.3**	**93.6**
Average number of shares (million)	191.34	166.15
Earnings per share (€)	2.33	0.58
Earnings per share, adjusted (€) [1]	2.33	0.56

[1] The adjusted key figures only contain the result realised on operating forecast hedges for the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings (see also the 'Notes to the income statement and the statement of comprehensive income' on pages 184 et seqq.). Any resulting effects on deferred and cash taxes are also eliminated; tax rate 2010: 28.2 % (2009: 27.9 %).

In accordance with IAS 33, earnings per share are to be determined on the basis of Group earnings. Given the limited economic meaningfulness of unadjusted Group earnings, we additionally report adjusted Group earnings, which only contain the result realised on operating forecast hedges for the respective reporting period. Changes in the market value of operating forecast hedges still outstanding, however, are not taken into account, so that the adjusted Group earnings are free of any market value fluctuations in these derivatives related to the reporting date. In addition, the effects on deferred and cash taxes resulting from the adjustment are also eliminated.

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 discontinued activities nor changes in accounting treatment needed to be taken into account in earnings per share.

If use is made of the authorised capital (see Note (20)), earnings per share could potentially become diluted in the future.

NOTES TO THE BALANCE SHEET

The balance sheet is presented on page 164. The development of the gross carrying amounts and depreciation on the individual non-current asset items is shown separately on pages 166 et seq.

(12) INTANGIBLE ASSETS

The amortisation charges for the financial year are disclosed in the income statement in line with the use of the assets concerned and are disclosed under the following items:

+ Cost of sales
+ Selling expenses
+ General and administrative expenses
+ Research and development costs
+ Other operating expenses

The goodwill from acquisitions disclosed in the consolidated balance sheet is allocated to the following cash-generating units (CGUs):

BREAKDOWN OF GOODWILL BY CASH-GENERATING UNIT TAB: 5.9.23

in € million	2010	2009
CGU Salt America	601.4	549.6
CGU Salt Europe	13.3	13.3
CGU Nitrogen Fertilizers	0.6	0.6
Total goodwill	**615.3**	**563.5**

The Salt business segment is divided into the cash-generating units Salt America and Salt Europe. The goodwill resulting from the acquisition of MORTON SALT was allocated to the Salt America CGU; the previous year's figures were adjusted according to the final purchase price allocation. More explanations can be found under 'Final purchase price allocation of MORTON SALT and adjustment of the previous year's figures' on pages 174 et seqq. The increase in the goodwill allocated to the Salt America CGU is based solely on effects resulting from the foreign currency translation on the balance sheet date.

In connection with the testing of goodwill for impairment, the residual carrying amounts for the respective cash-generating units were compared with their value in use. The determination of value in use was based on the present value of the future cash flows of the business segments assuming continued use. The cash flow forecast is based on the current medium-term plans of the K+S GROUP and the respective business segments. The key premises underlying the medium-term plans are largely based on own experience figures. The forecast period covers the years 2011 to 2013, with a growth rate of 2.0 % for nominal cash flows (previous year: 2.0 %) assumed for subsequent years to compensate for inflation with respect to costs and revenues.

The following discount factors were applied as at the end of the financial year:

DISCOUNT FACTORS IMPAIRMENT TEST TAB: 5.9.24

	2010		2009	
	before taxes	after taxes	before taxes	after taxes
Interest rates in %				
CGU Salt America	9.5	7.0	10.1	7.6
CGU Salt Europe	9.5	7.0	10.1	7.6
CGU Salt Nitrogen Fertilizers	9.5	7.0	10.1	7.6

The rates of interest for the cash-generating units correspond to the weighted cost of capital for the K+S GROUP before and after taxes.

The impairment test conducted at the end of financial year 2010 confirmed that the goodwills were not impaired. In our estimate, realistic changes in the fundamental assumptions on which the determination of the value in use is based would not result in the carrying amount of the cash-generating unit exceeding its value in use.

Apart from goodwill, the following intangible assets were shown as of 31 December 2010:

INTANGIBLE ASSETS AS OF 31 DECEMBER TAB: 5.9.25

in € million	2010	2009
Customer relationships	186.0	194.9
Brands	109.4	103.4
Port concessions	30.2	28.2
Emission rights	9.6	0.1
Internally generated intangible assets	6.4	6.4
Advance payments made	5.1	2.8
Other intangible assets	37.7	33.1
Intangible assets (without goodwill)	**384.4**	**368.9**

In connection with the event-based testing for impairment of intangible assets with a finite useful life, the residual carrying amounts for the respective assets were compared with their value in use as of the balance sheet date. The impairment tests conducted at the end of financial year 2010 required recognition of a write-down totalling € 0.1 million (previous year: € 0.7 million) recorded under other operating expenses.

Brand rights totalling € 100.2 million (previous year: € 90.8 million) are, in view of their level of awareness in the relevant sales markets as well as their strategic relevance, classified as assets with indefinite useful lives.

The impairment test of brand rights with indefinite useful lives, to be performed annually, was carried out by comparing the values in use of the brands with the carrying amounts. The value in use was determined using the relief-from-royalty method, which derives the market value from the licensing costs saved. The brand-specific revenues for the years 2011-2014 were determined on the basis of the Company budget, and an annual growth rate of 2.0 % (previous year: 2.0 %) was assumed for the period from 2015. The applicable licence prices for the brands were derived from third-party comparisons. The value in use was then determined by discounting the licence costs saved with a risk-adjusted after-tax interest rate of 10.0 % (previous year: 11.0 %). The impairment test on the brands carried out on this basis at the end of the 2010 financial year did not result in any impairment charges.

(13) INVESTMENT PROPERTIES

As of 31 December 2010, the fair value of investment properties amounted to € 26.8 million (previous year: € 27.2 million). The fair values were estimated by internal specialist departments on the basis of local market conditions. In determining the values, particular account was taken of local property valuation records and, in part, on external valuation reports.

(14) FINANCIAL ASSETS

€ 22.5 million (previous year: € 20.3 million) included in financial assets is accounted for by investments in associated companies, loans to associated companies as well as other equity investments. Of this, € 1.6 million (previous year: € 2.1 million) relates to other loans (mainly to employees) and other financial assets. The effective annual rates of interest range between 0 % and 6.25 % and the remaining fixed interest period ranges between 1 year and 20 years.

The maximum default risk as of the balance sheet date corresponds to the amount stated in the balance sheet. There are no specific grounds that would suggest the occurrence of events of default. There are no significant concentrations of default risk.

(15) DEFERRED TAXES

The following capitalised deferred tax assets and liabilities relate to reporting and measurement differences for individual balance sheet line items and tax loss carryforwards:

DEFERRED TAXES TAB: 5.9.26

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
in € million				
Intangible assets	7.8	6.0	121.7	122.8
Property, plant and equipment	1.5	1.9	234.0	215.9
Financial assets	8.8	13.3	1.3	0.9
Inventories	3.1	4.9	14.7	24.5
Receivables and other assets	3.9	8.3	23.5	107.1
– of which derivative financial instruments	2.1	—	1.3	1.2
Provisions	111.5	139.9	5.6	4.0
Liabilities	19.3	56.6	0.8	6.7
Gross amount	**155.9**	**230.9**	**401.6**	**481.9**
– of which non-current	133.3	191.6	374.3	441.7
Tax loss carryforwards	33.5	37.0	—	—
Impairments	(4.0)	(1.8)	—	—
Consolidation	17.7	0.4	5.3	(11.0)
Balances	(145.3)	(233.8)	(145.3)	(233.8)
Balance sheet carrying amount (net)	**57.8**	**32.7**	**261.6**	**237.1**

Deferred taxes totalling € 20.4 million (previous year: € 10.3 million) were not capitalised because utilisation of the underlying loss carryforwards and realisation of taxable income appear unlikely. The underlying loss carryforwards amount to € 151.4 million (previous year: € 111.7 million).

During the year under review, € (2.7) million (previous year: € 7.1 million) in deferred taxes from foreign currency translations were offset directly against equity without recognition in profit or loss.

The deferred taxes reported as of 31 December 2009 and as of 31 December 2010 differed by € 0.6 million (deferred tax assets: € 25.1 million, deferred taxed liabilities: € 24.5 million). Taking into account the deferred taxes offset without recognition in profit or loss in the year under review (€ (2.7) million) and the effects from the foreign currency translation (€ (17.3) million), this gives rise to the deferred tax income of € 20.6 million disclosed in the income statement.

Temporary differences of € 490.6 million (previous year: € 174.0 million) are related to shares in subsidiaries, so that on account of IAS 12.39 no deferred tax liabilities can be set up on those differences.

(16) INVENTORIES

INVENTORIES TAB: 5.9.27

	2010	2009
in € million		
Raw materials and supplies	172.9	164.6
Work in progress	25.7	28.1
Finished products and merchandise	530.1	477.3
Payments on account	11.5	10.4
Inventories	**740.2**	**680.4**

Inventories of € 39.9 million (previous year: € 151.0 million) were stated at net realisable value. The reporting of net realisable value resulted in the writing down of inventories by € 9.8 million (previous year: € 34.7 million) during the period under review.

(17) RECEIVABLES AND OTHER ASSETS

RECEIVABLES AND OTHER ASSETS TAB: 5.9.28

in € million	2010	of which residual term > 1 year	2009	of which residual term >1 year
Accounts receivable – trade	949.8	–	849.6	–
Receivables from associated companies	17.0	–	8.7	–
Other assets	200.3	43.0	398.0	254.5
– of which derivative financial instruments	41.8	6.4	19.6	–
– of which Potash One convertible bond	20.2	–	–	–
– of which claim for reimbursement bond Morton Salt	18.9	18.9	114.2	113.2
Receivables and other assets	**1,167.1**	**43.0**	**1,256.3**	**254.5**

The allowances developed as follows:

ALLOWANCES TAB: 5.9.29

in € million	2010	2009
Balance as of 1 January	36.1	38.3
Change in scope of consolidation	–	2.6
Addition	8.0	16.3
Reversal	3.8	13.1
Utilisation	4.3	8.0
Balance as of 31 December	**36.0**	**36.1**

Allowances of € 24.9 million (previous year: € 24.5 million) were disclosed for the trade accounts receivables portfolio as at 31 December 2010. € 11.1 million (previous year: € 11.6 million) resulted from allowances for other receivables and other assets. The allowances are based on the anticipated risk of default. If receivables have a residual term of more than three months, they are discounted applying money market rates as of the balance sheet date. To this extent, the receivables are exposed to an interest rate risk and thus to a change in fair value.

As at 31 December 2010, receivables bearing no interest or interest below market rates were written down by € 0.2 million (previous year: € 0.3 million).

The following table provides information about the extent of the risks of default contained in the items "Accounts receivable – trade" as well as "Other receivables and non-derivative financial instruments".

DEFAULT RISKS TAB: 5.9.30

in € million	Carrying amount	Of which neither overdue nor adjusted as of the reporting date	Of which unadjusted but overdue as of the reporting date: < 30 days	> 31 and < 90 days	> 91 and < 180 days	> 180 days
2010						
Accounts receivable – trade	949.8	760.3	44.7	10.7	0.1	2.1
Other receivables and non-derivative financial instruments	148.6	131.1	3.6	0.4	0.1	0.1
2009						
Accounts receivable – trade	849.6	572.9	22.3	8.3	3.9	1.4
Other receivables and non-derivative financial instruments	363.1	305.9	3.2	1.4	1.7	1.0

As at 31 December 2010, the extent of accounts receivable trade for which contractual conditions were renegotiated and which were otherwise written down or overdue was insignificant.

Accounts receivable management is geared towards collecting all outstanding accounts punctually and in full as well as to avoid the loss of receivables. Invoices are issued on a daily basis and invoice data is transferred to debtor accounts online. Accounts outstanding are monitored on an ongoing basis with system support and in line with the payment terms agreed with the customers. Payment terms generally range from 10 to 180 days, with longer terms being customary in some markets. In the case of late payment, reminders are issued at regular two-week intervals.

The risk of default is the risk of a contractual partner failing to discharge its contractual payment obligations. Customer receivables are to a large extent secured against this risk by means of appropriate insurance coverage and other hedging instruments. This ensures that only immaterial or partial losses are incurred in the event of default. An internal credit check is conducted in the case of customers for whom such cover cannot be obtained. There is no significant concentration of risk with respect to receivables.

The maximum risk of default with respect to receivables and other assets is reflected in the carrying amount disclosed in the balance sheet. As at 31 December 2010, the maximum risk of default in the very unlikely event of a simultaneous default on all unsecured receivables was € 210.9 million (previous year: € 181.1 million).

(18) DERIVATIVE FINANCIAL INSTRUMENTS

Currency and interest rate management is performed centrally for all Group companies. This also applies to the use of derivative financial instruments, e.g. those aimed at limiting certain costs. The use of derivative financial instruments is regulated by guidelines and procedure instructions. A strict segregation of functions is ensured between trading, settlement and control. Derivative financial instruments are only traded with banks that have a good credit standing, which is monitored continually by means of appropriate instruments. The entire portfolio of derivative financial instruments is spread across several banks to reduce the risk of default. The level of risk of default is limited to the amount of the derivatives capitalised on the balance sheet.

The goal of interest rate management is to curb the risks arising from increasing interest rates as a result of changes in the general level of interest rates. No countermeasures are currently necessary in this regard, as the financial liabilities (bond) almost completely carry a fixed rate of interest.

Derivatives are used to hedge exchange rate risks in order to limit the risks to which operating business activities can be exposed as a result of changes in exchange rates. Exchange rate risks exist mainly with respect to the US dollar and, to a minor extent, the Canadian dollar, the British pound sterling and the Chilean peso. Hedging transactions are executed in relation to billed receivables and anticipated net positions on the basis of projected revenues. In this regard, the net positions are determined on the basis of revenue and cost planning using safety margins and updated on an ongoing basis to avoid excess hedging or hedging shortfalls. Within the framework of translation hedging of projected earnings, net positions are determined in a similar fashion on the basis of EBIT I.

The hedging transactions used can have terms of up to three years for the hedging of anticipated positions as well as for translation hedging. The aim is to hedge a worst-case scenario while simultaneously allowing possible opportunities arising from market developments to be taken. The focus in this regard is on the use of simple options (plain vanilla options) and partially also compound options. These compound options consist of an option on a simple option that can be acquired at a later date for a fixed amount. The sale of simple options limits the advantage taken of favourable market developments for a section of the optionally hedged position. Apart from the selective use of forward transactions, this serves to reduce premium expenses. The terms of hedging transactions in respect of invoiced receivables are, in keeping with the agreed payment terms, less than one year.

The hedging transactions in respect of anticipated net positions as described above are used in the Potash and Magnesium Products business segment for US dollar positions. Hedging transactions for translation risks arising from planned earnings are concluded for the Salt business segment. Hedging transactions in respect of invoiced receivables are concluded in the Potash and Magnesium Products, Nitrogen Fertilizers as well as Salt business segments.

To hedge freight rates for the years 2010 to 2013, swaps have been selectively concluded that provide for the settlement of any difference between agreed fixed prices and market prices on their respective maturity. They are based on the “Baltic Panamax Index”.

Depending on assessments of the market, derivatives are also used selectively to restrict increases in energy costs. In this case, options and swaps based on the oil price (fuel oil) are generally used. As of 31 December 2010, there were no longer any hedging transactions.

Trade in all the aforementioned derivatives is solely OTC. Because of market transparency, forward exchange transactions are concluded directly with one bank after a comparison with interbank terms has been made by means of a reference system. There is no such transparent market for trading in options. That is why quotations are obtained from several banks for all important option transactions, so that a transaction can then be executed with the bank providing the best quotation.

In the case of forward exchange transactions, there is a market value risk on the respective reporting date. However, there are countervailing effects stemming from the currency-based measurement of receivables.

The market values computed correspond to the value upon premature hypothetical termination on the balance sheet date. The values are computed using recognised mathematical models generally used by market participants. The computations were particularly based on the following parameters that applied on the balance sheet date:

+ the spot exchange rates for the currencies concerned,
+ the agreed hedging rates or exercise prices,
+ the traded volatilities, i.e. the anticipated range of fluctuation for the exchange rates concerned, and
+ the interest rates applicable to the currencies concerned.

IAS 39 permits hedging relationships to be established between underlying business transactions and derivative financial instruments. These are, however, not applied on principle (see 'Notes to the income statement and the statement of comprehensive income' on pages 184 et seqq.).

The following derivative foreign exchange financial transactions existed as of 31 December 2010:

DERIVATIVE FOREIGN EXCHANGE FINANCIAL TRANSACTIONS TAB: 5.9.31

	2010		2009	
	Notional amounts[1]	Fair values	Notional amounts[1]	Fair values
in € million				
GBP forward exchange transactions in 2010				
– of which maturing in 2010	–	–	2.8	–
– of which maturing in 2011	8.6	0.1	–	–
USD/CLP forward exchange transactions in 2010				
– of which maturing in 2011	14.4	0.2	–	–
USD forward exchange transactions				
– of which maturing in 2010	–	–	60.7	(0.5)
– of which maturing in 2011	243.8	2.1	–	–
Purchased simple USD currency options				
– of which maturing in 2010	–	–	569.6	19.2
– of which maturing in 2011	629.7	27.3	–	–
– of which maturing in 2012	131.2	6.4	–	–
Sold simple USD currency options				
– of which maturing in 2010	–	–	70.2	(1.2)
– of which maturing in 2011	485.5	(4.4)	–	–
– of which maturing in 2012	147.3	(4.6)	–	–
Foreign currency transactions in total	**1,660.5**	**27.1**	**703.3**	**17.5**

[1] Translated into euros using weighted hedging rates.

Information on the impact to the aforementioned market values assuming a different exchange rate on the balance sheet is presented below.

The simple options used to hedge operational USD receipts would have changed as follows if the spot rate had changed by ± 10 % on the balance sheet date:

At a rate of 1.20258 USD/EUR ((10)%), the market value reported would have declined by € 67.9 million. At a rate of 1.46982 USD/EUR (+10 %), the market value would have risen by € 76.0 million. At a rate of 1.2965 USD/EUR ((10)%), the market value reported in the previous year would have declined by € 26.4 million. At a rate of 1.5847 USD/EUR (+10 %), the market value of the previous year would have risen by € 46.5 million.

As of the balance sheet date, the swaps used to hedge freight costs had a notional amount of 540 charter days on the "Baltic Panamax Index" and a fair value of € (5.2) million. A change in price on the freight hedging benchmark index of ± 10 % would have increased or reduced the market value by € 0.6 million.

The aforementioned market value changes would have resulted in a corresponding increase or reduction in unadjusted Group earnings before taxes and in equity.

(19) EQUITY

The development of individual equity items is shown separately on page 165.

(20) SUBSCRIBED CAPITAL

The subscribed capital of K+S AKTIENGESELLSCHAFT amounts to € 191.40 million and is divided into 191.40 million no-par value bearer shares. In financial year 2010, there was an average of 191.34 million (previous year: 166.15 million) shares outstanding.

In accordance with the resolution adopted by the Annual General Meeting on 14 May 2008, the Board of Executive Directors was authorised, with the approval of the Supervisory Board, to increase the share capital of K+S AKTIENGESELLSCHAFT on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 82.5 million in the aggregate through the issuance of no more than 82.5 million new value bearer shares (authorised capital). In connection with the capital increase, the amount of the authorised capital was adjusted by a resolution adopted by the Supervisory Board on 25 November 2009. The Board of Executive Directors is now authorised, with the approval of the Supervisory Board, to increase the share capital of K+S AKTIENGESELLSCHAFT on one or more occasions until 9 May 2011 against cash or in-kind contributions and by up to no more than € 56.1 million in the aggregate through the issuance of no more than 56.1 million new value bearer shares (authorised capital).

Existing shareholders essentially hold a subscription right in respect of such capital increase. The Board of Executive Directors may, with the approval of the Supervisory Board, exclude the statutory subscription right of shareholders in the following cases, actually up to a proportionate amount of € 41.25 million of the share capital (the equivalent of 41.25 million shares):

+ in respect of fractional amounts arising from such subscription right;
+ in the case of capital increases against cash contributions, if the capital increase does not exceed 10 % of the share capital and the issue price of the new shares is not significantly lower than the relevant exchange price, which is the weighted average of the exchange prices of the shares in the XETRA computerised trading system (or such system as may replace it and perform a comparable function role) for the ten exchange trading days preceding the subscription of the new shares;
+ in the case of capital increases from in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company.

The Board of Executive Directors is further authorised, with the approval of the Supervisory Board, to determine further details pertaining to the carrying out of a capital increase from authorised capital.

In accordance with the resolution passed by the Annual General Meeting on 11 May 2010, the Board of Executive Directors was authorised to acquire own shares to up to 10 % of the share capital by 10 May 2015. Purchases may be made on a stock exchange or by means of a public purchase offer directed to all shareholders. In the case of a purchase effected on a stock exchange, the purchase price (exclusive of ancillary purchase costs) paid by the company per share may not exceed or undercut the relevant exchange price by more than 10 %. In the case of a public purchase offer addressed to all shareholders, the purchase price per share (exclusive of ancillary purchase costs) offered may not exceed or undercut the relevant exchange price by more than 10 %.

Shares which were acquired as a result of the authorisation in question or earlier authorisation granted by the Annual General Meeting in accordance with Sec. 71 Para. 1 No. 8 of the German Stock Corporation Act (AktG) may be used for the purposes specified in the resolution of the Annual General Meeting. With the authorisation of 11 May 2010, the authorisation to purchase own shares granted by the Annual General Meeting on 13 May 2009 was cancelled. K+S AKTIENGESELLSCHAFT did not make any use of the authorisation in financial year 2010.

SUBSCRIBED CAPITAL TAB: 5.9.32

in € million	Shares outstanding in circulation	Subscribed capital
31.12.2008	165.0	165.0
Capital increase against cash contributions	26.4	26.4
31.12.2009	191.4	191.4
31.12.2010	**191.4**	**191.4**

(21) OTHER RESERVES AND ACCUMULATED PROFIT

Other reserves and accumulated profit are reported in the consolidated balance sheet as a single caption. The development of revenue reserves including accumulated profit and the reserve for balances from foreing currency translation is shown separately in the equity statement.

For dividend distribution the annual financial statements of K+S AKTIENGESELLSCHAFT as prepared in accordance with German commercial law are decisive. It is intended to propose to the Annual General Meeting that a dividend of € 1.00 per share (previous year: € 0.20), i.e. € 191.4 million in total (previous year: € 38.3 million), be distributed to the shareholders. As of the balance sheet date, the accumulated profit in the single-entity financial statements of K+S AKTIENGESELLSCHAFT was as follows:

ACCUMULATED PROFIT OF K+S AKTIENGESELLSCHAFT TAB: 5.9.33

in € million	2010	2009
K+S Aktiengesellschaft accumulated profit as of 1 January	46.2	399.4
Dividend payment for previous year	(38.3)	(396.0)
Net income of K+S Aktiengesellschaft	217.8	42.8
K+S Aktiengesellschaft accumulated profit as of 31 December	**225.7**	**46.2**

(22) INFORMATION ABOUT CAPITAL MANAGEMENT

CAPITAL MANAGEMENT TAB: 5.9.34

in € million	2010	2009
Equity	2,651.6	2,094.6
Non-current debt	1,919.1	2,235.7
Current debt	1,003.0	886.8
Balance sheet total	**5,573.7**	**5,217.1**
Equity ratio	47.6 %	40.1 %
Borrowed capital ratio	52.4 %	59.9 %

Equity rose by € 557.0 million compared with the previous year. The increase in equity is based mainly on the positive Group earnings of financial year 2010 (after taxes and minority interests) amounting to € 448.6 million; on the other hand, there is the dividend distribution of € 38.3 million effected in May 2010. Changes in equity without recognition in profit or loss also had to be accounted for, resulting from foreign currency translation of subsidiaries in the functional foreign currency (mainly the US dollar and the Canadian dollar). The decrease in non-current debt stems chiefly from the settlement of financial liabilities.

Potential measures to influence the capital structure can affect both equity (e.g. through capital increase, share repurchase, payment of dividends) and debt (e.g. through taking out / repaying loans). The equity ratio as at 31 December 2010 exceeds our target corridor of about 35 to 45 %.

(23) PROVISIONS

The development of provisions is shown separately on pages 170 et seq.

(24) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Provisions for pensions and similar obligations are composed of the following items:

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS TAB: 5.9.35

in € million	2010	2009
Provisions for pension commitments	114.7	136.0
Provisions for other post-employment benefits	70.1	58.3
Provisions for pensions and similar obligations	**184.8**	**194.3**

The previous year's figures were adjusted on account of the final purchase price allocation of MORTON SALT. More explanations can be found under 'Final purchase price allocation and adjustment of the previous year's figures' on pages 174 et seqq.

Provisions for pension commitments, amounting to € 78.0 million (previous year: € 87.7 million), relate to retirement pension plans in Germany. They mainly relate to direct commitments under pension plans that have been discontinued in the meantime. Most of the domestic obligations apply to pensioners. In Europe outside Germany, further provisions for pension commitments amounted to € 3.2 million (previous year: € 3.4 million) as of the balance sheet date.

There are also pension commitments and benefit commitments similar to pensions in the USA, in Canada and on the Bahamas. The amount of the pension commitments depends, among other things, on remuneration and length of employment. As at 31 December 2010, provisions amounting to € 33.5 million (previous year: € 44.9 million) were established for this purpose. Benefit commitments similar to pensions mainly encompass benefits for medical costs and life insurances. As at 31 December 2010, the provisions for these commitments amounted to € 70.1 million (previous year: € 58.3 million).

The amount of the provisions for pensions and similar obligations is calculated as the actuarial present value of pension claims earned (defined benefit obligation). A part of the domestic pension claims is financed through external plan assets under a contractual trust arrangement (CTA). Pension commitments in Canada and on the Bahamas are also partially outfinanced by plan assets. The following assumptions have been made in calculating provisions for pensions and similar obligations as at the balance sheet date:

ACTUARIAL ASSUMPTIONS MEASUREMENT PENSION COMMITMENTS TAB: 5.9.36

	2010		2009	
in %, weighted average	Germany	Outside Germany	Germany	Outside Germany
Pension commitments				
Discount factor	4.9	5.2	5.3	6.1
Anticipated annual increase in salaries and wages	1.8	3.6	1.8	4.0
Anticipated annual pension increase	1.5	1.2	1.5	1.0
Other benefit commitments similar to pensions				
Discount factor	–	5.3	–	6.0

To determine the pension expenses of the current financial year, the following actuarial assumptions were used – stipulated at the end of the previous financial year:

ACTUARIAL ASSUMPTIONS EXPENSES PENSION COMMITMENTS TAB: 5.9.37

	2010		2009	
in %, weighted average	Germany	Outside Germany	Germany	Outside Germany
Pension commitments				
Discount factor	5.3	6.1	5.3	6.1
Anticipated annual increase in salaries and wages	1.8	4.0	1.8	4.0
Anticipated annual pension increase	1.5	1.0	1.5	1.0
Anticipated yield on plan assets	6.0	8.0	6.0	8.0
Other benefit commitments similar to pensions				
Discount factor	–	6.0	–	6.0

In the case of commitments similar to pensions for health care benefits, the following annual cost increases – declining over time – were assumed:

+ Canada: 8.3 % / 5.0 % as from 2015 (previous year: 9.0 % / 5.0 % as from 2015)
+ USA: 6.0 % / 5.0 % as from 2012 (previous year: 7.0 % / 5.0 % as from 2012)
+ Bahamas: 4.5 % (previous year: 4.5 %)

The anticipated yield for plan assets is based on the anticipated long-term income from the securities held as plan assets at the beginning of the financial year and with any new additions taken into account. In this regard, the allocation of plan assets to individual asset categories, the interest rate and dividend expectations and the current economic framework conditions are taken into consideration. At the end of financial year 2010, plan assets comprised the following:

BREAKDOWN OF PLAN ASSETS BY ASSET CATEGORY TAB: 5.9.38

	2010			2009		
in € million	Total	Germany	Outside Germany	Total	Germany	Outside Germany
Bonds	100.6	60.6	40.0	86.8	53.3	33.5
Shares	127.8	34.1	93.7	114.7	37.3	77.4
Cash on hand and balances with banks and other	11.8	11.6	0.2	8.1	7.0	1.1
Plan assets as of 31 December	**240.2**	**106.3**	**133.9**	**209.6**	**97.6**	**112.0**

The item "Cash on hand and balances with banks and other" comprises, among other things, pledged reinsurances.

Actuarial gains and losses are only recorded in the income statement insofar as they exceed the 10 % corridor (maximum of 10 % of obligations and 10 % of plan assets). The excess amount is spread over the average remaining working lives of active employees and recognised in profit or loss.

The following tables show the development of the defined benefit obligation and the plan assets:

DEVELOPMENT DEFINED BENEFIT OBLIGATION TAB: 5.9.39

	2010			2009		
in € million	Total	Germany	Outside Germany	Total	Germany	Outside Germany
Defined benefit obligation as of 1 January	406.7	188.5	218.2	196.1	193.4	2.7
Changes in scope of consolidation	—	—	—	205.8	—	205.8
Service costs	9.5	2.4	7.1	4.2	1.6	2.6
Interest expenses	23.3	9.6	13.7	12.9	9.9	3.0
Plan compensation/adjustment	(16.0)	1.6	(17.6)	(0.3)	—	(0.3)
Pension payments	(23.1)	(15.0)	(8.1)	(16.9)	(15.5)	(1.4)
Actuarial gains (–)/losses (+)	24.6	8.3	16.3	(0.9)	(0.9)	—
Exchange rate fluctuation	27.7	—	27.7	5.8	—	5.8
Defined benefit obligation as of 31 December	**452.7**	**195.4**	**257.3**	**406.7**	**188.5**	**218.2**

The actuarial losses of the period under review amounting to € 24.6 million result mainly from the decrease in the discount rate.

DEVELOPMENT PLAN ASSETS TAB: 5.9.40

	2010			2009		
in € million	Total	Germany	Outside Germany	Total	Germany	Outside Germany
Plan assets as of 1 January	209.6	97.6	112.0	81.1	81.1	—
Changes in scope of consolidation	—	—	—	106.3	—	106.3
Anticipated income from plan assets	15.7	5.9	9.8	7.0	4.9	2.1
Differences between anticipated and actual income	(1.2)	(0.6)	(0.6)	15.7	15.4	0.3
Employer contributions	4.4	—	4.4	1.0	—	1.0
Recording of reinsurances	6.5	6.5	—	—	—	—
Pension payments	(9.8)	(3.1)	(6.7)	(4.9)	(3.8)	(1.1)
Exchange rate fluctuations	15.0	—	15.0	3.4	—	3.4
Plan assets as of 31 December	**240.2**	**106.3**	**133.9**	**209.6**	**97.6**	**112.0**

For reconciliation to the balance sheet carrying amounts, the defined benefit obligation has to be offset against the plan assets and to be adjusted for actuarial gains or losses not yet recorded.

RECONCILIATION BALANCE SHEET CARRYING AMOUNTS PENSIONS TAB: 5.9.41

in € million	2010 Total	2010 Germany	2010 Outside Germany	2009 Total	2009 Germany	2009 Outside Germany
Defined benefit obligation as of 31 December	452.7	195.4	257.3	406.7	188.5	218.2
– of which fully covered by plan assets	29.1	29.1	—	30.1	30.1	—
– of which partially covered by plan assets	288.5	105.2	183.3	245.8	104.4	141.4
Plan assets as of 31 December	240.2	106.3	133.9	209.6	97.6	112.0
Funded status	**212.5**	**89.1**	**123.4**	**197.1**	**90.9**	**106.2**
Unrecognised actuarial gains (+)/losses (–)	(34.0)	(17.4)	(16.6)	(8.2)	(8.5)	0.3
Carrying amounts as of 31 December	**178.5**	**71.7**	**106.8**	**188.9**	**82.4**	**106.5**
– of which pension provisions (+)	184.8	78.0	106.8	194.3	87.8	106.5
– of which assets (–)	(6.3)	(6.3)	—	(5.4)	(5.4)	—

Pension expenses for defined benefit pension obligations comprise the following:

PENSION EXPENSES FOR DEFINED BENEFIT OBLIGATIONS TAB: 5.9.42

in € million	2010 Total	2010 Germany	2010 Outside Germany	2009 Total	2009 Germany	2009 Outside Germany
Service costs	9.5	2.4	7.1	4.2	1.6	2.6
Interest expenses	23.3	9.6	13.7	12.9	9.9	3.0
Plan adjustments/compensation	(16.0)	1.6	(17.6)	(0.3)	—	(0.3)
Amortization of actuarial losses	—	—	—	1.7	1.7	—
Anticipated income from plan assets	(15.7)	(5.9)	(9.8)	(7.0)	(4.9)	(2.1)
Pension expenses	**1.1**	**7.7**	**(6.6)**	**11.5**	**8.3**	**3.2**

The service costs are reported in accordance with the allocation of employees in the income statement under the following items:

+ Cost of sales
+ Selling expenses
+ General and administrative expenses
+ Research and development costs
+ Other operating expenses

Interest expenses, anticipated income arising from plan assets as well as the amortisation of unrecognised actuarial gains and losses are recorded under interest income, net. Reversals of provisions from plan adjustments/plan settlements are disclosed under other operating income.

The development of pension obligations and plan assets over time is as follows:

DEVELOPMENT DEFINED BENEFIT OBLIGATION AND PLAN ASSETS TAB: 5.9.43

in € million	2010	2009	2008	2007	2006
Defined benefit obligation as of 31 December	452.7	406.7	196.2	208.5	202.6
Plan assets as of 31 December	240.2	209.6	81.1	80.4	82.3
Short (+)/surplus coverage (–)	**212.5**	**197.1**	**115.1**	**128.1**	**120.3**
Experience-based gains (+)/losses (–) from obligations	0.3	0.9	(6.7)	(3.7)	1.7
Other gains (+)/losses (–) from obligations	(24.9)	—	13.8	(4.1)	—
Experience-based gains (+)/losses (–) from plan assets	(1.2)	15.7	(27.7)	(3.2)	(0.5)

A change of the assumed cost trend of the pension-similar commitments for health care benefits would result in the following effects:

SENSITIVITY HEALTH CARE BENEFIT COMMITMENTS TAB: 5.9.44

in € million	Change by 1 % point Increase	Change by 1 % point Decrease
Effect on service costs and interest expenses	0.9	(0.7)
Effect on the defined benefit obligation	11.3	(8.9)

In financial year 2011, an outflow of funds of € 25.6 million from pension commitments and commitments similar to pensions can be expected. It encompasses allocations to plan assets and pension payments which are not covered by corresponding reimbursements from plan assets.

In addition, there are further retirement pension plans for which no pension provisions have to be recognised, as there are no further obligations apart from the payment of contributions (defined contribution plans). These comprise both solely employer-financed benefits and premiums for converting employees' remuneration into pensions.

Employers and employees make contributions under the supplementary pension plan that has been closed in the meantime and is operated through the BASF pension fund. The provision of such pensions is to be classified as a multi-employer plan within the meaning of IAS 19.29. The plan is essentially a defined benefit plan. As reliable information regarding plan assets and obligations are only available for the pension fund as a whole and not for those shares in it attributable to the K+S GROUP, no sufficient information is available for reporting the plan on the balance sheet. That is why the plan is treated as a defined contribution plan in accordance with IAS 19.30.

Overall, the pension expenses for the period under review are as follows:

PENSION EXPENSES TAB: 5.9.45

in € million	2010 Total	2010 Germany	2010 Outside Germany	2009 Total	2009 Germany	2009 Outside Germany
Expenses defined contribution plans	16.7	5.0	11.7	12.7	10.8	1.9
Service costs defined-benefit commitments	9.5	2.4	7.1	4.2	1.6	2.6
Pension expenses	**26.2**	**7.4**	**18.8**	**16.9**	**12.4**	**4.5**

In addition, contributions of € 88.8 million (previous year: € 84.2 million) were paid to state pension insurance funds.

(25) PROVISIONS FOR MINING OBLIGATIONS

PROVISIONS FOR MINING OBLIGATIONS TAB: 5.9.46

in € million	2010 Total	2010 Of which current	2009 Total	2009 Of which current
Mine and shaft backfilling	261.9	7.3	226.2	7.1
Maintenance of stockpiles	165.7	—	119.7	—
Mine damages	49.3	—	33.5	—
Restoration	48.8	—	38.7	—
Other	10.0	—	8.2	—
Provisions for mining obligations	**535.7**	**7.3**	**426.3**	**7.1**

Provisions for mining obligations are recognised as a result of statutory and contractual requirements as well as conditions imposed by public agencies and essentially cover obligations to backfill mines and shafts as well as the obligation to maintain stockpiles. In addition, provisions also exist for mining damage risks and restoration obligations.

Mining obligations are based on provisions of statute as the Federal Mining Law (Bundesberggesetz) and are given concrete form primarily in plant plans and permit decisions issued under water law. These obligations, which are mainly of a public law type, require surface securing and recultivation measures. Mining damage can result from underground extraction and the related lowering of the land at surface level or as a result of damage connected with the production process in the form of dust or the excessive release of saline substances. The provisions take account of identifiable obligations connected with use restoration as well as obligations arising from mining damages that have already been caused or have already arisen.

The amount of the provisions to be recognised is based on expected expenditures or estimated compensation. Provisions for mining obligations mainly have a long-term character, and, on the basis of future anticipated expenditure, are carried at the discounted amount required to settle the obligation as of the balance sheet date. In this connection, a future price increase of 1.5 % is assumed for the K+S GROUP. The interest rate as a discount factor for mining obligations in the EU states amounts to 4.7 % (previous year: 5.6 %). An interest rate of 5.1 % (USA; previous year: 5.8 %) and 5.3 % (Canada; previous year: 6.2 %) is used as a discount factor for mining obligations of the MORTON Group companies consolidated for the first time in 2009. An increase in mining provisions amounting to € 81.0 million resulted from the adjustment of the discount rate in the 2010 financial year. The anticipated timing of the settlement of such obligations largely depends on the remaining economic useful life of the sites. The obligations in part extend well beyond 2050.

The allocation to mining provisions for the year under review was € 121.0 million (previous year: € 37.8 million) and, apart from the interest-rate adjustment, mainly consisted in the annual accumulation of provisions, the recognition of additional provisions for mining risks and the revaluation of existing provisions.

Mining provisions in the amount of € 6.7 million (previous year: € 8.4 million) were used to discharge the obligation to maintain disused sites. Further amounts were spent on expenditure connected with mining damage risks.

Reversals of provisions amounting to € 7.3 million (previous year: € 9.6 million) mainly result from a reduction in anticipated individual obligations.

(26) NON-CURRENT OBLIGATIONS TO EMPLOYEES

NON-CURRENT OBLIGATIONS TO EMPLOYEES TAB: 5.9.47

in € million	2010	2009
Provisions for long-term incentives	29.2	—
Provisions for semi-retirement	26.5	37.1
Provisions for anniversary bonuses	24.0	23.0
Provisions for stock options	5.7	8.3
Other non-current obligations to employees	10.9	4.2
Total non-current obligations to employees	**96.3**	**72.6**

The accounting treatment of the provision for the indicator-based Long-term Incentive Programme is performed applying the defined benefit obligation method. Actuarial gains and losses are recorded in profit or loss. In determining them, a discount factor of 2.1 % is applied. For the gaps in inflow arising as a result of switching the variable remuneration components with a long-term incentive effect from a two-year to a four-year term in 2012 and 2013, the new LTI Programme was already started virtually in 2008 and 2009 with a tranche in each particular case.

/ **MORE INFORMATION ON THE LONG-TERM INCENTIVE PROGRAMME** can be found in the Remuneration Report on pages 31 et seqq.

The provisions for semi-retirement take into account obligations arising from semi-retirement agreements that have been concluded. Measurement encompasses both fulfilment shortfalls (difference between the value of fulltime employment and semi-retirement remuneration plus related employer contributions to social insurance) as well as step-up contributions to semi-retirement remuneration and contributions to statutory pension insurance. They are stated at present value applying a discount factor of 4.9 % (previous year: 5.3 %) with an anticipated annual increase in salaries and wages of 1.8 % (previous year: 1.8 %). The semi-retirement obligations of € 58.4 million (previous year: € 66.1 million) as of the balance sheet date were offset against plan assets of € 31.9 million (previous year: € 29.0 million). The plan assets take the form of a contractual trust arrangement (CTA) and serve to secure the benefits due to employees under semi-retirement agreements.

Provisions for anniversary bonuses are recognised for future payments in connection with 25-, 40- and 50-year length of service anniversaries. They are measured using the defined benefit obligation method. They are stated at present value applying a discount factor of 4.9 % (previous year: 5.3 %) with an anticipated annual increase in salaries and wages of 1.8 % (previous year: 1.8 %).

The provisions for the stock option programme relate to virtual stock options to be settled in cash. The options existing at the beginning of the reporting period were as follows:

COMPOSITION OF VIRTUAL STOCK OPTIONS AT THE BEGINNING OF THE REPORTING PERIOD TAB: 5.9.48

Number of options	Exercisable for the first time	Expiry	Fair value in € million	Provision in € million
12,840	May 2008	May 2011	–	–
54,580	May 2009	May 2012	0.3	0.3
1,475,600	May 2010	May 2013	7.6	6.3
2,458,800	May 2011	May 2014	5.0	1.7
4,001,820			**12.9**	**8.3**

In financial year 2010, eligible employees exercised 1,432,320 options, which became exercisable for the first time in May 2010 and 150,000 options have expired prematurely.

For the existing options, expenditure for allocation to provisions of € 3.9 million was recorded in financial year 2010. The payment in the financial year in the amount of € 13.6 million resulted in provision utilisation of € 6.3 million.

The stock option programme was replaced in financial year 2010 by an indicator-based long-term incentive system; thereby, the employees could not acquire any further options.

As of 31 December 2010, the composition of virtual stock options was as follows:

COMPOSITION OF VIRTUAL STOCK OPTIONS 31 DECEMBER 2010 TAB: 5.9.49

Number of options	Exercisable for the first time	Expiry	Fair value in € million	Provision in € million
7,200	May 2009	May 2012	–	–
4,800	May 2010	May 2013	0.1	0.1
2,407,500	May 2011	May 2014	6.7	5.6
2,419,500			**6.8**	**5.7**

The fair value of the exercisable options was € 0.1 million as at 31 December 2010. Intrinsic value was used as the fair value of the options exercisable for the first time in May 2009, as the performance attained by these options is already well above the maximum settlement ceiling of 25 %. The fair value of the options that became / become exercisable for the first time in May 2010 as well as in May 2011 was determined on the basis of a multi-period binominal model. It relies on the price of the K+S share and the level of the DAX on the valuation date as well as the historical volatility of the K+S share compared with the DAX. The historical volatility of overperformance was determined using price data for the last 250 trading days, as this period corresponds to the average option term expected on the balance sheet date. The volatility computed in this way amounted to 20.66 % for the option programme expiring in May 2013 (previous year: 38.21 %), and 20.86 % for the option programme expiring in May 2014 (previous year: 38.74 %). These calculations were performed using a base price for the K+S share of € 46.51 (expiry May 2013) and € 37.79 (expiry May 2014). A risk-free interest rate of 0.75 % was assumed. Anticipated fluctuation was not taken into account as it does not have any material impact on the value of the option. Anticipated dividends are also disregarded, as they are taken into account in the determination of the performance of the K+S share relevant for the advantage to be gained from exercising the option. The provisions are distributed proportionately over the two-year vesting period. For a general description of the stock option programme, see Note (10).

(27) OTHER ENVIRONMENTAL OBLIGATIONS

The following table summarises other environmental obligations connected with the acquisition of MORTON SALT:

ENVIRONMENTAL OBLIGATIONS MORTON SALT TAB: 5.9.50

in € million	2010	2009
Environmental obligations for chemical sites (non-current)	–	104.9
Environmental obligations for chemical sites (current)	–	13.2
Other environmental obligations for chemical sites (total)	**–**	**118.1**
– recognised reimbursement claims	–	117.3

The environmental obligations taken over in 2009 resulted from the earlier chemical activities of MORTON SALT, which had been transferred to the K+S GROUP together with the acquisition of that company. They included, for example, obligations to eliminate soil and ground water damage. Since only insufficient information was available from the seller ROHM & HAAS regarding the extent of the obligation, environmental experts were commissioned to prepare the appropriate reports. These reports formed the basis for a forecast of the future outflows of funds, which were transferred to the provision amount applied as at 31 December 2009 by means of a weighted average interest rate of 5.0 %. The expected outflows extended over a period of up to 30 years. Since the environmental experts also had only limited information, the estimate of the amount as well as when the outflow of funds falls due were bound up with corresponding uncertainty.

Only the salt activities of MORTON SALT were to be taken over in acquiring the company. Thus, even before the transaction was completed on 1 October 2009, certain segments not belonging to the salt business were transferred to a subsidiary of the seller. In accordance with the purchase agreement, K+S AKTIENGESELLSCHAFT also had the right to transfer, 13 months after the closing of the agreement at the earliest, i.e. as of 1 November 2010, all assets and liabilities of MORTON SALT allocable to the salt business (including the subsidiaries operating in the salt business) to another company of the K+S GROUP and subsequently to transfer MORTON SALT back to the seller. This right was exercised on 1 November 2010, so that the seller will again be directly liable for any remaining obligations at MORTON SALT which cannot be attributed to the salt business acquired.

With the exercise of the retransfer right, the environmental obligations as well as the corresponding reimbursement rights carried until then were derecognised.

(28) CURRENT PROVISIONS

The obligations under sales transactions relate in particular to rebates and price concessions; the provisions for outstanding invoices result from purchase contracts. Current obligations to employees mainly include provisions for the performance-related remuneration of employees as well as provisions for outstanding vacation leave and non-work shifts.

(29) FINANCIAL LIABILITIES

The following table shows the liquidity analysis of the financial liabilities in the form of contractually agreed undiscounted cash flows.

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES 2010 TAB: 5.9.51

in € million	2010 Carrying amount	Cash flows 2010 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	786.6	843.7	29.7	790.4	23.6
– of which bonds	764.1	819.5	11.0	785.8	22.7
– of which liabilities towards banks	22.5	24.0	18.6	4.6	0.8
Accounts payable – trade	511.2	511.2	510.8	0.4	—
Liabilities to affiliated companies	12.6	12.6	12.6	—	—
Other liabilities	51.7	51.7	33.9	16.6	1.2
Non-derivative financial liabilities	**1,362.1**	**1,419.2**	**587.0**	**807.4**	**24.8**

LIQUIDITY ANALYSIS OF NON-DERIVATIVE FINANCIAL LIABILITIES 2009 TAB: 5.9.52

in € million	2009 Carrying amount	Cash flows 2009 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	1,266.9	1,607.3	172.3	1,276.3	158.7
– of which bonds	857.7	1,158.4	38.9	962.5	157.0
– of which liabilities towards banks	409.2	449.0	133.4	313.9	1.7
Accounts payable – trade	346.9	346.9	346.6	0.3	—
Liabilities to affiliated companies	8.7	8.7	8.7	—	—
Other liabilities	60.3	60.3	46.7	13.0	0.6
Non-derivative financial liabilities	**1,682.8**	**2,023.2**	**574.3**	**1,289.6**	**159.3**

The financial liabilities as at the balance sheet date mainly relate to K+S AKTIENGESELLSCHAFT and result from the bond issued in September 2009 with a volume of € 750.0 million, which carries a fixed interest rate of 5.0% and has a maturity of five years.

/ **MORE INFORMATION ON THE BOND** can be found in the section 'K+S on the capital market' of the Management Report.

In addition, the USD bond taken over in the previous year as part of the acquisition of MORTON SALT with an outstanding amount of US$ 145.2 million was partially repurchased by ROHM & HAAS. This leaves a remainder of US$ 22.6 million maturing in 2020. Interest and repayment contributions resulting from this will be paid by ROHM & HAAS and are contractually covered by a bank guarantee. The reimbursement claims for interest and repayment amounts resulting from this contractual construction are shown under the item "Receivables and other assets" in the non-current and current areas.

The period of time over which fixed rates of interest apply is, with the exception of the bond issued, essentially short term and extends to a maximum of twelve months. To this extent, interest-related cash flow risks resulting from possible interest rate adjustments exist. The effective rates of interest are based on the interest rates for the currencies concerned (euro, US dollar, Canadian dollar, Brazilian real, Chilean peso) plus the customary market margins.

Liquidity is managed by means of a Group-wide cash pool system by the central treasury unit. The liquidity requirement is basically determined by liquidity planning and is covered by cash and cash equivalents and committed credit lines. Apart from an € 800 million syndicated credit line running until July 2015, there are also bilateral framework credit agreements which have not been taken up.

/ **FURTHER INFORMATION ON LIQUIDITY RISKS** can be found in the Risk Report on pages 143 et seq.

The following table shows the Group's liquidity analysis for derivative financial instruments. The table is based on undiscounted net cash flows for derivative financial instruments which are offset net, and undiscounted gross cash flows for derivative financial instruments, which are offset gross.

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS 2010 TAB: 5.9.53

in € million	2010 Carrying amount	2010 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Net fulfilment					
Freight derivatives	5.2	5.3	1.9	3.4	—
Gross fulfilment					
Foreign currency derivatives[1]	(2.4)	(2.4)	(2.4)	—	—
Payment obligation		284.9	284.9	—	—
Payment claim		(287.3)	(287.3)	—	—

[1] On the reporting date, the simple currency options sold have no intrinsic value and cause no cash flow on this basis.

LIQUIDITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENTS 2009 TAB: 5.9.54

in € million	2009 Carrying amount	2009 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Net fulfilment					
Freight derivatives	5.7	6.0	1.3	4.7	—
Gross fulfilment					
Foreign currency derivatives[1]	0.6	0.5	0.5	—	—
Payment obligation		117.9	117.9	—	—
Payment claim		(117.4)	(117.4)	—	—

[1] On the reporting date, the simple currency options sold have no intrinsic value and cause no cash flow on this basis.

(30) FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of Group financial instruments:

FURTHER INFORMATION ON FINANCIAL INSTRUMENTS TAB: 5.9.55

in € million	Measurement category under IAS 39	2010 Carrying amount	2010 Fair value	2009 Carrying amount	2009 Fair value
Investments in associated companies and equity interests	Available for sale	22.3	22.3	20.1	20.1
Loans	Loans and receivables	1.8	1.8	2.3	2.3
Financial assets		**24.1**	**24.1**	**22.4**	**22.4**
Accounts receivable – trade	**Loans and receivables**	**949.8**	**949.8**	**849.6**	**849.6**
Remaining receivables and non-derivative financial assets	Loans and receivables	148.6	148.6	363.1	363.1
Derivatives	Held for trade	41.8	41.8	19.6	19.6
Other assets[1]	–	27.0	27.0	24.0	24.0
Other receivables and assets		**217.3**	**217.3**	**406.7**	**416.5**
Cash on hand and balances with banks	**Loans and receivables**	**748.4**	**748.4**	**529.1**	**529.1**
Financial liabilities	**Financial liabilities at amortised cost**	**786.6**	**844.9**	**1,266.9**	**1,318.1**
Accounts payable – trade	**Financial liabilities at amortised cost**	**511.2**	**511.2**	**346.9**	**346.9**
Other non-derivative financial liabilities	Financial liabilities at amortised cost	49.5	49.5	60.2	60.2
Derivatives	Held for trade	17.1	17.1	7.8	7.8
Liabilities from finance leases	–	7.0	7.0	8.9	8.9
Other liabilities	–	35.9	35.9	19.2	19.2
Remaining and other liabilities		**109.5**	**109.5**	**96.0**	**96.0**

[1] This item mainly comprises other clearing accounts.

The carrying amounts of the financial instruments, aggregated according to the measurement categories of IAS 39, are as follows:

CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS AGGREGATED ACCORDING TO MEASUREMENT CATEGORIES TAB: 5.9.56

in € million	2010	2009
Financial assets available for sale	22.3	20.1
Loans and receivables	1,848.6	1,744.1
Financial assets held for trade	41.7	19.6
Financial liabilities at amortised cost	1,347.4	1,674.0
Financial liabilities held for trade	17.1	7.8

The fair values of the financial instruments were mainly determined on the basis of the market information available at the balance sheet date and are allocated to a level of the fair value hierarchy.

Level 1 financial instruments are calculated on the basis of quoted prices on active markets for identical assets and liabilities. In Level 2, financial instruments are calculated on the basis of input factors which are derivable from observable market data or on the basis of market prices for similar instruments. Level 3 financial instruments are calculated on the basis of input factors which are not derivable from observable market data. As at 31 December 2010, financial assets held for trading amounting to € 41.7 million (previous year: € 19.6 million) and financial liabilities held for trading amounting to € 17.1 million (previous year: € 7.8 million) are to be allocated to Level 2 of the fair value hierarchy. There are no financial instruments at Level 1 and Level 3 of the fair value hierarchy.

In the case of equity instruments measured at acquisition cost, it is not possible to determine fair values reliably because of the absence of active markets. This applies to shares in (non-consolidated) subsidiaries, joint ventures, associated companies and equity interests. It is assumed that the carrying amounts correspond to the fair values as of the balance sheet date.

In the case of trade receivables, other receivables and non-derivative assets as well as liquid assets, the carrying amounts correspond to the fair values for these instruments because the maturities are largely short term.

In the case of financial liabilities, trade payables as well as other non-derivative and other liabilities, it is assumed that the carrying amounts correspond to the fair values for these instruments because the maturities are largely short term. For non-current financial liabilities, the fair value has been determined as the present value of the future cash flows or from market prices. Market interest rates, based on the corresponding maturity, are used for discounting purposes.

For borrowings and financial lease liabilities, it is assumed that the carrying amounts correspond to fair values because of insignificant deviations in market and computational interest rates.

The net results from financial instruments are shown in the following table:

NET RESULT FROM FINANCIAL INSTRUMENTS TAB: 5.9.57

in € million	2010	2009
Financial assets available for sale	5.0	1.3
Loans and receivables	31.1	1.7
Financial assets and liabilities held for trade	(16.5)	4.9
Financial liabilities at amortised cost	(1.5)	3.8

The net result from financial assets available for sale mainly comprises gains or losses on investments.

The net result from loans and receivables mainly includes the effects of currency translation and changes in allowances.

The net result from financial assets and liabilities held for trading mainly comprises changes in the market value of derivative financial instruments. It also includes interest income and interest expenses for these financial instruments.

The net result from liabilities measured at amortised cost mainly comprises the effects of foreign currency translation.

Total interest income and expenses for financial assets and liabilities that are not measured at fair value and recognised in profit or loss were as follows:

NET INTEREST INCOME FROM FINANCIAL INSTRUMENTS TAB: 5.9.58

in € million	2010	2009
Interest income	7.2	4.1
Interest expenses	(76.9)	(44.1)

The following is a sensitivity analysis for the interest income and expenses from financial instruments included in net interest income. With an assumed change in the interest rate level of 1 percentage point, net interest income would have decreased by € 3.2 million or improved by € 5.7 million (previous year: ± € 4.1 million).

In addition to receivables and liabilities in the Group currency, the euro, there are also items in foreign currencies. Had the euro appreciated or depreciated against the foreign currencies (mainly the US dollar) by 10 %, the change in the fair value recognised in profit or loss after the offsetting of foreign currency receivables and liabilities would have amounted to ± € 19.8 million (previous year: ± € 19.4 million).

(31) CONTINGENT LIABILITIES

In the K+S GROUP, general business is bound up with various risks for which provisions have been recognised, provided that the conditions are fulfilled. Furthermore, there are no further risks which would lead to the disclosure of contingent liabilities.

(32) OTHER FINANCIAL OBLIGATIONS

OTHER FINANCIAL OBLIGATIONS TAB: 5.9.59

in € million	2010	2009
Commitments from uncompleted capital expenditure projects	59.8	45.2
Obligations from operating leases		
– due in following year	20.6	24.0
– due in 2 to 5 years	43.9	46.5
– due after 5 years	17.5	15.0
Other financial obligations	**141.8**	**130.7**

Operating lease contracts exist which relate, for example, to factory and office equipment and cars. Given the relevant contractual arrangements, these assets are not to be carried under fixed assets. Expenditure arising from operating leasing in 2010 came to € 45.0 million (previous year: € 22.6 million). Liabilities and other financial obligations from financial leases existing as at 31 December 2010 are considered immaterial from a Group perspective.

NOTES TO THE SEGMENT REPORTING

The segment reporting is presented on pages 172 et seq.

(33) DEFINITION OF SEGMENTS

Segments are defined according to products. This corresponds to the internal organisation and reporting structure of the K+S GROUP.

The Potash and Magnesium Products business segment combines the production and marketing of potash fertilizers and fertilizer specialities as well as potash and magnesium compounds for technical, industrial and pharmaceutical applications.

With K+S NITROGEN, the Nitrogen Fertilizers business segment is focused on marketing and trading in nitrogenous fertilizers for bulk customers in agriculture and special crops. COMPO's EXPERT sector comprises fertigation, ornamental plants and public green areas. In the Consumer business, COMPO has an extensive offer of high-quality potting soils, speciality fertilizers and plant protection products.

The Salt segment encompasses the production and marketing of food grade salt, industrial salt and salt for chemical use, de-icing salt and sodium chloride brine.

Complementary Business Segments bundle together not only recycling activities and waste disposal and reutilisation in potash and rock salt mines as well as CATSAN® granulation, but also other activities important for the K+S GROUP. With KALI-TRANSPORT GESELLSCHAFT MBH (KTG) and its subsidiaries, the K+S GROUP possesses its own logistics service provider. CHEMISCHE FABRIK KALK GMBH (CFK) trades in different basic chemicals.

The accounting procedures applied in determining segment information are essentially in compliance with the accounting principles of the K+S GROUP.

(34) PRINCIPLES OF ALLOCATION OF SEGMENT ASSETS AND LIABILITIES

Assets, provisions and liabilities are allocated to the segments in accordance with their utilisation or origin. If they are utilised by or originate in more than one segment, they are allocated on the basis of appropriate keys.

Financial assets (except for participating interests) and non-current financial liabilities are not allocated to the segments.

(35) PRINCIPLES OF ALLOCATION OF SEGMENT EARNINGS

The data for the determination of segment earnings is produced by internal accounting on the basis of income statements in accordance with the nature of costs method (internal reporting structure of the K+S GROUP). The income statements of the companies included are allocated to the segments under profit centre accounting.

In its function as the final decision-making instance, the Board of Executive Directors of the K+S GROUP has determined EBIT I (operating earnings) to be the most important internal earnings figure and as an indicator of earnings capacity. In addition to disregarding net interest income and the tax expense, other income and expenses affecting the financial result are also excluded. Also, EBIT I only relates to realised income from operating forecast hedges (see 'Notes to the income statement and the statement of comprehensive income' on pages 184 et seqq.).

The earnings of the business segments are presented on a consolidated basis. Intra-segment deliveries and services are consolidated.

(36) PRINCIPLES FOR TRANSFER PRICES BETWEEN SEGMENTS

Transfer prices are defined for deliveries and services between segments, which would have to be paid in the respective specific situation and under the same circumstances by a non-related third party. The nature and amount of the billing is determined in accordance with the value and extent of the delivery or service, taking into account the underlying legal relationship. The methods of determining the transfer prices are documented on a timely basis and retained without interruption. The price comparison method, the resale price method, the cost plus method or a combination of these methods can be applied in determining the transfer prices for deliveries. Thereby, the method is chosen that is closest to that under which arm's length prices are determined in comparable markets.

(37) ADDITIONAL SEGMENT INFORMATION

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

Provisions amounting to € 22.1 million (previous year: € 14.4 million) in the Potash and Magnesium Products business segment were released for obligations from 2009 not claimed. In the reporting period, discounts for financial year 2009 attracted expenses unrelated to the period totalling € 2.2 million (previous year: € 18.7 million). The Potash and Magnesium Products business segment posted an extraordinary write-down of € 6.4 million, which was disclosed in other operating expenses. In the previous year, an extraordinary write-down of € 1.1 million had been made on an investment.

NITROGEN FERTILIZERS BUSINESS SEGMENT

In the reporting period, impairments for inventories amounting to € 8.5 million (previous year: € 23.1 million) were recognised in the Nitrogen Fertilizers business segment. Provisions amounting to € 23.8 million (previous year: € 29.8 million) were released for obligations from 2009 not claimed. Credit items from suppliers for financial year 2009 resulted in income unrelated to the period totalling € 11.6 million (previous year: subsequent charges from suppliers led to expenses unrelated to the period totalling € 15.0 million). Impairment tests conducted at the end of financial year 2010 required recognition of a write-down totalling € 0.2 million which was recorded under other operating expenses (previous year: € 2.2 million, of which € 0.8 million was disclosed in other operating expenses and € 1.4 million in net income from investments) for the Nitrogen Fertilizers business segment.

SALT BUSINESS SEGMENT

In the Salt business segment, in the period under review, provisions amounting to € 21.8 million (previous year: € 3.5 million) were released for obligations not claimed. In the year under review, extraordinary write-downs totalling € 6.3 million (previous year: € 0 million) were necessary, which were disclosed in other operating expenses.

(38) NOTES TO THE RECONCILIATION ITEMS

The reconciliation between the segment figures to the corresponding items in the consolidated financial statements of the K+S GROUP comprise items allocated to central functions as well as consolidation effects. The main items are:

RECONCILIATION SEGMENT FIGURES TAB: 5.9.60

in € million	2010	2009
Reconciliation of segment results		
Consolidation-related effects	(0.2)	(0.6)
Result for the central functions	(63.8)	(40.6)
	(64.0)	**(41.2)**
Reconciliation of segment assets		
Fixed assets	51.3	51.4
Deferred tax assets	57.8	32.7
Market values of derivatives	0.1	(5.4)
Tax refund claims from income taxes	25.0	30.3
Other receivables	69.2	281.8
Cash and cash equivalents	671.2	425.7
Consolidation-related effects	(938.6)	(420.7)
	(64.0)	**395.8**
Reconciliation of segment liabilities		
Provisions for pensions and suchlike	21.1	33.4
Other provisions	55.8	169.4
Deferred tax liabilities	261.6	237.1
Market values of derivatives	2.7	6.5
Financial liabilities	786.6	1,259.9
Other liabilities	20.0	25.9
Income tax liabilities	82.4	41.9
Consolidation-related effects	(76.7)	(130.0)
	1,153.5	**1,644.1**

(39) REVENUES BY REGION

The breakdown of revenues by geographical region is as follows:

REVENUES BY REGION TAB: 5.9.61

in € million	2010	2009
Germany	897.7	642.4
Rest of Europe	1,725.6	1,253.8
Overseas	2,370.5	1,677.6
– of which Brazil	408.5	371.9
– of which USA	932.7	486.7
Total revenues	**4,993.8**	**3,573.8**

The allocation is according to customers' registered seats. In financial years 2009 and 2010, no single customer accounted for more than 10 % of the total revenues.

(40) ASSETS BY REGION

The breakdown of the assets of the K+S GROUP, adjusted for income tax receivables and deferred tax assets, by geographical region is as follows:

ASSETS BY REGION TAB: 5.9.62

in € million	2010	2009
Germany	2,488.2	2,243.1
Rest of Europe	440.7	329.9
Overseas	2,562.0	2,581.1
Total assets	**5,490.9**	**5,154.1**

The allocation is given according to the location of the assets concerned.

(41) CAPITAL EXPENDITURE BY REGION

The breakdown of capital expenditure on intangible assets and property, plant and equipment by geographical region is as follows:

CAPITAL EXPENDITURE BY REGION TAB: 5.9.63

in € million	2010	2009
Germany	130.6	137.8
Rest of Europe	5.5	5.4
Overseas	64.9	34.4
Total capital expenditure	**201.0**	**177.6**

The allocation is according to the location of the assets concerned.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement is presented on page 163.

(42) DISBURSEMENTS FOR THE ACQUISITION OF CONSOLIDATED COMPANIES

The item 'disbursements for the acquisition of consolidated companies' relates to the expenditure on shares in companies acquired during the previous year:

DISBURSEMENTS FOR THE ACQUISITION OF CONSOLIDATED COMPANIES TAB: 5.9.64

in € million	2010	2009
Total acquisition price	–	1,084.0
Acquired cash	–	(9.0)
Exchange rate hedging costs	–	87.9
Ancillary acquisition costs	–	14.0
Disbursements for the acquisition of consolidated companies	–	**1,176.9**

(43) NET CASH AND CASH EQUIVALENTS

NET CASH AND CASH EQUIVALENTS TAB: 5.9.65

in € million	2010	2009
Cash on hand and balances with banks	748.4	529.1
Cash received from associated companies	(7.8)	(5.6)
Bank overdrafts	–	(3.4)
Net cash and cash equivalents	**740.6**	**520.1**

OTHER INFORMATION

AUDITOR'S FEES

AUDITOR'S FEES TAB: 5.9.66

in € million	2010	2009
Audit fees	1.0	0.9
Other confirmation fees	–	0.7
Other performances	0.1	0.1
Auditor's fees	**1.1**	**1.7**

Auditing performances encompass the auditing of the consolidated financial statements and the annual financial statements of the included domestic companies. Consultancy costs for individual projects are included in Other performances.

GOVERNMENT ASSISTANCE

GOVERNMENT ASSISTANCE TAB: 5.9.67

in € million	2010	2009
Investment grants	0.6	2.4
Investment premiums	1.8	4.6
Performance-related assistance	4.7	11.9
Government assistance	**7.1**	**18.9**

The investment grants recorded relate to sums extended under the German Investment Grant Law for Investments in the Development Area of the Federal Republic of Germany (Investitionszulagengesetz für Investitionen im Fördergebiet der Bundesrepublik Deutschland). Investment premiums were granted as part of the support for the regional economic structure and for particular infrastructure projects within the Federal Republic of Germany. Investment grants and premiums are deducted from the carrying amounts of the assets to which they relate.

Performance-related assistance concerns support that is provided by the Federal Labour Office (Bundesagentur für Arbeit) in accordance with the German Law on Semi-retirement (Altersteilzeitgesetz) as well as reimbursements of the employer's share of social security contributions in connection with the short-time allowance.

RELATED COMPANIES AND PERSONS

In addition to the subsidiaries included in the consolidated financial statements, the K+S GROUP has relationships to further related party companies; these include non-consolidated subsidiaries, joint ventures as well as companies on which the K+S GROUP can exercise decisive influence (associated companies). A complete overview of all related party companies can be taken from the list of all equity holdings (list of shareholdings) on pages 214 et seqq.

The following table shows the transactions of the K+S GROUP with non-consolidated subsidiaries that occurred in the period under review. The business was transacted on customary market terms.

TRANSACTION WITH NON-CONSOLIDATED SUBSIDIARIES TAB: 5.9.68

in € million	2010	2009
Trade revenues	67.1	45.7
Deliveries and services received	25.8	19.9
Income from dividend payments and profit distributions	4.0	3.3
Other income	1.1	0.6
Other expenses	1.5	1.4

The trade revenues mainly result from the sale of goods by consolidated companies to foreign distribution companies. Deliveries and services received mainly concern deliveries of explosives from a German subsidiary as well as commissions, which were billed by foreign distribution companies.

On 31 December 2010, the following outstanding balances with non-consolidated subsidiaries were disclosed:

BALANCES WITH NON-CONSOLIDATED SUBSIDIARIES TAB: 5.9.69

in € million	2010	2009
Receivables from associated companies	17.0	8.7
Liabilities to affiliated companies	12.6	8.7
– of which from bank transactions	7.8	5.6

On the balance sheet date, there were no write-downs on receivables from associated companies (previous year: € 0 million). Failure insurances for receivables from subsidiaries do not exist. The receivables and liabilities from bank transactions result from the centralised taking-out and investment of cash at K+S AKTIENGESELLSCHAFT (cash pooling). Loans to related party companies totalling € 0.3 million exist (previous year: € 0.3 million), of which € 0.1 million are write-downs (previous year: € 0.1 million).

Transactions of the K+S GROUP with joint ventures and associated companies are immaterial from a Group perspective.

Related party persons are defined as persons, who are responsible for the planning, management and monitoring of a company. They include the Board of Executive Directors and the Supervisory Board. The remuneration of related party persons is presented in the following section as well as in the Remuneration Report. Further material transactions with related party persons did not occur.

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

TOTAL REMUNERATION OF THE SUPERVISORY BOARD AND THE BOARD OF EXECUTIVE DIRECTORS TAB: 5.9.70

in € million	2010	2009
Total remuneration of the Supervisory Board	**1.4**	**1.1**
– of which fixed	1.1	1.1
– of which performance-related	0.3	–
Total remuneration of the Board of Executive Directors	**5.8**	**7.0**
– of which fixed	2.2	2.1
– of which performance-related	3.6	1.7
– of which option rights granted	–	3.2
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	**1.0**	**2.3**
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	**11.9**	**12.5**

In the year under review, the total remuneration of the Board of Executive Directors concerned five board members, all of whom were in office for twelve months. In the previous year, four board members had been in office for twelve months and one board member for seven months.

The remuneration system for the Board of Executive Directors consists of the following elements:

+ regular monthly payments (fixed salary) to which in-kind benefits are added;
+ performance-related non-recurrent remuneration, with bonuses based on the return on total investment and on an individual performance-related component and paid in the following financial year (previous year's figures adjusted in accordance with actual bonus payment);
+ granting of stock options (previous year's figures adjusted since they related to the payments from the exercise of options).

The emoluments received by the individual members of the Board of Executive Directors for financial year 2010 are set forth in the Remuneration Report included in the corporate governance report on page 33; the Remuneration Report also constitutes an integral part of the management report.

SHAREHOLDINGS IN K+S AKTIENGESELLSCHAFT

There were no significant changes in the shareholder structure in 2010. According to notifications in accordance with Sec. 21 of the German Securities Trading Act (WpHG), the MERITUS TRUST COMPANY LIMITED, Bermuda, owns just under 15 % of the shares via EUROCHEM GROUP SE and its attributable subsidiaries. MERITUS manages the industrial shareholdings of Andrey Melnichenko on a fiduciary basis. BASF SE, Ludwigshafen, continues to hold a little over 10 % of our shares. After BLACKROCK INC., New York, USA, had informed us on 2 September 2010 that it had fallen below the threshold of 3 %, on 13 September, the company announced that this threshold had again been exceeded and that its shareholding was 3.63 %. On 26 November 2010, we were informed by AXA S.A., Paris, France, that it held 3.06 % of K+S shares.

DECLARATION ON CONFORMITY CONCERNING THE GERMAN CORPORATE GOVERNANCE CODE

The declaration on conformity pursuant to Sec. 161 of the German Stock Corporation Act concerning the recommendations made by the "Government Commission on the German Corporate Governance Code" has been made by the Board of Executive Directors and the Supervisory Board of K+S AKTIENGESELLSCHAFT for 2009/2010 and is available to shareholders in the 2009 financial report and can also be accessed on the K+S GROUP homepage (www.k-plus-s.com). The conformity declaration in respect of 2010/2011 is also published on the K+S homepage and on page 21 of this 2010 financial report.

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB)

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB)

TAB: 5.9.71

in %; as of 31 December 2010	Company's registered office		Interests in capital	Share of voting rights
Fully consolidated German subsidiaries (21 companies)				
K+S Aktiengesellschaft	Kassel	Germany	–	–
Chemische Fabrik Kalk GmbH	Cologne	Germany	100.00	100.00
COMPO Gesellschaft mbH & Co. KG [1]	Münster	Germany	100.00	100.00
Deutscher Straßen-Dienst GmbH	Hanover	Germany	100.00	100.00
esco – european salt company GmbH & Co. KG [1]	Hanover	Germany	100.00	100.00
esco international GmbH	Hanover	Germany	100.00	100.00
fertiva GmbH [2]	Mannheim	Germany	100.00	100.00
German Bulk Chartering GmbH [2]	Hamburg	Germany	100.00	100.00
K+S Baustoffrecycling GmbH [2]	Sehnde	Germany	100.00	100.00
K+S Beteiligungs GmbH [2]	Kassel	Germany	100.00	100.00
K+S Entsorgung GmbH [2]	Kassel	Germany	100.00	100.00
K+S IT-Services GmbH [2]	Kassel	Germany	100.00	100.00
K+S KALI GmbH [2]	Kassel	Germany	100.00	100.00
K+S Nitrogen GmbH [2]	Mannheim	Germany	100.00	100.00
K+S Salz GmbH [2]	Hanover	Germany	100.00	100.00
Kali-Transport Gesellschaft mbH [2]	Hamburg	Germany	100.00	100.00
Kali-Union Verwaltungsgesellschaft mbH [2]	Kassel	Germany	100.00	100.00
park GmbH	Reckling-hausen	Germany	100.00	100.00
Torf- und Humuswerk Gnarrenburg GmbH	Gnarrenburg	Germany	100.00	100.00
Torf- und Humuswerk Uchte GmbH	Uchte	Germany	100.00	100.00
UBT See- und Hafen-Spedition GmbH Rostock [2]	Rostock	Germany	100.00	100.00
Fully consolidated foreign subsidiaries (60 companies)				
Canadian Brine Ltd.	Pointe Claire, Québec	Canada	100.00	100.00
Canadian Salt Finance Company	Halifax, Nova Scotia	Canada	100.00	100.00
Canadian Salt Holding Company	Halifax, Nova Scotia	Canada	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED)

TAB: 5.9.71

in %; as of 31 December 2010	Company's registered office		Interests in capital	Share of voting rights
Compania Minera Punta de Lobos Ltda.	Santiago de Chile	Chile	99.64	100.00
COMPO Austria GmbH	Vienna	Austria	100.00	100.00
COMPO Benelux N.V.	Deinze	Belgium	100.00	100.00
COMPO do Brasil S.A.	Guaratinguetá	Brazil	100.00	100.00
COMPO Horticulture et Jardin S.A.S.	Roche-lez-Beaupré	France	100.00	100.00
COMPO Jardin AG	Allschwil	Switzerland	100.00	100.00
Empresa de Servicios Ltda.	Santiago de Chile	Chile	99.64	100.00
Empresa Maritima S.A.	Santiago de Chile	Chile	48.67	99.59
esco benelux N.V.	Diegem	Belgium	100.00	100.00
esco france S.A.S.	Levallois-Perret	France	100.00	100.00
esco Holding France S.A.S.	Dombasle sur Meurthe	France	100.00	100.00
esco Spain S.L.	Barcelona	Spain	100.00	100.00
Fertilizantes COMPO AGRO Chile Ltda.	Santiago de Chile	Chile	100.00	100.00
Frisia Zout B.V.	Harlingen	Netherlands	100.00	100.00
GLC Trucking Co. Inc.	Chicago	USA	100.00	100.00
Glendale Salt Development LLC	Chicago	USA	100.00	100.00
Inagua General Store Ltd.	Chicago	USA	100.00	100.00
Inagua Transports Inc.	Chicago	USA	100.00	100.00
Inversiones Columbus Ltda.	Santiago de Chile	Chile	2.00	100.00
Inversiones Empremar Ltda.	Santiago de Chile	Chile	48.87	100.00
Inversiones K+S Sal de Chile Ltda.	Santiago de Chile	Chile	100.00	100.00
Inversiones y Prospecciones Mineras Tarapacá Ltda.	Santiago de Chile	Chile	100.00	100.00
International Salt Company LLC	Clarks Summit	USA	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED) TAB: 5.9.71

in %; as of 31 December 2010	Company's registered office		Interests in capital	Share of voting rights
K plus S Española S.L.	Barcelona	Spain	100.00	100.00
K+S Agricoltura S.p.A.	Cesano Maderno	Italy	100.00	100.00
K+S Agro México S.A. de C.V.	Mexico-City	Mexico	100.00	100.00
K+S Argentina S.R.L.	Buenos Aires	Argentina	100.00	100.00
K+S Canada Holdings Inc.	Vancouver	Canada	100.00	100.00
K+S Finance Belgium BVBA	Diegem	Belgium	100.00	100.00
K+S Finance Ltd.	St. Julians	Malta	100.00	100.00
K+S France S.A.S.	Roche-lez-Beaupré	France	100.00	100.00
K+S Hellas S.A.	Marousi	Greece	100.00	100.00
K+S Investments Ltd.	St. Julians	Malta	100.00	100.00
K+S KALI Atlantique S.A.S.	Pré en Pail	France	100.00	100.00
K+S KALI du Roure S.A.S.	Le Teil	France	100.00	100.00
K+S KALI France S.A.S.	Reims	France	100.00	100.00
K+S KALI Rodez S.A.S.	Onet le Château	France	97.45	97.45
K+S KALI Wittenheim S.A.S.	Wittenheim	France	100.00	100.00
K+S Mining Argentina S.A.	Buenos Aires	Argentina	100.00	100.00
K+S Montana Holdings LLC	Chicago	USA	100.00	100.00
K+S North America Corporation	New York	USA	100.00	100.00
K+S North America Salt Holdings LLC	Chicago	USA	100.00	100.00
K+S Salt of the Americas Holding B.V.	Harlingen	Netherlands	100.00	100.00
Montana US Parent Inc.	Chicago	USA	100.00	100.00
Morton Bahamas Ltd.	Chicago	USA	100.00	100.00
Morton Salt Inc.	Chicago	USA	100.00	100.00
Navigation Sonamar Inc.	Pointe Claire, Québec	Canada	100.00	100.00
Salines Cérébos et de Bayonne S.A.S.	Levallois-Perret	France	100.00	100.00
Salina Diamante Branco Ltda.	Rio de Janeiro	Brazil	100.00	100.00
Servicios Maritimos Patillos S.A.[3]	Santiago de Chile	Chile	49.82	50.00
Servicios Portuarios Patillos S.A.	Santiago de Chile	Chile	99.53	99.89
Sociedad Punta de Lobos S.A.	Santiago de Chile	Chile	99.64	99.64
SPL USA LLC	Clarks Summit	USA	100.00	100.00
The Canadian Salt Company Limited	Pointe Claire, Québec	Canada	100.00	100.00
Transporte por Containers S.A.	Santiago de Chile	Chile	48.04	98.71
VATEL Companhia de Produtos Alimentares S.A.	Alverca	Portugal	100.00	100.00
Weeks Island Landowner LLC	Chicago	USA	100.00	100.00
Non-consolidated German subsidiaries (16 companies)[4]				
1. K+S Verwaltungs GmbH	Kassel	Germany	100.00	100.00
1. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
3. K+S Verwaltungs GmbH & Co. Erwerbs KG	Kassel	Germany	100.00	100.00
Algoflash GmbH Düngemittel	Kassel	Germany	100.00	100.00
Beienrode Bergwerks-GmbH	Kassel	Germany	89.80	89.80
COMPO Verwaltungsgesellschaft mbH	Münster	Germany	100.00	100.00
esco Verwaltungs GmbH	Hanover	Germany	100.00	100.00
Ickenroth GmbH	Staudt	Germany	100.00	100.00
K+S AN-Instituts Verwaltungsgesellschaft mbH	Kassel	Germany	100.00	100.00
K+S Consulting GmbH	Kassel	Germany	100.00	100.00
K+S Versicherungsvermittlungs GmbH	Kassel	Germany	100.00	100.00
MS "Butes" Schiffahrts GmbH & Co. KG	Haren	Germany	82.35	82.35
MS "Echion" Schiffahrts GmbH & Co. KG	Haren	Germany	82.35	82.35
MSW-Chemie GmbH	Langelsheim	Germany	68.50	68.50
Verlagsgesellschaft für Ackerbau mbH	Kassel	Germany	100.00	100.00
Wohnbau Salzdetfurth GmbH	Bad Salzdetfurth	Germany	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED)

TAB: 5.9.71

in %; as of 31 December 2010	Company's registered office		Interests in capital	Share of voting rights
Non-consolidated foreign subsidiaries (25 companies)[4]				
Algoflash Kabushiki Kaisha	Tokyo	Japan	100.00	100.00
COMPO Hellas S.A.	Maroussi	Greece	100.00	100.00
esco Nordic AB	Göteborg	Sweden	100.00	100.00
Imperial Thermal Products, Inc.	Chicago	USA	100.00	100.00
K plus S Iberia S.L.	Barcelona	Spain	100.00	100.00
K+S Asia Pacific Pte. Ltd.	Singapore	Singapore	100.00	100.00
K+S Benelux B.V.	Breda	Netherlands	100.00	100.00
K+S Brasileira Fertilizantes e Produtos Industriais Ltda.	São Paulo	Brazil	100.00	100.00
K+S CZ a.s.	Praha	Czech Republic	100.00	100.00
K+S Denmark Holding ApS	Copenhagen	Denmark	100.00	100.00
K+S Entsorgung (Schweiz) AG	Delémont	Switzerland	100.00	100.00
K+S Gübre ve Endüstri Ürünleri San. ve Tic. Ltd. Sti.	Istanbul	Turkey	100.00	100.00
K+S Italia S.r.L.	Verona	Italy	100.00	100.00
K+S Nitrogen France S.A.S.	Levallois-Perret	France	100.00	100.00
K+S Polska Sp. z o.o.	Poznan	Poland	100.00	100.00
K+S UK & Eire Ltd.	Hertford	Great Britain	100.00	100.00
Kali (U.K.) Ltd.	Hertford	Great Britain	100.00	100.00
Kali AG	Frauenkappeln	Switzerland	100.00	100.00
Kali-Importen A/S	Copenhagen	Denmark	100.00	100.00
OOO K+S Rus	Moscow	Russ. Federation	100.00	100.00
Potash Company of Canada (1998) Ltd.	Toronto	Canada	100.00	100.00
Potash S.A. (Pty) Ltd.	Johannesburg	South Africa	100.00	100.00
Saleable – Importacao e Exportacao Ltda.	Lissabon	Portugal	100.00	100.00
Serveis de Mexico S.A. de C.V.	Mexico-City	Mexico	100.00	100.00
Shenzhen K+S Trading Co. Ltd.	Shenzhen	China	100.00	100.00

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 OF THE GERMAN COMMERCIAL CODE (HGB) (CONTINUED)

TAB: 5.9.71

in %; as of 31 December 2010	Company's registered office		Interests in capital	Share of voting rights
Associated companies and joint ventures (8 companies)[5]				
Börde Container Feeder GmbH	Haldensleben	Germany	33.30	33.30
Ecuatoiana de Sal y Productos Quimicos C.A.	Guayaquil	Ecuador	50.00	50.00
Morton China National Salt (Shanghai) Salt Co., Ltd.	Shanghai	China	45.00	45.00
MS "Melas" Schiffahrts GmbH & Co. KG	Haren	Germany	38.90	38.90
MS "Peleus" Schiffahrts GmbH & Co. KG	Haren	Germany	30.20	30.20
SIA Livanu Kudras Fabrika	Livani	Latvia	28.72	28.72
Société des Engrais de Berry au Bac S.A.	Reims	France	34.00	34.00
Werra Kombi Terminal Betriebsgesellschaft mbH	Philippsthal	Germany	50.00	50.00
Other interests (16 companies)[6]				
Fachschule f. Wirtschaft und Technik Gem. GmbH	Clausthal	Germany	9.40	9.40
Hubwoo.com S.A.	Paris	France	0.04	0.04
Lehrter Wohnungsbau GmbH	Lehrte	Germany	6.70	6.70
MS "Basalt" Schiffahrts GmbH & Co. KG	Haren	Germany	12.00	12.00
MS "Dolomit" Schiffahrts GmbH & Co. KG	Haren	Germany	11.90	11.90
MS "Granit" Schiffahrts GmbH & Co. KG	Haren	Germany	12.00	12.00
MS "Lava" Schiffahrts GmbH & Co. KG	Haren	Germany	11.50	11.50
MS "Magma" Schiffahrts GmbH & Co. KG	Haren	Germany	11.90	11.90
MS "Marmor" Schiffahrts GmbH & Co. KG	Haren	Germany	11.40	11.40
MS "Paganini" Schiffahrts GmbH & Co. KG	Haren	Germany	12.10	12.10
MS "Telamon" Schiffahrts GmbH & Co. KG	Haren	Germany	10.70	10.70
MS "Theseus" Schiffahrts GmbH & Co. KG	Haren	Germany	10.70	10.70
Nieders. Gesellschaft zur Endablagerung von Sonderabfall mbH	Hanover	Germany	0.10	0.10
PHH Personaldienstleistung GmbH	Hamburg	Germany	2.60	2.60
Poldergemeinschaft Hohe Schaar	Hamburg	Germany	8.66	8.66
Zoll Pool Hafen Hamburg AG	Hamburg	Germany	1.96	1.96

[1] Exemption rule according to Sec. 264b of the German Commercial Code (HGB) employed.
[2] Exemption rule according to Sec. 264b, Para. 3 (HGB) employed.
[3] Fully consolidated due to dominant influence (e.g. majority of the members of the management body).
[4] No consolidation due to minor importance.
[5] Equity method dispensed with due to minor importance.
[6] Stating of amount of equity and earnings of the last financial year dispensed with due to minor importance.

MEMBERS OF THE SUPERVISORY BOARD

A list of the members of the Supervisory Board and its committees can be found in the 'Corporate Governance' section on pages 27 et seqq.; this list is also a component of the Notes.

MEMBERS OF THE BOARD OF EXECUTIVE DIRECTORS

A list of the members of the Board of Executive Directors and its responsibilities can be found in the 'Corporate Governance' section on pages 26 et seq.; this list is also a component of the Notes.

Kassel, 1 March 2011

K+S AKTIENGESELLSCHAFT
THE BOARD OF EXECUTIVE DIRECTORS

FURTHER INFORMATION

INFORMATION ABOUT RAW MATERIAL DEPOSITS

This section contains an overview of the raw material deposits, reserves and resources of the K+S GROUP, divided into the Potash and Magnesium Products business segment and the Salt business segment. The deposits used are owned by us or we possess corresponding exploration and extraction rights or permissions, which legally secure the mining or solution mining of the specified reserves of raw materials.

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT

RESERVES

The specified extractable reserves (taking into consideration losses in extraction and impoverishment that are to be expected) were last determined on 31 December 2010 and are comparable with the international terms "proven" and "probable reserves". The following table shows the extractable reserves of potassium chloride (KCl) and magnesium sulphate / kieserite ($MgSO_4xH_2O$), the volume extracted in 2010 and the theoretical lifetime of the individual mines in Germany. Rounded figures are reported. On the basis of this data, a theoretical lifetime of the mines of about 38 years (weighted average) is calculated for the Potash and Magnesium Products business segment. Volumes actually mined in future that differ from these volumes would result in a change to the theoretical lifetime.

RESERVES POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT TAB: 6.0.1

		Extractable reserves			Extraction 2010		
Rock salt mine	Crude salt in million tonnes	million tonnes K_2O[1]	million tonnes KCl[1]	million tonnes Kieserite[2]	million tonnes effective	million tonnes K_2O[1]	Theoretical lifetime in years; Basis K_2O 2010
Neuhof-Ellers	104.3	9.2	14.5	19.3	3.59	0.38	24
Sigmundshall	31.0	3.8	6.1	5.2	2.21	0.28	8[3]
Verbundwerk Hattorf-Wintershall	697.3	59.4	94.0	92.8	15.62	1.30	45
Unterbreizbach	94.2	20.1	31.8	7.5	2.44	0.60	33
Zielitz	464.0	57.4	90.8	—	10.81	1.29	44

[1] Potassium oxide (K_2O) is a customary, chemical unit of conversion for potassium compounds, 100 % potassium chloride (KCl) corresponds to 63.17 % K_2O.
[2] Kieserite ($MgSO_4xH_2O$) is a usable magnesium mineral in potash deposits. Other minerals containing magnesium sulphate are only utilised secondarily for process-related factors.
[3] The theoretical lifetime of the Sigmundshall mine is determined exclusively by the volume of reserves of sylvinite.

RESOURCES

Additional resources exist for the Potash and Magnesium Products business segment. These include possible reserves (category C2) and reserves for which it has not yet been proven that they can be exploited economically (off-balance sheet reserves). Both are roughly comparable with what is termed "mineral resources" in the international standard. These are not yet used potash seams or fields to which rights are held in which resources can be shown to exist on the basis of geophysical investigations and surface drilling as well as by means of geological analogical inference. These potential extraction fields are predominantly adjacent to existing ones and belong to the K+S GROUP or the K+S GROUP has a pre-emptive right.

In Germany, the Potash and Magnesium Products business segment has around 1,250 million tonnes of crude salt as exploitable resources. This figure too already takes into consideration losses in extraction and impoverishment. This could result in a prolongation of the lifetime of individual plants.

POTASH ONE

POTASH ONE holds several potash exploration licences in the Canadian province of Saskatchewan and, with its Legacy Project in the mining lease area KLSA 009, has an advanced greenfield project in which potassium chloride can be extracted by means of solution mining on the basis of an existing feasibility study. The following information relates exclusively to the mining lease area KLSA 009 (formerly exploration permit KP 289). The reserves and resources are specified in million tonnes of potassium chloride as a saleable end product, and the corresponding deductions for losses during mining and processing have already been taken into consideration.

RESERVES AND RESOURCES POTASH ONE TAB: 6.0.2

		million tonnes KCl	% KCl	% K_2O
Mineral Reserves [1,2] (Proven und Probable Reserves)	Legacy Project area	135.8	28.9	18.3
Resources [1] (Indicated und Inferred Resources)	Legacy Project area and KLSA 009	940	26.9	17.0

[1] The reserves figures were determined by Agapito Associates Inc., Grand Junction, Colorado, in cooperation with North Rim Exploration Ltd., Saskatoon, Saskatchewan. The technical reports for the determination of reserves were created in accordance with the requirements of the Canadian standard NI 43-101 of the "Canadian Securities Regulators".

[2] After conversion of the exploration permit (KP 289) to a mine lease (KLSA 009) an additonal 1,150 acres (approx. 4.7 km²) of land with extraction rights are available, which contain further reserves in the magnitude of 24.5 million tonnes of KCl product. An official update of the determination of reserves by the above-mentioned independent experts, including these additional volumes, is planned.

SALT BUSINESS SEGMENT

RESERVES

The specified extractable reserves (taking into consideration losses in extraction and impoverishment that are to be expected) were last determined on 31 December 2010 and are comparable with the international terms "proven" and "probable reserves". The following tables show the exploitable salt reserves, the average extraction of the mines, open-cast mining operations and brine fields in the period from 2001 to 2010 as well as the theoretical lifetime of the individual sites. Rounded figures are reported. On the basis of this data, a theoretical lifetime of the sites for ESCO of about 56 years and for MORTON SALT of about 38 years is calculated (in each case, weighted average, without extraction of solar evaporation salt). Volumes actually mined in future that differ from these volumes would result in a change to the theoretical lifetime.

RESERVES ESCO AND SPL TAB: 6.0.3

Site	Production method	Reserves in million tonnes	Ø-Extraction 2001–2010 in million tonnes	Theoretical lifetime in years
Bernburg, Germany	Rock salt mine	40.3	1.90	21
Borth, Germany	Rock salt mine	42.6	1.61	27
Braunschweig-Lueneburg, Germany	Rock salt mine	21.8	0.68	32
Bernburg-Gnetsch, Germany	Solution mine	21.3	0.25	85
Harlingen, The Netherlands	Solution mine	8.0	1.00	8
Tarapacá, Chile	Open cast mining	569.0	7.00	81
Rio Grande do Norte, Brazil	Solar evaporation salt (Ocean)	∞	0.50	∞

RESERVES MORTON SALT TAB: 6.0.4

Site	Production method	Reserves in million tonnes	Ø-Extraction 2001–2010 in million tonnes	Theoretical lifetime in years
Fairport, USA	Rock salt mine	57.0	1.18	48
Grand Saline, USA	Rock salt mine	60.0	0.31	197
Mines Seleine, Canada	Rock salt mine	40.0	1.53	26
Ojibway, Canada	Rock salt mine	48.5	2.62	18
Pugwash, Canada	Rock salt mine	33.5	1.19	28
Weeks Island, USA	Rock salt mine	72.5	1.44	50
Glendale, USA	Solution mine	9.5	0.12	79
Grand Saline, USA	Solution mine	4.5	0.06	77
Hutchinson, USA	Solution mine	18.5	0.33	56
Lindbergh, Canada	Solution mine	10.0	0.13	77
Manistee, USA	Solution mine	7.0	0.28	26
Rittman, USA	Solution mine	9.0	0.51	18
Silver Springs, USA	Solution mine	16.0	0.34	47
Windsor, Canada	Solution mine	5.0	0.23	23
Grantsville, USA	Solar evaporation salt (Great Salt Lakes)	∞	0.59	∞
Inagua, Bahamas	Solar evaporation salt (Ocean)	∞	0.95	∞

RESOURCES

Additional resources exist for the Salt business segment. These include possible reserves (category C2) and reserves for which it has not yet been proven that they can be exploited economically (off-balance sheet reserves). Both are roughly comparable with what is termed "mineral resources" in the international standard. These are fields to which rights are held in which resources can be shown to exist on the basis of geophysical investigations and surface drilling as well as by means of geological analogical inference. These potential extraction fields are in part adjacent to existing ones and belong to the K+S GROUP or we possess a permission for extraction.

About 300 million tonnes of rock salt in Europe and far more than 500 million tonnes in South America can be disclosed as exploitable resources, taking into consideration losses in extraction and impoverishment. This could result in a prolongation of the lifetime of individual plants. MORTON SALT too has corresponding resources a disclosure of which according to the standard of the K+S GROUP will take place probably starting from 2011.

DEFINITIONS OF KEY FINANCIAL INDICATORS

BOOK VALUE PER SHARE

$$\text{Book value per share} = \frac{\text{Equity}}{\text{Total number of shares as of 31 Dec.}}$$

ENTERPRISE VALUE = Market capitalisation + net indebtedness

EQUITY/ASSETS RATIO I

$$\text{Equity/assets ratio I} = \frac{\text{Equity}}{\text{Operating assets}}$$

EQUITY/ASSETS RATIO II

$$\text{Equity/assets ratio II} = \frac{\text{Equity + non-current debt}}{\text{Operating assets}}$$

INDEBTEDNESS I

$$\text{Indebtedness I} = \frac{\text{Bank loans and overdrafts}}{\text{Equity}}$$

INDEBTEDNESS II

$$\text{Indebtedness II} = \frac{\text{Net indebtedness}}{\text{Equity}}$$

LIQUIDITY RATIO I

$$\text{Liquidity ratio I} = \frac{\text{Cash on hand and balances with banks + current securities}}{\text{Current debt}}$$

LIQUIDITY RATIO II

$$\text{Liquidity ratio II} = \frac{\text{Cash on hand and balances with banks + current securities + current receivables}}{\text{Current debt}}$$

LIQUIDITY RATIO III

$$\text{Liquidity ratio III} = \frac{\text{Current assets}}{\text{Current debt}}$$

NET FINANCIAL LIABILITIES = Financial liabilities – cash on hand and balances with banks – securities

NET INDEBTEDNESS = Financial liabilities + provisions for pensions and similar obligations + non-current provisions for mining obligations – cash on hand and balances with banks – securities

OPERATING ASSETS = Intangible assets + property, plant and equipment + shares in associated companies + participating interests

RETURN ON CAPITAL EMPLOYED (ROCE)

$$\text{ROCE} = \frac{\text{Operating earnings (EBIT I)}}{\text{Operating assets}^{1} + \text{working capital}^{1,2}}$$

RETURN ON INVESTMENT (ROI)

$$\text{ROI} = \frac{\text{Operating earnings (EBIT I)}}{\text{Disbursements for acquisitions of consolidated companies}}$$

RETURN ON EQUITY

$$\text{Return on equity} = \frac{\text{Adjusted Group earnings after taxes}^{3}}{\text{Adjusted equity}^{1,3}}$$

RETURN ON REVENUES

$$\text{Return on revenues} = \frac{\text{Adjusted Group earnings}^{3}}{\text{Revenues}}$$

RETURN ON TOTAL INVESTMENT

$$\text{Return on total investment} = \frac{\text{Adjusted earnings before taxes}^{3} + \text{interest expenses}}{\text{Adjusted balance sheet total}^{1,2,3}}$$

VALUE ADDED = (ROCE – weighted average cost of capital before taxes) × (operating assets[1] + working capital[1])

WORKING CAPITAL = Inventories + receivables and other assets[4] – current provisions – accounts payable trade – other payables[4]

[1] Annual average.
[2] Adjusted for reimbursement claims and corresponding obligations.
[3] Adjusted for the effects of market value changes of operating forecast hedges still outstanding; for adjusted Group earnings, the resulting tax effects were also eliminated.
[4] Without the market values of operating forecast hedges still outstanding as well as derivatives no longer in operation, but including premiums paid for derivatives used for operating purposes; without receivables and liabilities from financial investments; adjusted for reimbursement claims as well as the surplus of the CTA plan assets.

GLOSSARY

AMMONIUM SULPHATE is a sulphur-containing nitrogen fertilizer which is a by-product formed in the production of caprolactam in the chemical industry. Ammonium sulphate is used in agriculture and as a raw material for the complex fertilizer industry.

BRINE Aqueous rock salt solution. Natural brine is obtained through drilling underground deposits of brine or through the controlled drill-hole solution mining procedure and also produced through the dissolution of mined rock salt.

BULK BLENDERS Operators of bulk fertilizer equipment, in which various nutrients are combined.

CASH FLOW Net balance of incoming and outgoing payments during a reporting period.

CHLORINE-ALKALINE ELECTROLYSIS In chlorine-alkaline electrolysis, chlorine, caustic soda solution and hydrogen are produced as a result of the decomposition of the basic substance sodium chloride with the aid of electricity. Alternatively, potassium hydroxide solution is produced by the application of potassium chloride. The important basic chemicals of chlorine, caustic soda solution, hydrogen and potassium hydroxide solution form the basis of numerous chemical products.

COMPLEX FERTILIZERS contain more than one nutrient, as a rule nitrogen, phosphorus and potassium as well as – depending on need and application – magnesium, sulphur or trace elements. As a result of the combination of raw materials in the production process and subsequent granulation, every single grain of the fertilizer contains precisely the same combination of nutrients; this allows for even spreading of the nutrients on the field.

COMPLIANCE (conforming with regulations) denotes adherence to laws, internal corporate regulations and guidelines as well as regulatory standards recognised by the Company. A compliance system is intended to avoid risks of liability, penalties and fines as well as other financial disadvantages for the Company and to ensure a positive reputation in the public.

COST OF CAPITAL also WACC (weighted average cost of capital); denotes the opportunity costs arising for equity providers and/or lenders through capital made available to the Company. The weighted average cost of capital rate is derived from the aggregate of the interest claim to which a contributor of equity would be entitled in respect of his equity share as well as the interest on debt in respect of the share of interest-bearing debt in total capital. As this is considered from an after-tax perspective, the average interest on debt is reduced by the corporate tax ratio.

DOLOMITE LAYER Porous, receptive limestone layer a good 500 metres deep, formed in the Zechstein.

DUE DILIGENCE denotes the "necessary care" engaged in ahead of an acquisition and encompasses the performance of a detailed analysis of an acquisition target, particularly its geological, technical, (environmental) legal, fiscal and financial framework conditions. In the process, analysis results from the corporate data made available by the target company are employed. The aim is to expose or limit risks related to the acquisition.

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

EBIT II Under IFRS, the changes in the market value from hedging transactions have to be reported in the income statement. EBIT II includes all earnings arising from operating hedging transactions, i.e. both valuation effects as at the reporting date and earnings from realised operating hedging derivatives. Hedging transactions of the financial sector are shown in the financial result, insofar as no disclosure as cash flow hedge not recognised in profit or loss is effected.

ELECTROSTATIC PREPARATION PROCESS (ESTA®) is a dry preparation process in which the individual elements of crude salt are charged diversely and then separated with the aid of an electric field into sodium chloride on the one hand and potassium chloride and kieserite on the other. Compared with the classical wet preparation processes, it is clearly more advantageous in terms of energy consumption and there is far less liquid production residue.

ENTEC® FERTILIZERS are nitrogenous mineral fertilizers containing a stabiliser which delays the transformation of ammonium nitrogen into nitrate. The release of nitrogen is thus adapted to the plant's needs and the efficiency of the fertilizer functions is increased by avoiding nitrate losses.

ENTERPRISE VALUE is an indicator of the value of a company frequently used by financial analysts. Enterprise value is often related to other key figures (e.g. revenues, EBITDA, EBIT), so that so-called enterprise value multiples are produced.

EVAPORATED SALT is produced by evaporating saturated brine, whereby sodium chloride crystallises.

FINANCIAL COVENANTS are figures and agreements contractually agreed between a lender and a borrower for the duration of a credit facility. Non-compliance can result in sanctions and the right of extraordinary termination.

FIXED COST DEGRESSION denotes the reduction of unit costs in the case of an increasing production volume, because the fixed costs are distributed across a higher production volume.

FLOTATION is a production process separating rock salt and potash or kieserite from crude salt without heat supply. The process is based on the fundamental principle that air is blown into a crude salt mixture in a saturated saline solution, enabling the usable substances to float up and be skimmed off.

FREE FLOAT The number of shares not held by major shareholders owning more than 5% of the shares of a company (with the exception of shares held by investment companies and asset managers).

K_2O (potassium oxide) is a chemical unit of calculation used to quickly compare the potassium content of fertilizers in which potassium is present in various bonding forms, for example as potassium chloride, potassium sulphate or potassium nitrate.

KIESERITE is a mineral component of crude salt with the water soluble minerals magnesium and sulphur.

LIQUIDITY RATIOS provide information about the extent to which current payment obligations are covered by cash and cash equivalents, current receivables and current assets.

NITRIFICATION INHIBITOR Ammonium stabiliser, which delays the transformation of ammonium nitrogen into nitrate nitrogen which is at risk of being washed out.

OPERATING FORECAST HEDGES To hedge future currency positions (mainly in US dollars) or future translation risks, we use operating derivatives in the form of options and futures (see also transaction and translation risks).

PACKAGE OF MEASURES ON WATER PROTECTION also "€ 360 million package of measures" or "Werra package of measures"; was presented in October 2008 by K+S in order to further reduce environmental effects and secure K+S's production sites in the Hesse and Thuringia potash district over the long term. It forms the essential technical basis for the Integrated Package of Measures presented in 2009, which emerged from the public law agreement of K+S GROUP with the states of Hesse and Thuringia. The planned implementation of individual measures for the protection of groundwater and water by 2015 will result in the volume of saline waste water being halved. The capital expenditure bound up with the package of measures totals up to € 360 million.

POTASSIUM CHLORIDE is natural potassium salt found in seawater, salt lakes and salt deposits.

PRODUCTION OF GRANULATES denotes the production of dispersible fertilizer grains which can be spread with an agricultural fertilizer spreader.

PURCHASE PRICE ALLOCATION Allocation of the costs incurred in connection with a corporate acquisition to the assets, liabilities and contingent liabilities acquired.

RATING describes the assessment of a company's ability to meet its interest and repayment obligations in a timely manner in the future. It is given by a rating agency, e.g. MOODY'S or STANDARD & POOR'S, in the form of standardised categories.

SODIUM CHLORIDE Rock salt, common salt (NaCl).

SOLUTION MINING denotes the extraction of soluble (salt) rocks (e.g. sylvinite or rock salt) by discharging water or (salt) solutions in drillings, as a result of which caverns arise. The solution mining technology permits, to the extent that the deposit conditions allow for such a process, a faster commencement of production than do conventional mining techniques, a more flexible starting curve of production and the mining of deeper-lying deposits. Moreover, the ratio of crude salt to solid and liquid production residues is more favourable.

STARTING CURVE describes the volumes available over time until the maximum planned production capacity is achieved during the construction of a mine as well as the production facility above ground.

STRAIGHT NITROGEN FERTILIZER is a fertilizer which contains only nitrogen as the main element. K+S NITROGEN offers the straight nitrogen fertilizers calcium ammonium nitrate (CAN), ammonium sulphate nitrate and ammonium sulphate nitrate with boron.

SUPPLY CHAIN MANAGEMENT denotes groupwide planning, management and coordination of the entire value chain (procurement, production and logistics).

TRANSACTION RISK arises from a transaction in a foreign currency which is to be converted into the Group currency and is therefore a cash risk.

TRANSLATION RISK arises from converting income, cash flow or balance sheet items at different periods or reporting dates, which occur in a different currency than the Group currency. This is thus a non-cash risk.

VALUE ADDED This key figure is based on the assumption that a company creates added value for the investor when the return on the average capital employed exceeds the underlying cost of capital. This excess return is multiplied by the average capital employed (annual average for operating assets + working capital) to give the company's added value for the year under review.

WATER-SOFTENING SALTS remove hardeners such as calcium and magnesium from the water through an ion exchange process. Soft water is necessary or advantageous for numerous industrial processes, but also in private households.

INDEX OF FIGURES

2 K+S ON THE CAPITAL MARKET

3 CORPORATE GOVERNANCE

4 K+S GROUP MANAGEMENT REPORT

INDEX OF TABLES

2 K+S ON THE CAPITAL MARKET

3 CORPORATE GOVERNANCE

4 K+S GROUP MANAGEMENT REPORT

5 CONSOLIDATED FINANCIAL STATEMENTS

INDEX

FINANCIAL CALENDAR

DATES TAB: 6.0.5

	2011/2012
Annual General Meeting, Kassel	11 May 2011
Quarterly Financial Report, 31 March 2011	11 May 2011
Dividend payment	12 May 2011
Half-yearly Financial Report, 30 June 2011	11 August 2011
Quarterly Financial Report, 30 September 2011	10 November 2011
Report on business in 2011	15 March 2012
Press and analyst conference, Frankfurt am Main	15 March 2012

CONTACT

K+S Aktiengesellschaft
Bertha-von-Suttner-Strasse 7
34131 Kassel, Germany
phone: +49 (0)561/9301-0
fax: +49 (0)561/9301-1753
Internet: www.k-plus-s.com

Investor Relations
phone: +49 (0)561/9301-1100
fax: +49 (0)561/9301-2425
e-mail: investor-relations@k-plus-s.com

Communications
phone: +49 (0)561/9301-1722
fax: +49 (0)561/9301-1666
e-mail: pr@k-plus-s.com

This report was published on 10 March 2011.

IMPRINT

Editorial Team/Text
K+S-Investor Relations

Conception and Design
HEISTERS & PARTNER,
Corporate & Brand Communication, Mainz

Photography
K+S, Oscar van de Beek

Lithography
Recom GmbH & Co. KG, Stuttgart

Printing
Eberl Print GmbH, Immenstadt

This Financial Report is also available in German. In the event of any doubt, the German version of the text will prevail.

K+S AKTIENGESELLSCHAFT
P.O. BOX 10 20 29
34111 KASSEL, GERMANY
WWW.K-PLUS-S.COM