Quarterly Report Q3/07

July – September

Strong third quarter for the K+S Group

At € 727.1 million, revenues for the quarter rise 9%

Operating earnings (EBIT I) reach € 79.4 million (+ 54%)

Outlook 2007: Adjusted € 4.30 to € 4.45 per share (2006: € 4.27)

Promising prospects for 2008

K+S

Experience growth.

Key Data Business Development

Key figures (IFRSs)	July – Sept. (Q3)			Jan. – Sept. (9M)		
€ million	2007	2006	%	2007	2006	%
Revenues	727.1	670.1	+ 8.5	2,450.4	2,225.7	+ 10.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	110.6	81.5	+ 35.7	345.3	313.8	+ 10.0
EBITDA margin in %	15.2	12.2		14.1	14.1	
Operating earnings (EBIT I)	79.4	51.7	+ 53.6	252.1	224.2	+ 12.4
Operating EBIT margin in %	10.9	7.7		10.3	10.1	
Earnings after market value changes (EBIT II)	(154.1)	97.0	–	30.6	329.4	(90.7)
Earnings before income taxes	(162.5)	91.8	–	6.1	318.1	(98.1)
Earnings before income taxes, adjusted [1]	71.0	46.5	+ 52.7	227.6	212.9	+ 6.9
Group earnings after taxes	(108.4)	60.1	–	4.0	208.0	(98.1)
Group earnings after taxes, adjusted [1]	47.6	31.5	+ 51.1	152.4	141.7	+ 7.6
Gross cash flow	116.5	63.1	+ 84.6	287.7	251.9	+ 14.2
Net debt as of 30 September [2]	–	–	–	830.3	648.7	+ 28.0
Capital expenditure [3]	45.4	33.2	+ 36.7	96.2	79.0	+ 21.8
Depreciation and amortisation [3]	31.2	29.8	+ 4.7	93.2	89.6	+ 4.0
Working capital as of 30 September	–	–	–	796.0	499.9	+ 59.2
Earnings per share, adjusted [1] (€)	1.15	0.76	+ 51.3	3.70	3.44	+ 7.6
Gross cash flow per share (€)	2.82	1.53	+ 84.3	6.98	6.11	+ 14.2
Book value per share as of 30 September, adjusted [1] (€)	–	–	–	26.62	24.16	+ 10.2
Total number of shares as of 30 September (million)	–	–	–	41.25	41.25	–
Outstanding shares as of 30 September (million) [4]	–	–	–	41.25	41.25	–
Average number of shares (million) [5]	41.25	41.25	–	41.23	41.23	–
Employees as of 30 September (number) [6]	–	–	–	11,980	11,843	+ 1.2
Average number of employees [6]	11,944	11,756	+ 1.6	11,943	11,231	+ 6.3
Personnel expenses	160.6	159.1	+ 0.9	509.0	492.0	+ 3.5
Closing price (XETRA) as of 30 September (€)	–	–	–	128.56	63.20	> 100.0
Market capitalisation as of 30 September	–	–	–	5,303.1	2,607.0	> 100.0
Enterprise value as of 30 September	–	–	–	6,133.4	3,255.7	+ 88.4

[1] Adjusted for the effect of market value changes in hedging transactions; in the case of adjusted Group earnings, the resulting tax effects were also eliminated
[2] Including provisions for pensions and mining obligations
[3] For or in connection with intangible assets as well as property, plant and equipment
[4] Total number of shares less the own shares held by K+S on the reporting date
[5] Total number of shares less the average number of own shares held by K+S over the period
[6] Total workforce including temporary employees (without students and interns), measured on full-time equivalent basis (FTE)

Management Report

Macroeconomic environment

From the perspective of the first nine months of the year, the forecasts made in the Annual Report 2006 concerning the economic environment in 2007 remain valid to a very great extent: While the global economy may indeed have lost some momentum in 2007, it has still grown appreciably nevertheless. The rapid economic upturn in developing and emerging market countries was the main contributing factor. At the present time, financial market turbulence prompted by the real estate crisis in the United States is having a dampening effect.

The conditions described also influenced the third quarter. The US currency continued to weaken in relation to the euro and was quoted at just under USD/EUR 1.43 at the end of September. Prices for industrial raw materials continued to rise in the third quarter. At the end of September, the price of crude oil occasionally rose to over US$ 80 per barrel. During the quarter under review, the average price of crude oil was markedly higher than a year ago.

Impact on K+S

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

- The weaker US dollar made it necessary to adjust the currency options that we use for hedging. As a result, there was a deterioration in the anticipated average hedged rate, including premium payments, for 2007 from USD/EUR 1.08 to about USD/EUR 1.20.
- In addition to the absolute relationship between the exchange rates, a relative comparison of the euro and the currencies of our competitors each in relation to the US dollar is also of particular importance. A weak US dollar has a negative impact on the revenues of most potash producers; this is related to the fact that the bulk of worldwide potash output is generated outside the US dollar zone while most sales are invoiced in US dollars. The US dollar has depreciated significantly against both the Canadian and Russian currencies since the beginning of the year.
- Energy costs, especially for gas, have a not insignificant impact on our production costs. Rising oil prices generally cause gas procurement to become more expensive. As a result of the time formulas used in supply agreements and of hedging transactions, the further increase in the price of oil in the third quarter did not have a tangible impact on our energy costs.

Industry-specific framework conditions

Fertilizer and Plant Care Business Sector

The information provided in the Annual Report 2006 concerning the structure of the industry and the position of our Company within the potash fertilizer sector remains valid. Industry-specific framework conditions have even seen a further improvement. As a result of factors such as the robust economic upturn in emerging market countries and the related appearance of a new middle class with different, in part Western influenced eating habits, prices for agricultural products continued to rise significantly. In addition, the mounting importance of bioenergy production in 2007 has further prompted farmers to intensify their soil management. Both effects are resulting in the increased use of fertilizers. With international potash fertilizer manufacturers currently producing at close to their theoretically available technical capacity (estimated at about 60 million tonnes of goods in 2007), increased demand (estimated at 57 million tonnes of goods in 2007) has, as expected, resulted in supply bottlenecks and thus, in further price increases for potash fertilizers. In addition to the price increases announced in the first half of the year and implemented in the meantime, in the third quarter, the Canadian and Belarussian/Russian producers announced two further price increases for standard potash fertilizer for South-East Asia totalling US$ 70 and raising the price to US$ 330. In addition, granulate prices of US$ 345/355 for November/December were announced in Brazil, and in Europe, the price level for granulate increased in two steps of € 12 and € 15 to € 227 per tonne in September.

In 2007, our Potash and Magnesium Products business segment profited from the favourable supply and demand situation described above in the form of significantly higher revenues for potash products. Capacity at our six potash mines in Germany is being fully utilised and as in the case of most providers, we too are experiencing delivery delays.

Salt Business Sector

The industry structure and the position of our Company on the global salt markets as described in the Annual Report 2006 continue to apply as does the estimate of the future industry situation. The third quarter shows that the exceptionally warm winter at the beginning of the year has still left its mark on the Western European de-icing salt business. Full stores on the customer side resulted in significantly lower early procurement than last year. On the North American de-icing salt market, the late but severe winter had a positive effect, so that early procurement there was relatively normal. In the food grade and industrial salt segments, business in Europe was stable while demand for salt for chemical use showed a strong increase. The South American market for industrial salt and salt for chemical use grew in line with local population development and received additional support from the robust economic upturn.

Products and Services

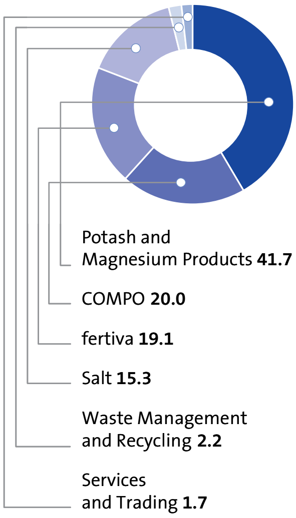
For a comprehensive description of our products and services, please see the relevant passages in our Annual Report 2006. Since then, there have been no changes in the range of products and services with a significant influence on the business performance of the K+S Group. For the coming year too, we assume that there will be no significant changes.

Variance analysis in %	Q3/07	9M/07
Change in revenues	**+ 8.5**	**+ 10.1**
- volume/structure	(1.6)	(0.4)
- prices	+ 12.4	+ 6.8
- exchange rates	(2.3)	(2.1)
- consolidation	–	+ 5.8

Third quarter revenues rise almost 9%

At € 727.1 million, third quarter revenues exceeded the figure for the same period last year by € 57.0 million or just under 9%: The increase was attributable to positive price effects that could more than offset slight currency and volume declines. Pleasing revenue gains were achieved by the Potash and Magnesium Products, COMPO and fertiva business segments.

Revenues by business segment
Jan. – Sept. 2007
(in %)



However, the much weaker early procurement business resulted in a significant revenue decline in the Salt business segment. In the first nine months, Group revenues rose by € 224.7 million or 10% to € 2,450.4 million as a result of positive price effects and of the first-time inclusion of SPL for the entire year.

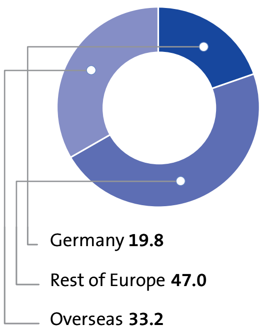
About 67% of Group revenues were generated in Europe, with the largest business segment, Potash and Magnesium Products, accounting for just under 42% of revenues.

At € 79.4 million, third quarter operating earnings rise significantly (+ 54%)

Operating earnings EBIT I are free of non-cash changes in the market value of the currency options that we use to hedge the US dollar and only include the gains actually achieved as result of exchange rate hedging for the period under review.

In the third quarter of 2007, EBIT I rose by € 27.7 million or just under 54% to € 79.4 million compared with a year ago; this was mainly attributable to significant earnings increases in the Potash and Magnesium Products business segment. At € 252.1 million, K+S Group EBIT I for the first nine months exceeded the level of a year ago by about 12%. Thus, the significantly lower earnings contribution made by the Salt business segment as a result of exceptionally low de-icing salt sales at the beginning of the year could be more than made up for.

Revenues by region
Jan. – Sept. 2007
(in %)



Third quarter market values of hedging transactions markedly lower

Under IFRSs, changes in the market value of the double-barrier options that we use to hedge the US dollar exchange rate are reported in the income statement. While the cash gains from options already exercised are included in operating earnings EBIT I, we report non-cash changes in the market value of options that are still outstanding by reconciliation to EBIT II. Changes in the market value of these options up to the time when they expire are irrelevant for the operating earnings of K+S. By means of active currency management, including the acceptance of additional premium payments to adjust the barriers if necessary, we can ensure that a hedge is essentially retained until the exercise date.

In the quarter under review, earnings after market value changes, EBIT II, fell by € 251.1 million to € (154.1) million, thus tending in the opposite direction to EBIT I. The key factor in this regard was that the market values for hedging transactions in the third quarter fell significantly after the US dollar exchange rate had come within relatively close range of part of the upper knock-out levels defined by us. For the first nine months of 2007, earnings after market value changes, EBIT II, amounted to € 30.6 million and for the same reason were down € 298.8 million on the level of a year ago. The market value levels on the reporting date depend on such factors as the USD/EUR spot rate, exchange rate volatility and the option terms.

Third quarter financial result weaker
The financial result for the third quarter amounted to € (8.4) million and was thus down € 3.2 million on the same period last year as a result of lower interest income as well as lower income from the measurement of financial investments. Over the first nine months, the financial result has declined by € 13.2 million to € (24.5) million. Under IFRSs, in addition to the interest portion for pension provisions (9M/2007: € (3.2) million), the financial result includes the interest portion for other long-term provisions (9M/2007: € (10.2) million) which mainly relate to mining obligations; both are non-cash. Further details can be found in the Notes.

Significant improvement in adjusted earnings before and after taxes in third quarter
Given their limited economic meaningfulness as well as the considerable fluctuations to which the market values of our currency options are subject, we report earnings before taxes as well as after taxes following adjustment for these effects. Thus, the latter also take account of the impact of changes in market values on deferred taxes.

Adjusted earnings before taxes for the third quarter amounted to € 71.0 million, which represents an increase of € 24.5 million or 53% compared with a year ago. In the first nine months, the weak de-icing salt business at the beginning of the year and the weaker financial result depressed the increase in adjusted earnings before income taxes, which nevertheless rose by 7% to € 227.6 million. Under IFRSs, deferred, that is, non-cash income taxes are reported. In the third quarter, the markedly negative market development of our double-barrier options generated tax income totalling € 54.1 million, of which € 42.2 million were deferred (income tax expense Q3/2006: € 31.7 million, of which € 18.8 million were deferred). The same effect also produced a significant reduction in the tax burden in the first nine months. Further details of taxation can be found in the Notes.

After-tax Group earnings adjusted for the effect of market value changes could be increased by 51% to € 47.6 million in the third quarter. At € 152.4 million, adjusted Group earnings for the first nine months were only just under 8% up on the same period last year because of the weak de-icing salt business at the beginning of the year and the weaker financial result.

Adjusted earnings per share for the third quarter reach € 1.15 (+ 51%)
The undiluted, adjusted earnings per share are computed by dividing the adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions that could result in the dilution of earnings per share exist in the case of K+S at the present time, undiluted earnings per share correspond to diluted earnings per share. Neither discontinued business segments nor changes in accounting treatment needed to be taken account of separately in earnings per share.

For the quarter under review, adjusted earnings per share amounted to € 1.15 and were thus up 51% on the same period last year (€ 0.76). They were computed on the basis of the same average number of outstanding shares as a year ago (41.25 million no-par value shares). For the first nine months, adjusted earnings per share reached € 3.70; compared with the figure of a year ago (€ 3.44), this represents an increase of just under 8%.

As at 30 September 2007, we held no shares of our own; the total number of K+S Group shares outstanding at the end of September amounted to 41.25 million no-par value shares.

€ million	9M/07	9M/06
Cash flow from operating activities *	76.7	200.1
Cash flow for investing activities	(91.6)	(378.8)
Free cash flow bef. acquisitions/divestments *	(18.0)	179.1
Cash flow from(+)/for(-) financing activities	(76.5)	120.8

* The cash flows indicated were reduced by the allocation for premium payments of € 202.8 million in 2007 and of € 4.5 million in 2006.

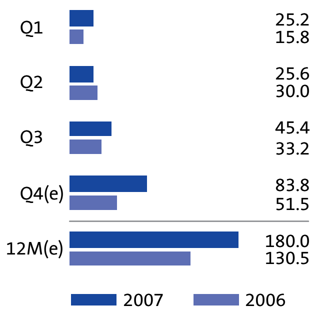
Cash flow influenced by high premium payments for US dollar hedging

At € 287.7 million, gross cash flow for the first nine months was up € 35.8 million or 14% on the figure for the same period last year. Lower income tax payments and higher operating earnings more than made up for higher interest payments. By contrast, cash flow from operating activities for the first nine months amounted to € 76.7 million and thus declined by € 123.4 million on the same period last year. Working capital was up more significantly than in the same period last year, which was mainly attributable to higher premium payments for US dollar hedging for future years; compared with a year ago, the funds tied down in premium payments in the first nine months rose by € 198.3 million.

Cash flow from investing activities for the first nine months amounted to € (91.6) million after the same period last year was marked by the acquisition of the SPL Group. In addition, it should be noted that last year benefited from the proceeds of sales of securities totalling € 36.5 million in connection with the SPL financing.

Free cash flow for the first nine months amounted to € (14.9) million compared with € (178.7) a year ago, which was primarily influenced by acquisition disbursements. After adjustment for acquisitions/divestments, free cash flow, especially as a result of higher premium payments for US dollar hedging, fell by € 197.1 million. After taking into account the dividend payment and insignificant borrowing, our net indebtedness as of 30 September 2007 amounted to € 830.3 million (30 Sept. 2006: € 648.7 million).

Capital expenditure by quarter compared to 2006 (€ million)



Capital expenditure significantly higher than in the same quarter last year

In the third quarter, we invested € 45.4 million and thus € 12.2 million more than in the same quarter last year. Most of the capital expenditure was accounted for by the Potash and Magnesium Products business segment, with the focus on replacement and expansion of underground infrastructure and the measures that have begun to be implemented in our plants with a view to changing over the energy supply to the use of substitute fuels at the Wintershall site. Further significant projects in the third quarter were the expansion of KTG storage capacity in Hamburg launched in 2006 and the doubling of loading capacity at the SPL port. Thus, capital expenditure over the first nine months rose by € 17.2 million to € 96.2 million as planned.

In the Annual Report 2006, we forecasted that the level of capital expenditure in 2007 would amount to € 210 million. Currently, we expect the volume of capital expenditure, including overhangs from the previous year, to total about € 180 million for 2007. This is mainly attributable to the fact that the acquisition of one of two cargo ships for SPL has been postponed until next year.

Thus, a good € 80 million should be invested in the fourth quarter, with the focus on the acquisition of a cargo ship for SPL, on projects to improve exploitation in the Potash and Magnesium Products business segment and on the expansion of waste reutilisation at

Zielitz. In 2007, we expect that just under two thirds of total capital expenditure will relate to replacement and the safeguarding of production capacity; this should be entirely financed through the anticipated depreciation charges totalling about € 130 million.

At about € 240 million, the investment volume for the coming year should be significantly above the value forecast for 2007. This assumes, for example, the continuation of major projects commenced this year, the (in part replacement) procurement of two cargo ships for SPL as well as further projects to improve exploitation in the Potash and Magnesium Products business segment. Capital expenditure on replacement and measures to safeguard production capacity account for just under 60% of total capital expenditure volume and should therefore, as is customary, be on the level of the anticipated depreciation charges of € 140 million. The anticipated earnings increases should generate cash flow from operating activities that should exceed total capital expenditure outlays.

€ million	2007e	2006
Research costs	17.0	13.8
Capitalized development investment	3.5	2.0
Employees as of 31 Dec. (number)	58	51

Research and Development

There has been no significant change in the goals and focal points of research and development as described in the Annual Report 2006. During the quarter under review, research and development expenses totalled € 3.9 million and were thus up on the same period last year (Q3/2006: € 3.2 million). During the first nine months, research expenses rose by 13% to € 11.4 million. The increase in research costs is attributable to increased research expenditure on mining, the expansion of college projects and the intensification of research and development activity in the COMPO and fertiva business segments.

For 2007, we expect research costs to total about € 17 million (2006: € 13.8 million). At about € 3.5 million, development investment should be on the previous year's level (2006: € 2.0 million). With the intensification of research activity, we expect 58 employees (2006: 51 employees) to be working group-wide in K+S Group research at the end of the year.

Research expenditure should remain on a similar level in the future too. The number of employees working in K+S Group research in the coming year will remain more or less constant. Research into the effect of potash products on soil water efficiency, the further development of plant protection products in cooperation with Syngenta as well as cooperation in the Dutch public research project "Wetsus" on the possible use of renewable energy will be among the most significant research projects. Minimising the inevitable impact on the environment resulting from the formation of residue piles and the removal of wastewater will remain an important focal point of research. To this end and in order to conserve resources, we are developing new production processes and optimising existing ones.

Slight increase in headcount

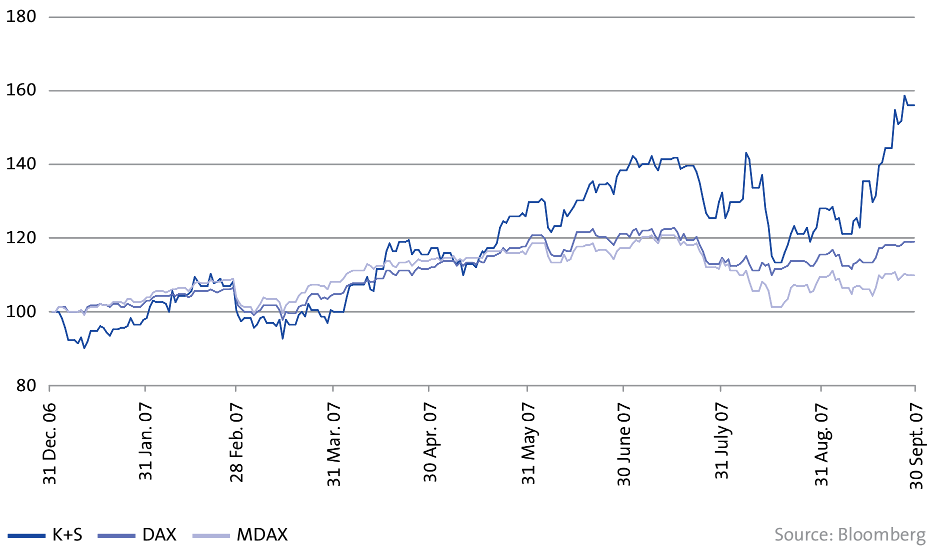
As at 30 September 2007, a total of 11,980 people were employed by the K+S Group, which means that their number was slightly higher than a year ago. At the end of 2007, the number of employees should increase again slightly and amount to just over 12,000 as expected. As at 30 September 2007, there were 615 trainees – a temporary decrease of 6 compared with the same period last year.

In the third quarter, personnel expenses amounted to € 160.6 million and were thus only slightly higher than a year ago; the figure for the first nine months was up just under 4% to € 509.0 million. The increase is attributable to the first-time inclusion of SPL for the entire year and the collective agreement pay increases in force since August 2006. For all of 2007, we expect a moderate increase in personnel expenses to about € 685 million (2006: € 663.5 million). A moderate increase is expected in the coming year.

Significant changes in the shareholder structure in the third quarter
The investment company Franklin Mutual Advisors notified us that it had fallen below the 3% threshold on 6 September 2007 and that it no longer held any voting rights in K+S. On 13 September, Linea Ltd. announced that it had acquired 6.75% of our shares on 10 September. Linea is an investment company that, according to information provided by it, among others manages the industrial shareholdings of Andrey Melnichenko and also holds shares in the Russian agro-chemical company EuroChem. According to the definition applied by Deutsche Börse, our free float has thus declined to 82.95%. In addition, Prudential plc notified us that its subsidiary M&G Investment Limited had fallen below the 3% threshold on 18 September 2007. The voting shares held by Prudential itself also fell below the reporting threshold on 25 September.

The K+S Share
From a level of about € 115 at the beginning of July 2007, the price of the K+S share fell somewhat as the capital market waited for the publication of half-year figures. On 8 August 2007, speculation about possible transport problems on the part of Russian potash producer Silvinit caused the share price to rise significantly to just under € 118. It was feared that as a result of the soil subsidence caused by the leach inflow at the Uralkali mine Berezniki I, which was abandoned in October 2006, both the original railway line, used by Silvinit to transport most of its goods, and the temporary alternative route could be at risk. This prompted price turbulence that was not only evident in the case of the K+S share: On the one hand, the value of the K+S share suffered because at € 120, analyst target prices were at first reached and on the other hand, from the fact that, in addition to the mortgage lending crisis in America, the outlook published in our half-year reporting fell somewhat short of the very ambitious capital market expectations. Thus, following the publication of the Q2 figures, the share fell significantly to about € 90. In the course of the global stock market recovery, our share too was able to recover and to regain the € 100 mark at the end of August. On 13 September, Linea announced that it had acquired 6.75% of our shares. Speculation about the intentions of this new shareholder caused the K+S share to post further gains. In addition, announcements of further potash price increases on overseas markets impacted positively on the share price, so that the K+S share reached a value of € 130.98 on 27 September. At the end of the third quarter, it closed at € 128.56 (28 Sept. 2007). The development of the share since the beginning of the year corresponds to an increase of 56%. During the same period, the DAX and the MDAX rose by 19% and 10% respectively. In the most recent of the polls that we conduct regularly, seven banks gave us a “buy/accumulate” recommendation and one a “hold/neutral” recommendation; three studies arrived at a “reduce/sell” investment recommendation. The “Investors Relations” section of our homepage carries a constantly updated overview of current research recommendations as well as consensus forecasts for revenues and earnings.

Performance of the K+S Share in relation to the Dax and MDAX in 2007 (indexed)
(Performance in %)



Subsequent events

Following the close of the quarter under review, no significant changes have occurred in the economic environment or in the situation of our industry and nor have any other events occurred of material importance for the K+S Group such as would require disclosure.

Risk report

For a comprehensive description of the risk and opportunity management system, please refer to the relevant passages in our Annual Report 2006. Only changes that have occurred since then are described below. The statements about the other risks described in the Annual Report essentially remain without change. The risks to which the K+S Group is exposed, both in isolation or in conjunction with other risks, are limited and do not, according to current estimates, jeopardise the continued existence of the Company.

Production and the environment

In the Potash and Magnesium Products business segment, production risks could arise from the imposition of restrictions on the possibilities for disposing of saline water from tailings piles and production. Currently, such water, in keeping with the practice approved by the responsible authorities for many years, is discharged into waste water channels or sunk in underground layers of rock. As the regulatory environment is becoming increasingly demanding and part of the public more and more critical in its stance, K+S is examining all conceivable alternative forms of disposal with the participation of independent experts. It cannot be ruled out that those resulting concepts which would win approval will give rise to additional costs.

Currency

Because of the significant depreciation of the US dollar in relation to the euro in the third quarter of 2007, we have adjusted our option barriers as part of our active currency management. Nevertheless, there remains the risk of a further weakening of the US dollar so that the hedging gains that are expected in the coming year could be reduced by additional option premiums if it becomes necessary to adjust the barriers again. The hedging instruments that we employ reduce our currency risks to a large extent but without eliminating them entirely.

Business environment risks and industry risks

In the case of the K+S Group too, production costs are influenced by the price of energy, especially of gas, to a not insignificant degree. Rising oil prices generally cause gas procurement to become more expensive. In the future, cooperation with energy companies should reduce the risk to earnings by means of steam from substitute fuel heating plants. In addition, hedging transactions are used insofar as they can be expected to produce substantial gains. A further weakening of the US dollar exchange rate in relation to the euro would also serve to check the increase in energy costs.

Opportunity report

For a comprehensive description of possible opportunities, please see the relevant passages in our Annual Report 2006. The statements about the other opportunities described in the Annual Report essentially remain without change. There is no offsetting of opportunities and risks as well as positive and negative changes in them.

Outlook

Future Macroeconomic Situation

For the remaining months of 2007, we do not expect any serious changes in relation to the macroeconomic environment already described. However, the forecast made in the Annual Report 2006 about the economy picking up again in 2008 has to be examined critically given that the effects of the US real estate crisis on economic growth in industrialised countries still remain unclear. A further depreciation of the US dollar exchange rate and a further increase in energy costs could have an additional dampening effect over the medium term. Nevertheless, we continue to expect rapid economic expansion in developing and emerging market countries which should intensify the global demand for fertilizers and thus further support the K+S Group's business success. In addition, the previous effects on the course of business of the K+S Group described on page 3 should also persist under the predicted macroeconomic conditions.

Future Industry Situation

The capacity, production and demand data for the global potash market forecasted by the International Fertilizer Association point to a very high level of utilisation in 2007. The reasons for the future growth in demand for potash fertilizers described in the Annual Report 2006 remain valid, although demand is expected to grow at a rate of 3% to 5% per year over the medium term rather than the 2% to 3% per year expected in the Annual Report 2006. After 2007, the growth in capacity should at best keep pace with this growth in demand. As the world's fourth-largest single producer, K+S should participate in this appreciably: High barriers to market entry as well as long lead times for capacity expansion guarantee that K+S will occupy a similarly important market position in the future too despite the full utilisation of capacity.

The salt business, particularly in the fourth quarter, will largely depend on winter weather conditions. In this respect, we base our assumptions on average sales figures for a good many years in the case of both the European and North American markets, which, however, cannot make up for the current shortfalls in sales of de-icing salt. The future industry situation for the Salt business segment as described in the Annual Report 2006 will also apply to the coming year.

Future Earnings Position

Given the conditions that are expected, we anticipate a tangible rise in revenues this year despite currency-related decreases. The consolidation effect arising from the first-time inclusion of SPL for the entire year will also favour this. Revenues for 2007 as a whole should therefore reach € 3.1 billion to € 3.2 billion (previous forecast: € 3.1 billion to € 3.3 billion; 2006: € 2.96 billion). After we had to adjust our US dollar hedging once again in October and November to take account of the accelerated depreciation of the US dollar in relation to the euro, we now expect EBIT I for the K+S Group to reach a value of between € 300 million and € 310 million. In relation to the record figure of a year ago, this represents an increase of between 8% and 12% (previously € 310 million to € 325 million; 2006: € 278.0 million).

Our outlook for the remaining months of the year is based on an average de-icing salt business in Europe and North America in the fourth quarter. Subject to the conditions described, adjusted earnings after taxes for 2007 should amount to between € 175 million and € 185 million (previously € 185 million to € 195 million; 2006: € 176.2 million without non-recurrent deferred tax income), corresponding to adjusted earnings per share of approximately € 4.30 to € 4.45.

With regard to the course of business in 2008, we are more optimistic in the meantime compared with the statements made in the Annual Report 2006: Revenues should not just rise slightly, but appreciably. This estimate is mainly based on higher than previously anticipated revenues in the Potash and Magnesium Products business segment as a result of significant price increases on global potash markets. We estimate operating earnings to be clearly higher in financial year 2008 too. This is related first and foremost to the marked rise in average prices in the Potash and Magnesium Products business segment; a rise that will significantly exceed costs. In addition, a normalisation of the de-icing salt business next year should result in an appreciable increase in operating earnings for the Salt business segment.

Future Dividend Policy

We pursue an earnings-based dividend policy. The K+S share should remain an investment offering high growth and high yields in the future too. A distribution level of between 40% and 50% as well as an attractive dividend yield are points of reference for future dividend recommendations to be determined jointly with the Supervisory Board. Given their limited economic meaningfulness as well as the considerable fluctuations to which the market values of our currency options are subject, our distribution level is based on after-tax earnings adjusted for these effects.

Future Financing

With net indebtedness, including long-term provisions, amounting to € 830.3 million at the present time, the K+S Group has a strong financial base. This enables us to respond flexibly to investment and acquisition opportunities. However, in contrast to the expectation expressed in the Annual Report 2006, net indebtedness should increase significantly at the end of the year as a result of lower cash flow from operating activities prompted by markedly higher premium payments for hedging the US dollar for this year and for future years. Assuming the option premium payments will normalise again, the future course of business should result in it being possible to reduce net indebtedness with high free cash flow.

Assurance from the legal representatives of K+S Aktiengesellschaft

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

The Board of Executive Directors, 9 November 2007

Forward-looking statements

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

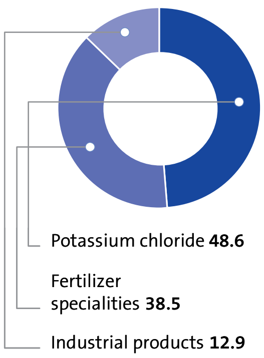
Business Segments of the K+S Group

Change in revenues in %	Q3/07	9M/07
Potassium chloride	+ 3.9	+ 7.6
Fertilizer specialities	+ 11.9	+ 13.7
Industrial products	+ 18.0	(3.0)

Potash and Magnesium Products	July – Sept. (Q3)			Jan. – Sept. (9M)		
€ million	2007	2006	%	2007	2006	%
Revenues	313.5	288.3	+ 8.7	1,021.7	943.3	+ 8.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	84.1	57.7	+ 45.8	229.7	179.7	+ 27.8
Operating earnings (EBIT I)	65.0	39.2	+ 65.8	173.7	123.0	+ 41.2
Operating EBIT margin in %	20.7	13.6		17.0	13.0	
Earnings after market value changes (EBIT II)	(145.8)	82.4	–	(28.2)	225.2	–
Capital expenditure	23.9	24.4	(2.0)	48.9	54.0	(9.4)
Employees as of 30 September (number)	–	–	–	7,629	7,566	+ 0.8

The third quarter of 2007 was influenced by worldwide strong demand for potash fertilizers, which also received a boost from significantly higher prices for agricultural products. International potash price levels have risen tangibly against a backdrop of scarce supply, higher freight rates worldwide as well as the weakness of the US dollar. In addition, further price increases have been announced for the fourth quarter.

Revenues by product group
Jan. – Sept. 2007
(in %)



During the quarter under review, business segment revenues reached € 313.5 million, representing an increase of just under 9% in relation to the same period a year ago. The increase is attributable to price increases and more than made up for negative volume effects as well as a weaker US dollar. In the potassium chloride segment, higher prices could more than make up for volume decreases due to structural factors; revenues rose by 4% to € 150.3 million. Revenues generated by fertilizer specialities reached € 115.9 million, increasing by 12% because of an improved sales structure and positive price effects. In the case of industrial products, price factors produced revenues of € 47.3 million, representing an increase of 18%. For the first nine months, business segment revenues totalled € 1,021.7 million as a result of price and volume factors, up 8% on the figure for the same period last year.

Third quarter operating earnings totalled € 65.0 million and thus rose by 66%. Higher average prices of potash and magnesium products could more than make up for higher costs, especially in the case of materials, as well as a weaker currency result. Operating earnings for the first nine months amounted to € 173.7 million, up about 41% on the same period last year.

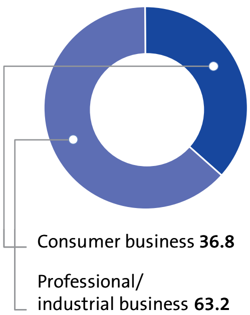
Against a backdrop of rising potash prices worldwide, we expect revenues for 2007 to rise appreciably. We assume in this regard that there will be no change in a sales level of about 8 million tonnes of goods. Operating earnings should rise significantly, as higher average prices more than make up for the moderate rise in this year's energy and personnel expenses as well as the outlays necessary to maintain the full utilisation of production capacity.

Change in revenues in %	Q3/07	9M/07
Consumer business	+ 12.9	+ 8.0
Professional/ industrial business	+ 30.4	+ 15.3

COMPO	July – Sept. (Q3)			Jan. – Sept. (9M)		
€ million	2007	2006	%	2007	2006	%
Revenues	115.9	92.2	+ 25.7	489.9	435.5	+ 12.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2.5	2.0	+ 25.0	35.7	32.8	+ 8.8
Operating earnings (EBIT I)	0.0	(0.4)	–	28.2	25.6	+ 10.2
Operating EBIT margin in %	–	–		5.8	5.9	
Earnings after market value changes (EBIT II)	(2.0)	(0.5)	> (100.0)	25.4	26.5	(4.2)
Capital expenditure	4.3	3.0	+ 43.3	8.1	6.5	+ 24.6
Employees as of 30 September (number)	–	–	–	1,234	1,253	(1.5)

In Northern and Western Europe, the third quarter, which is generally weaker because of seasonal factors, was marked by variable weather conditions; this mainly affected the consumer business, which additionally continued to see fierce competition in France. In the professional business, demand was once again high in Southern Europe and overseas. Early stocking-up in the professional and consumer areas – especially in the case of the newly-launched plant protection products – saw a very promising start.

Revenues by segment
Jan. – Sept. 2007
(in %)



In the third quarter, revenues rose by just under 26% to € 115.9 million mainly as a result of volume factors. In the consumer area, higher sales in Southern Europe as well as for plant protection products resulted in a revenue increase of about 13% to € 27.6 million. The professional business profited from high demand in Southern Europe and overseas, so that revenues rose by 30% to € 88.3 million mainly as a result of volume factors but also because of price factors. Revenues for the first nine months rose by about 13% to € 489.9 million primarily due to volume factors.

Third quarter operating earnings were in balance and thus up on the negative figure for the same period last year (€ (0.4) million); higher revenues could make up for higher costs as well as the weaker currency result compared with a year ago. Operating earnings for the first nine months amounted to € 28.2 million and were thus up 10% on the same period last year.

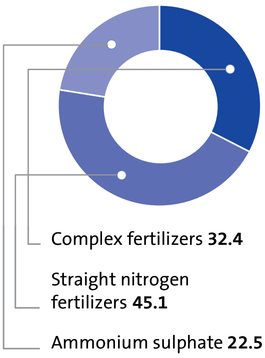
We continue to expect a significant rise in revenues for 2007. Higher sales of consumer products, especially of plant protection products, as well as the professional area price increases implemented in the second half of the year should contribute to this. Against this backdrop and despite the trend in raw material prices that can be foreseen at the present time, operating earnings should rise tangibly.

Change in revenues in %	Q3/07	9M/07
Complex fertilizers	+ 23.2	+ 9.0
Straight nitrogen fertilizers	+ 3.9	+ 9.5
Ammonium sulphate	+ 27.8	+ 29.7

FERTIVA	July – Sept. (Q3)			Jan. – Sept. (9M)		
€ million	2007	2006	%	2007	2006	%
Revenues	164.0	143.8	+ 14.0	468.5	413.6	+ 13.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5.4	5.8	(6.9)	15.4	14.9	+ 3.4
Operating earnings (EBIT I)	5.2	5.8	(10.3)	15.1	14.6	+ 3.4
Operating EBIT margin in %	3.2	4.0		3.2	3.5	
Earnings after market value changes (EBIT II)	5.4	5.8	(6.9)	15.3	14.6	+ 4.8
Capital expenditure	1.4	–	–	3.8	–	–
Employees as of 30 September (number)	–	–	–	59	61	(3.3)

The start of the new 2007/2008 fertilizing season in the third quarter was marked by high demand for nitrogenous fertilizers both in Europe and overseas. Against the backdrop of availability bottlenecks as well as rising potash and phosphate prices, significant price increases for complex fertilizers were implemented in Western Europe. Ammonium sulphate prices also remained on a high level because of demand.

Revenues by product group
Jan. – Sept. 2007
(in %)



In the third quarter of 2007, business segment revenues rose by 14% to € 164.0 million as a result of price factors. The revenues generated by complex fertilizers reached € 51.5 million and thus rose by 23% because of price factors. At € 77.6 million, revenues for straight nitrogen fertilizers rose by 4% as a result of price and volume factors. In the case of ammonium sulphate, higher prices could more than make up for slight decreases in sales in Germany; revenues reached € 34.9 million and could thus be increased by 28%. Business segment revenues for the first nine months rose by 13% to € 468.5 million. The increase is mainly due to price increases but also to positive volume effects, and more than made up for the weaker US dollar.

Third quarter operating earnings reached € 5.2 million and were thus 10% down on the same quarter a year ago, which benefited from an extraordinary effect. Operating earnings for the first nine months rose by a good 3% to € 15.1 million.

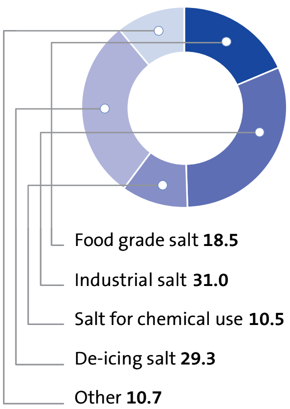
Contrary to the forecasts that we have expressed thus far, we expect a tangible increase in revenues in 2007 because of a more favourable environment for nitrogenous fertilizers. As a result, operating earnings should rise significantly.

Change in revenues in %	Q3/07	9M/07
Food grade salt	+ 2.4	+ 16.9
Industrial salt	(4.4)	+ 13.2
Salt for chemical use	+ 7.7	+ 55.9
De-icing salt	(53.8)	(16.2)
Other	+ 12.9	+ 88.0

Salt	July – Sept. (Q3)			Jan. – Sept. (9M)		
million €	2007	2006	%	2007	2006	%
Revenues	101.0	115.5	(12.6)	376.2	340.9	+ 10.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.2	13.9	(26.6)	51.0	72.8	(29.9)
Operating earnings (EBIT I)	3.2	7.7	(58.4)	29.9	55.6	(46.2)
Operating EBIT margin in %	3.2	6.7		7.9	16.3	
Earnings after market value changes (EBIT II)	(17.9)	9.8	–	12.9	57.7	(77.6)
Capital expenditure	9.6	3.5	> 100.0	20.0	11.7	+ 70.9
Employees as of 30 September (number)	–	–	–	2,274	2,158	+ 5.4

SPL was included with effect from 1 July 2006 and for this reason, the cumulative previous year figures are not comparable (see Notes). In the third quarter, the exceptionally warm winter at the beginning of the year left its mark on the Western European de-icing salt business. Full stores on the customer side resulted in significantly lower early procurement. On the North American de-icing salt market, the late but heavy winter had a positive effect, so that early procurement there was relatively normal. Markets for food grade and industrial salts in Europe were stable and demand for salt for chemical use was relatively strong. The South American market for industrial salt and salt for chemical use is growing in line with local population and economic trends.

Revenues by product group
Jan. – Sept. 2007
(in %)



At € 101.0 million, business segment revenues for the third quarter of 2007 were down 13% on the same period last year as a result of volume factors. In the case of food grade salts and salts for chemical use, revenues amounted to € 23.4 million and € 12.9 million respectively; the slight and moderate increases for both sectors were mainly volume driven. In the industrial salt sector, slight decreases in sales caused revenues to decline by € 1.7 million to € 36.4 million. De-icing salt revenues amounted to € 13.7 million, down € 15.9 million or 54% on the same period last year. The revenue increase in other area of € 1.7 million to € 14.6 million is due to the positive development of the logistics business of the Empremar shipping company, which belongs to the SPL Group, as a result of higher freight rates. Revenues for the first nine months rose by 10% to € 376.2 million because of consolidation factors.

Third quarter operating earnings amounted to € 3.2 million and were thus down € 4.5 million on the same period last year; the higher contribution to earnings made by SPL could not make up for the decrease in earnings in Europe. At € 29.9 million, operating earnings for the first nine months were down € 25.7 million or 46% on the level of a year ago mainly as a result of the exceptionally weak European de-icing salt business.

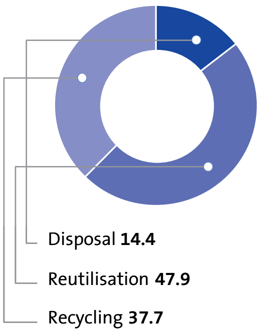
As a result of the first-time consolidation of SPL activities for the entire year, we continue to expect the Salt business segment to post a significant revenue increase this year. In making this estimate, we assume a normal fourth quarter winter in Europe and in the United States. As a result of the sharp decrease in sales for the European de-icing salt business, operating earnings will not be able to mirror the consolidation-related increase in revenues but will fall well below the figure for the preceding year.

Change in revenues in %	Q3/07	9M/07
Disposal	+ 3.0	(6.0)
Reutilisation	+ 14.4	+ 9.7
Recycling	(0.8)	(0.7)

Waste Management and Recycling	July – Sept. (Q3)			Jan. – Sept. (9M)		
€ million	2007	2006	%	2007	2006	%
Revenues	17.8	16.6	+ 7.2	52.9	51.3	+ 3.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2.8	3.6	(22.2)	10.9	12.2	(10.7)
Operating earnings (EBIT I)	2.4	2.9	(17.2)	8.7	10.2	(14.7)
Operating EBIT margin in %	13.5	17.5		16.4	19.9	
Earnings after market value changes (EBIT II)	2.4	2.9	(17.2)	8.7	10.2	(14.7)
Capital expenditure	2.9	0.6	> 100.0	4.0	2.2	+ 81.8
Employees as of 30 September (number)	–	–	–	34	34	–

The positive effects of the stricter legal requirements applicable to the handling of municipal waste in force since 2005 continued to impact positively on waste reutilisation. The aluminium recycling business also saw full utilisation of recycling capacity. By contrast, the waste disposal business continued to see intense competition.

Revenues by segment
Jan. – Sept. 2007
(in %)



During the quarter under review, revenues rose by 7% to € 17.8 million as a result of volume and price factors. Underground waste disposal achieved revenues of € 2.6 million (+ 3%); increased recovery of recyclable waste and higher prices made up for slight volume decreases for storage. In the case of underground waste reutilisation, we achieved a mainly volume-related increase of 14% to € 8.8 million. At € 6.4 million, recycling business revenues approximated the level of a year ago. Revenue decreases as a result of lower prices for aluminium granulate and lower volume could be almost entirely offset by higher prices for the recycling of aluminium salt slag and building materials. Business segment revenues for the first nine months totalled € 52.9 million and exceeded the figure for the same period last year by 3%.

Third quarter operating earnings fell by € 0.5 million to € 2.4 million; this was mainly due to higher energy costs in the recycling area and to freight costs that rose overall. The business segment generated operating earnings of € 8.7 million for the first nine months, down € 1.5 million on the figure for the same period last year.

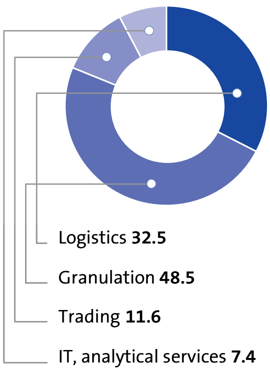
For 2007, we continue to expect revenues on a similar level to last year. We expect higher volumes in the case of flue gas cleaning residues for underground reutilisation as well as an increase in the removal from stored waste for the recovery of reusable materials. We continue to expect the full use of our capacity in the recycling of aluminium salt slag. However, revenues can be expected to decline because of the trend towards lower aluminium prices. Against this backdrop, we continue to expect that business segment operating earnings will not quite attain last year's very good result.

Change in revenues in %	Q3/07	9M/07
Logistics	+ 4.3	+ 9.3
Granulation	+ 14.1	+ 0.5
Trading	+ 13.6	(11.7)
IT, analytical services	(7.3)	(13.5)

Services and Trading

	July – Sept. (Q3)			Jan. – Sept. (9M)		
€ million	2007	2006	%	2007	2006	%
Revenues	14.9	13.7	+ 8.8	41.2	41.1	+ 0.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11.9	8.4	+ 41.7	27.9	24.9	+ 12.0
Operating earnings (EBIT I)	10.0	6.8	+ 47.1	22.8	20.4	+ 11.8
Operating EBIT margin in %	67.1	49.6		55.3	49.6	
Earnings after market value changes (EBIT II)	10.0	6.8	+ 47.1	22.8	20.4	+ 11.8
Capital expenditure	3.2	1.8	+ 77.8	10.7	4.2	> 100.0
Employees as of 30 September (number)	–	–	–	375	405	(7.4)

Revenues by segment Jan. – Sept. 2007 (in %)



Services and Trading business segment revenues rose by just under 9% to € 14.9 million in the third quarter of 2007. Business segment revenues for the first nine months totalled € 41.2 million and were thus on the level of a year ago. In accordance with IFRSs, the revenues deriving from services supplied to K+S Group companies, especially in the case of logistics, are not included in these figures. Including these intercompany revenues, total revenues for the first nine months amounted to € 102.0 million (9M/2006: € 98.8 million).

Third quarter revenues in the logistics area amounted to € 4.5 million and were thus up slightly on the level of a year ago as a result of the brisker freight forwarding business. Trading business revenues rose by € 0.2 million to € 1.6 million, while at € 1.3 million, IT and analytical service revenues were down slightly on a year ago. In the case of granulation, revenues from the production of CATSAN® rose by 14% to € 7.7 million as a result of volume and structural factors.

At € 10.0 million, business segment operating earnings for the third quarter were up € 3.2 million or 47% on the same period last year; this was mainly attributable to the contribution to earnings made by the disposal of biodata ANALYTIK GmbH. For the period from January to September, the business segment achieved earnings of € 22.8 million, up 12% on the same period last year.

Service and Trading business segment revenues for the current financial year should once again attain last year's good level as expected. By contrast, 2007 operating earnings will benefit from the non-recurrent effect arising from the disposal of biodata ANALYTIK GmbH and should thus exceed last year's figure.

Financial Section

Income statement	July – Sept. (Q3)		Jan. – Sept. (9M)	
€ million	2007	2006	2007	2006
Revenues	**727.1**	**670.1**	**2,450.4**	**2,225.7**
Cost of sales	472.2	455.8	1,629.9	1,453.9
Gross profit	**254.9**	**214.3**	**820.5**	**771.8**
Gross margin in %	35.1	32.0	33.5	34.7
Selling expenses	162.7	156.5	548.2	521.2
General and administrative expenses	19.1	21.0	64.6	58.7
Research and development costs	3.9	3.2	11.4	10.1
Other operating income/expenses	6.3	17.5	51.5	40.7
Income from investments, net	3.9	0.6	4.3	1.7
Operating earnings (EBIT I)	**79.4**	**51.7**	**252.1**	**224.2**
Operating EBIT margin in %	10.9	7.7	10.3	10.1
Market value changes from hedging transactions	(233.5)	45.3	(221.5)	105.2
Earnings after market value changes (EBIT II)	(154.1)	97.0	30.6	329.4
Interest income, net	(9.2)	(7.4)	(24.2)	(16.6)
Other financial result	0.8	2.2	(0.3)	5.3
Financial result	**(8.4)**	**(5.2)**	**(24.5)**	**(11.3)**
Earnings before income taxes	(162.5)	91.8	6.1	318.1
Earnings before income taxes, adjusted*	**71.0**	**46.5**	**227.6**	**212.9**
Taxes on income	(54.1)	31.7	2.0	110.1
- of which deferred taxes	(42.2)	18.8	(31.1)	59.5
Earnings after taxes	(108.4)	60.1	4.1	208.0
Minority interests in earnings	–	–	0.1	–
Group earnings after taxes and minority interests	(108.4)	60.1	4.0	208.0
Elimination of market value changes after taxes	156.0	(28.6)	148.4	(66.3)
Group earnings after taxes, adjusted*	**47.6**	**31.5**	**152.4**	**141.7**
Earnings per share in € (undiluted ≙ diluted)	(2.63)	1.46	0.10	5.04
Earnings per share in €, adjusted*	**1.15**	**0.76**	**3.70**	**3.44**
Average number of shares (million)	41.25	41.25	41.23	41.23

* Adjusted for the effect of market value changes in hedging transactions. In the case of adjusted Group earnings, the resulting tax effects were also eliminated

Statement of changes in equity € million	Subscribed capital	Additional paid-in capital	Profit retained/ revenue reserves	Differences from foreign currency translation	Fair value reserve	Minority interests	Equity
Balance as of 1 January 2007	108.8	7.9	997.4	(15.7)	25.3	0.6	1,124.3
Dividend for previous year	–	–	(82.5)	–	–	–	(82.5)
Earnings after taxes for the period	–	–	4.0	–	–	0.1	4.1
Subscription of employee shares	–	(2.7)	–	–	–	–	(2.7)
Market valuation of securities	–	–	–	–	(4.6)	–	(4.6)
Consolidation-related effects	–	(0.1)	–	–	–	–	(0.1)
Other neutral changes	–	–	(0.2)	(16.1)	0.2	–	(16.1)
Balance as of 30 September 2007	**108.8**	**5.1**	**918.7**	**(31.8)**	**20.9**	**0.7**	**1,022.4**
Balance as of 1 January 2006	108.8	8.7	804.6	(0.2)	20.1	0.1	942.1
Dividend for previous year	–	–	(74.2)	–	–	–	(74.2)
Earnings after taxes for the period	–	–	208.0	–	–	–	208.0
Subscription of employee shares	–	(3.8)	–	–	–	–	(3.8)
Market valuation of securities	–	–	–	–	5.5	–	5.5
Consolidation-related effects	–	0.1	–	2.2	–	0.9	3.2
Other neutral changes	–	–	2.2	0.1	(9.4)	–	(7.1)
Balance as of 30 September 2006	**108.8**	**5.0**	**940.6**	**2.1**	**16.2**	**1.0**	**1,073.7**

Balance sheet - assets

€ million	30.09.2007	30.09.2006	31.12.2006
Intangible assets	176.9	473.7	189.0
- of which goodwill from acquisitions	100.0	103.1	102.9
Property, plant and equipment	1,072.1	815.6	1,082.7
Investment properties	8.0	8.6	8.3
Financial assets	20.1	18.6	19.4
Receivables and other assets	4.2	4.3	2.5
Securities	37.5	39.5	42.1
Deferred taxes	60.5	39.7	52.0
Recoverable income taxes	0.5	–	0.6
Non-current assets	**1,379.8**	**1,400.0**	**1,396.6**
Inventories	352.4	323.7	370.2
Accounts receivable – trade	668.9	563.6	629.5
Other receivables and assets	347.7	305.8	344.4
- of which derivative financial instruments	246.1	219.8	242.7
Recoverable income taxes	27.9	11.6	10.6
Securities	12.9	71.9	15.2
Cash on hand and balances with banks	37.9	49.4	64.4
Current assets	**1,447.7**	**1,326.0**	**1,434.3**
ASSETS	**2,827.5**	**2,726.0**	**2,830.9**

Balance sheet - equity and liabilities

€ million	30.09.2007	30.09.2006	31.12.2006
Subscribed capital	108.8	108.8	108.8
Additional paid-in capital	5.1	5.0	7.9
Other revenue reserves and profit retained	907.8	958.9	1,007.0
Minority interests	0.7	1.0	0.6
Equity	**1,022.4**	**1,073.7**	**1,124.3**
Bank loans and overdrafts	188.2	160.3	136.8
Other liabilities	13.9	12.5	14.0
Provisions for pensions and similar obligations	126.6	172.1	128.2
Provisions for mining obligations	343.8	327.8	338.2
Other provisions	115.2	127.9	125.4
Deferred taxes	56.5	110.5	79.5
Non-current debt	**844.2**	**911.1**	**822.1**
Bank loans and overdrafts	255.2	145.2	234.0
Accounts payable – trade	379.6	303.8	360.8
Other liabilities	112.6	61.1	77.8
- of which derivative financial instruments	61.5	16.9	39.3
Income tax liabilities	17.9	29.3	16.6
Provisions	195.6	201.8	195.3
Current debt	**960.9**	**741.2**	**884.5**
EQUITY AND LIABILITIES	**2,827.5**	**2,726.0**	**2,830.9**

Net debt

	Jan. – Sept. (9M)	
€ million	2007	2006
Net debt as of 1 January	**(718.2)**	**(324.0)**
Cash on hand and balances with banks	37.9	49.4
Liabilities due to banks < 3 months	(109.3)	(30.2)
Cash invested with affiliated companies*	–	–
Cash received from affiliated companies*	(4.8)	(4.1)
Net cash and cash equivalents as of 30 September	**(76.2)**	**15.1**
Securities	50.4	111.4
Liabilities due to banks > 3 months	(334.1)	(275.3)
Provisions for pensions and similar obligations	(126.6)	(172.1)
Provisions for mining obligations	(343.8)	(327.8)
Net debt as of 30 September	**(830.3)**	**(648.7)**

* Companies not included in the scope of consolidation

Cash flow statement	July – Sept. (Q3)		Jan. – Sept. (9M)	
€ million	2007	2006	2007	2006
Operating earnings (EBIT I)	**79.4**	**51.7**	**252.1**	**224.2**
Depreciation and amortisation on fixed assets*	31.2	29.8	93.2	89.6
Decrease(-)/increase(+) in non-current provisions (without interest rate effects)	(1.5)	(2.7)	(13.5)	(19.4)
Interest received, dividends and similar income	0.4	2.0	5.3	7.5
Gains(+)/losses(-) realised on the disposal of financial assets, investment properties and securities	0.1	0.6	0.2	17.4
Interest paid	(5.7)	(4.9)	(16.0)	(8.0)
Other financing income/expenses	0.7	(0.4)	–	(8.7)
Income tax received(+)/paid(-)	11.9	(13.0)	(33.1)	(50.7)
Other non-cash expenses(+)/income(-)	–	–	(0.5)	–
Gross cash flow	**116.5**	**63.1**	**287.7**	**251.9**
Gains(-)/losses(+) on the disposal of fixed assets and securities	(3.1)	–	(4.4)	(18.6)
Increase(-)/decrease(+) in inventories	(54.2)	(7.8)	17.7	12.8
Increase(-)/decrease(+) in receivables and other assets from operating activities	(158.2)	69.7	(342.9)	50.5
- of which: premium volume for derivatives	(209.0)	(5.1)	(284.6)	3.8
Decrease(-)/increase(+) in liabilities from operating activities	69.8	(18.7)	114.7	(84.8)
- of which: premium volume for derivatives	86.6	(2.8)	81.8	(8.3)
Decrease(-)/increase(+) in current provisions	(4.7)	2.5	11.6	(6.9)
Out-financing of provisions	(3.1)	(2.2)	(7.7)	(4.8)
Cash flow from(+)/for(-) operating activities	**(37.0)**	**106.6**	**76.7**	**200.1**
Proceeds from disposals of fixed assets	0.8	1.9	3.5	21.5
Disbursements for intangible assets	(4.6)	(1.3)	(9.8)	(3.1)
Disbursements for property, plant and equipment	(40.8)	(31.8)	(86.9)	(75.8)
Disbursements for financial assets	(1.5)	–	(1.6)	(0.1)
Proceeds from the sale of consolidated companies	3.6	–	3.6	–
Disbursements for acquisition of consolidated companies	–	1.1	(0.5)	(357.8)
Proceeds from sale/disbursements for acquisition of securities	0.1	(1.4)	0.1	36.5
Cash flow for investing activities	**(42.4)**	**(31.5)**	**(91.6)**	**(378.8)**
Free cash flow	**(79.4)**	**75.1**	**(14.9)**	**(178.7)**
Payment of dividend	–	–	(82.5)	(74.2)
Purchase of own shares	–	–	(5.2)	(7.5)
Payments from allocations to equity	–	–	2.7	4.1
Taking out(+)/repayment (-) of loans	36.7	(33.6)	8.5	198.4
Cash flow from(+)/for(-) financing activities	**36.7**	**(33.6)**	**(76.5)**	**120.8**
Change in cash and cash equivalents affecting cash flow	**(42.7)**	**41.5**	**(91.4)**	**(57.9)**
Change in value of cash and cash equivalents	(0.6)	–	(0.9)	–
Consolidation-related changes	(0.3)	–	(0.3)	3.2
Change in cash and cash equivalents	**(43.6)**	**41.5**	**(92.6)**	**(54.7)**

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

Notes

Explanatory notes; changes in the legal Group and organisational structure

The interim reports of the K+S Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) since 2005. The valuation principles applied in these quarterly financial statements correspond to those applied to the comparative period. The legal Group and organisational structure as described in the Annual Report 2006 was unchanged as of 30 September 2007. As a result of the SPL acquisition, the scope of consolidation as of 30 June 2006 was extended to include 19 companies in the balance sheet for the first time; they have been included in the Group income statement since 1 July 2006. biodata ANALYTIK GmbH, Linden, which was sold on 20 September 2007, is no longer included in the scope of consolidation.

The composition and responsibilities of the Board of Executive Directors and the Supervisory Board have been described in the Annual Report 2006. Changes that took effect on 1 July 2007 have already been described in the Half-yearly Financial Report. There have been no other changes.

Material changes in individual balance sheet items

The balance sheet total as of 30 September 2007 only declined by € 3.5 million compared with the annual financial statements for 2006. On the asset side, the decline in non-current assets of € 16.8 million was almost offset by the increase in current assets of € 13.3 million. The decrease in fixed assets was mainly attributable to exchange rate differences; the increase in current assets was largely due to higher trade accounts receivable prompted by higher revenues. On the equity and liabilities side, equity declined by € 101.2 million mainly due to the dividend payment of € 82.5 million made in May 2007. Debt rose by € 98.5 million. In addition to an increase in financial liabilities, the main reason for this rise was an increase in trade accounts payable prompted by both volume and price factors.

Material changes in equity

Equity is influenced by transactions and events whether recognised in profit or loss or not as well as by capital transactions with shareholders. Compared with the annual financial statements for 2006, profit retained and other revenue reserves declined by € 78.7 million. The reduction is mainly attributable to the dividend payment to shareholders (€ 82.5 million). The increase in retained profit because of the earnings for the current period amounts to € 4.0 million. Changes in equity not recognised in profit or loss mainly arise from the currency translation of subsidiaries in functional currency as well as from the market valuation of securities that belong to the "available for sale" category. Differences from the currency translation are recorded in a separate currency translation reserve; this declined by € 16.2 million over the first nine months of financial year 2007 because of exchange rate fluctuations. As a result of the lower market value of securities belonging to the "available for sale" category, there was also a decrease of € 4.4 million in the corresponding fair value reserve.

Seasonal factors

There are seasonal differences over the course of the year that affect sales of fertilizers and salt products. In the case of fertilizers, we generally attain our highest revenues in the first half of the year because of the fertilizing season in Europe during the spring. This effect can either be enhanced or diminished by overseas sales. Sales of salt products – especially of de-icing salt – largely depend on winter weather conditions during the first and fourth quarters. In the aggregate, both these effects mean that revenues and earnings in particular are generally greatest during the first half of the year. To improve forecast quality by eliminating seasonal effects, the last twelve months (LTM) can be compared with the previous year's figures (see right table).

€ million	LTM* 2007	2006
Revenues	3,182.4	2,957.7
EBIT I	305.9	278.0
Group earnings after taxes, adj. **	186.9	176.2

* LTM = last twelve months (9M 2007 + Q4 2006)
** excluding non-recurrent deferred tax income of € 41.9 million or € 1.02 per share

Notes on non-comparable figures for the previous year period

The following table shows how the Salt business segment would have developed over the first nine months of 2007 without the inclusion of the SPL activities.

Salt (without SPL)	Jan. – Sept. (9M)	
€ million	2007	2006
Revenues	217.3	307.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	21.7	72.5
Operating earnings (EBIT I)	5.5	56.2
Operating EBIT margin in %	2.5	18.3
Earnings after market value changes (EBIT II)	4.5	56.2
Capital expenditure	10.6	11.0
Employees as of 30 September (number)	1,376	1,409

Development of revenues, volumes and average prices by region

Potash and Magnesium Products Business Segment		Q1/06	Q2/06	Q3/06	9M/06	Q4/06	2006	Q1/07	Q2/07	Q3/07	9M/07
Revenues*	€ million	336.0	319.0	**288.3**	**943.3**	295.6	1,238.9	368.5	339.7	**313.5**	**1,021.7**
- Europe	€ million	226.2	189.2	160.5	575.9	166.0	741.9	231.6	194.7	191.0	617.3
- Overseas	US$ million	131.7	163.4	162.7	457.8	167.5	625.3	179.4	195.3	169.1	543.8
Volumes	million tonnes	2.11	2.08	**1.87**	**6.06**	1.93	7.99	2.30	2.08	**1.78**	**6.16**
- Europe	million tonnes	1.45	1.25	1.05	3.75	1.08	4.83	1.41	1.21	1.11	3.73
- Overseas	million tonnes	0.66	0.83	0.82	2.31	0.85	3.16	0.89	0.88	0.67	2.44
Average prices	per tonne in €	159.4	153.2	**153.8**	**155.6**	153.4	155.0	160.6	163.1	**175.9**	**165.9**
- Europe	per tonne in €	156.0	151.1	152.7	153.5	154.0	153.6	164.4	161.6	171.8	165.7
- Overseas	per tonne in US$	200.1	196.9	197.9	198.2	197.0	197.9	202.5	222.7	252.0	223.4

* Revenues include prices both inclusive and exclusive of freight costs and are based on the respective USD/EUR spot exchange rates in the case of overseas revenues. Hedging transactions have been concluded for most of the revenues, enabling us to achieve more attractive EUR revenues than indicated here. These effects are included in other operating income. The information on prices is to be understood solely as providing a rough indication.

Foreign currency result in EBIT I

We mainly hedge exchange rates by using double-barrier options. The terms of the derivatives employed vary and extend until the end of 2010. It should be noted that the hedging transactions concluded are only effective as long as the USD/EUR spot rate remains within agreed barriers. If need be, these barriers can be adjusted by paying additional premiums. We have hedged a total of US$ 505 million for 2007 (2006: US$ 500 million) for the Potash and Magnesium Products business segment. Average hedged rates per quarter for the Potash and Magnesium Products business segment are as follows:

Potash and Magnesium Products Business Segment	Q1/06	Q2/06	Q3/06	Q4/06	2006	Q1/07	Q2/07	Q3/07	Q4/07e	2007e
USD/EUR hedged rate after premiums *	1.13	1.09	1.06	1.09	1.09	1.08	1.00	1.13	1.78	1.26
Average USD/EUR spot rate	1.20	1.26	1.27	1.29	1.26	1.31	1.35	1.37	–	–

* As of Q4/2007, the values are anticipated ones; they apply on the assumption that no adjustments to existing hedging transactions will be necessary.

Other operating income/expenses

€ million	Q3/07	Q3/06	9M/07	9M/06
Foreign currency result (from measurement and hedging)	12.7	23.6	48.0	33.2
Change in provisions	(11.8)	(2.9)	(4.4)	7.0
Other	5.4	(3.2)	7.9	0.5
Other operating income/expenses	**6.3**	**17.5**	**51.5**	**40.7**

Financial result

€ million	Q3/07	Q3/06	9M/07	9M/06
Interest income	0.4	2.0	5.3	7.5
Interest expense	(9.6)	(9.4)	(29.5)	(24.1)
- of which interest expense for pension provisions	(1.1)	(0.9)	(3.2)	(5.5)
- of which interest expense for provisions for mining obligations	(2.7)	(3.5)	(10.2)	(10.4)
Interest income, net	**(9.2)**	**(7.4)**	**(24.2)**	**(16.6)**
Other financing income/costs	0.7	(0.3)	–	(8.7)
Income from the disposal of financial assets	0.1	0.6	0.2	17.4
Income from the measuring of financial assets	–	1.9	(0.5)	(3.4)
Other financial result	**0.8**	**2.2**	**(0.3)**	**5.3**
Financial result	**(8.4)**	**(5.2)**	**(24.5)**	**(11.3)**

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

- Trend in salary increases: 1.5%
- Trend in pension increases: 1.5%
- Discount factor: 4.6%

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

- Trend in price increases: 1.5%
- Discount factor: 5.0%

Taxes on income

€ million	Q3/07	Q3/06	9M/07	9M/06
Corporate income tax	(9.8)	3.5	9.1	16.6
Trade tax on income	(4.0)	8.2	11.1	28.3
Foreign income taxes	1.9	1.2	12.9	5.7
Deferred taxes	(42.2)	18.8	(31.1)	59.5
Taxes on income	**(54.1)**	**31.7**	**2.0**	**110.1**

Non-cash deferred taxes result from tax loss carryforwards as well as other temporary tax-related measurement differences, especially changes in the market value of our options.

Measurement of deferred taxes following the tax law amendment

As a result of the corporate taxation reform, new rates of corporate income tax and trade tax will apply in Germany from 2008. For the purposes of measuring deferred taxes, these new rates of taxation are to be already taken into account in interim reporting for the period in which the tax law amendment was approved by the German Bundesrat (6 July 2007). A tax rate of 27.6% has been applied for the re-measurement of domestic deferred taxes. Based on an estimate of domestic deferred taxes at the end of the year, re-measurement has produced deferred tax income of € 2.6 million. This effect of re-measurement was taken into account in the third quarter of 2007 by adjusting the anticipated tax rate for all of 2007 (effect in Q3: deferred tax income of € 0.1 million).

Contingent liabilities

There have been no significant changes in contingent liabilities in comparison with the annual financial statements 2006 and they can be classified as immaterial overall.

Related parties

Within the K+S Group, deliveries are made and services rendered on customary market terms. Transactions and open items between K+S Group companies are eliminated in the consolidated financial statements insofar as the companies are consolidated. There are no other related parties with which material transactions were conducted.

Auditors' Review

The interim financial statements and the interim management report have not been reviewed by the auditors. (Section 37w par. 5 sentence 1 of the German Securities Trading Act – WpHG)

Summary by Quarter

Revenues & operating earnings (IFRSs)	2006						2007			
€ million	Q1	Q2	Q3	9M	Q4	2006	Q1	Q2	Q3	9M
Potash and Magnesium Products	336.0	319.0	288.3	943.3	295.6	1,238.9	368.5	339.7	313.5	1,021.7
COMPO	197.7	145.6	92.2	435.5	116.9	552.4	217.1	156.9	115.9	489.9
fertiva	132.2	137.6	143.8	413.6	142.6	556.2	150.5	154.0	164.0	468.5
Salt	157.7	67.7	115.5	340.9	144.9	485.8	176.6	98.6	101.0	376.2
Waste Management and Recycling	17.0	17.7	16.6	51.3	18.1	69.4	17.6	17.5	17.8	52.9
Services and Trading	14.9	12.5	13.7	41.1	13.9	55.0	14.4	11.9	14.9	41.2
K+S Group revenues	855.5	700.1	**670.1**	**2,225.7**	732.0	2,957.7	944.7	778.6	**727.1**	**2,450.4**
Potash and Magnesium Products	42.1	41.7	39.2	123.0	35.6	158.6	52.8	55.9	65.0	173.7
COMPO	16.3	9.7	(0.4)	25.6	3.6	29.2	19.2	9.0	0.0	28.2
fertiva	3.8	5.0	5.8	14.6	2.1	16.7	4.4	5.5	5.2	15.1
Salt	47.5	0.4	7.7	55.6	12.0	67.6	25.0	1.7	3.2	29.9
Waste Management and Recycling	3.6	3.7	2.9	10.2	3.6	13.8	3.2	3.1	2.4	8.7
Services and Trading	7.3	6.3	6.8	20.4	5.0	25.4	7.1	5.7	10.0	22.8
Reconciliation	(7.5)	(7.4)	(10.3)	(25.2)	(8.1)	(33.3)	(8.4)	(11.5)	(6.4)	(26.3)
K+S Group EBIT I	113.1	59.4	**51.7**	**224.2**	53.8	278.0	103.3	69.4	**79.4**	**252.1**

Income statements (IFRSs)	2006						2007			
€ million	Q1	Q2	Q3	9M	Q4	2006	Q1	Q2	Q3	9M
Revenues	855.5	700.1	**670.1**	**2,225.7**	732.0	2,957.7	944.7	778.6	**727.1**	**2,450.4**
Cost of sales	519.6	478.5	455.8	1,453.9	474.1	1,928.0	624.6	533.1	472.2	1,629.9
Gross profit	335.9	221.6	214.3	771.8	257.9	1,029.7	320.1	245.5	254.9	820.5
Selling expenses	201.2	163.5	156.5	521.2	193.1	714.3	203.7	181.8	162.7	548.2
General and administrative expenses	17.6	20.1	21.0	58.7	23.1	81.8	20.1	25.4	19.1	64.6
Research and development costs	3.1	3.8	3.2	10.1	3.7	13.8	4.0	3.5	3.9	11.4
Other operating income/expenses	(1.2)	24.4	17.5	40.7	15.7	56.4	10.8	34.4	6.3	51.5
Income from investments, net	0.3	0.8	0.6	1.7	0.1	1.8	0.2	0.2	3.9	4.3
Operating earnings (EBIT I)	113.1	59.4	**51.7**	**224.2**	53.8	278.0	103.3	69.4	**79.4**	**252.1**
Market value changes from hedging transactions	51.7	8.2	45.3	105.2	(21.6)	83.6	3.0	9.0	(233.5)	(221.5)
Earnings after market value changes (EBIT II)	164.8	67.6	97.0	329.4	32.2	361.6	106.3	78.4	(154.1)	30.6
Financial result	(5.9)	(0.2)	(5.2)	(11.3)	(8.8)	(20.1)	(9.8)	(6.3)	(8.4)	(24.5)
Earnings before income taxes	158.9	67.4	91.8	318.1	23.4	341.5	96.5	72.1	(162.5)	6.1
Earnings before income taxes, adjusted [1]	107.2	59.2	**46.5**	**212.9**	45.0	257.9	93.5	63.1	**71.0**	**227.6**
Taxes on income	55.1	23.3	31.7	110.1	(39.8)	70.3	31.9	24.2	(54.1)	2.0
- of which deferred taxes	30.2	10.5	18.8	59.5	(39.1)	20.4	4.6	6.5	(42.2)	(31.1)
Minority interests in earnings	–	–	–	–	0.4	0.4	0.1	–	–	0.1
Group earnings after taxes and minority interests [2]	103.8	44.1	60.1	208.0	62.8	270.8	64.5	47.9	(108.4)	4.0
Group earnings after taxes, adjusted [1, 2]	71.2	39.0	**31.5**	**141.7**	76.4	218.1	62.6	42.2	**47.6**	**152.4**

Other key data (IFRSs)	2006						2007			
	Q1	Q2	Q3	9M	Q4	2006	Q1	Q2	Q3	9M
Capital expenditure (€ million) [3]	15.8	30.0	33.2	79.0	51.5	130.5	25.2	25.6	45.4	96.2
Depreciation and amortisation (€ million) [3]	30.0	29.8	29.8	89.6	33.5	123.1	31.0	31.0	31.2	93.2
Gross cash flow (€ million)	114.0	74.8	63.2	252.0	90.8	342.7	104.1	67.1	116.5	287.7
Net debt (€ million)	308.2	739.2	–	648.7	–	718.2	713.1	741.6	–	830.3
Earnings per share, adjusted (€) [1, 4]	1.73	0.95	0.76	3.44	1.85	5.29	1.52	1.02	1.15	3.70
Gross cash flow per share (€)	2.77	1.81	1.53	6.11	2.20	8.31	2.53	1.63	2.82	6.98
Book value per share, adjusted (€) [1]	24.51	23.28	–	24.16	–	25.71	26.96	26.08	–	26.62
Total number of shares (million)	41.25	41.25	–	41.25	–	41.25	41.25	41.25	–	41.25
Number of shares outstanding (million) [4]	41.13	41.25	–	41.25	–	41.25	41.19	41.25	–	41.25
Average number of shares (million) [5]	41.20	41.21	–	41.23	41.25	41.23	41.21	41.25	41.25	41.23
Closing price (XETRA, €)	66.60	63.07	–	63.20	–	82.20	82.34	114.06	–	128.56
Employees as of the reporting date (number)	10,979	10,959	–	11,843	–	11,873	11,956	11,912	–	11,980

[1] Adjusted for the effect of market value changes from hedging transactions; in the case of adjusted Group earnings, the resulting tax effects were also eliminated

[2] In the fourth quarter of 2006: including non-recurrent deferred tax income of € 41.9 million or € 1.02 per share

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

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

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

Dates

	2008
Report on business in 2007	13 March 2008
Press and analyst conference, Frankfurt am Main	13 March 2008
Annual General Meeting, Kassel	14 May 2008
Interim report 31 March 2008	14 May 2008
Dividend payment	15 May 2008
Interim report 30 June 2008	13 August 2008
Interim report 30 September 2008	12 November 2008

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