



## Half-yearly Financial Report H1/07 Quarterly Report Q2/07

Strong second quarter for the K+S Group

At € 778.6 million, revenues for the quarter grow by 11%

Operating earnings rise by 17% to € 69.4 million

Outlook for the entire year decidedly positive

Adjusted earnings/share of between € 4.50 and € 4.75 expected



Experience growth.

## Key Data Business Development

KEY FIGURES (IFRSs)	Apr. - Jun. (Q2)			Jan. - Jun. (H1)		
	2007	2006	%	2007	2006	%
€ million						
Revenues	778.6	700.1	+ 11.2	1,723.3	1,555.6	+ 10.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	100.4	89.2	+ 12.6	234.7	232.3	+ 1.0
EBITDA margin in %	12.9	12.7		13.6	14.9	
Operating earnings (EBIT I)	69.4	59.4	+ 16.8	172.7	172.5	+ 0.1
Operating EBIT margin in %	8.9	8.5		10.0	11.1	
Earnings after market value changes (EBIT II)	78.4	67.6	+ 16.0	184.7	232.4	(20.5)
Earnings before income taxes	72.1	67.4	+ 7.0	168.6	226.3	(25.5)
Earnings before income taxes, adjusted <sup>1)</sup>	63.1	59.2	+ 6.6	156.6	166.4	(5.9)
Group earnings after taxes	47.9	44.1	+ 8.6	112.4	147.9	(24.0)
Group earnings after taxes, adjusted <sup>1)</sup>	42.2	39.0	+ 8.2	104.8	110.2	(4.9)
Gross cash flow	67.1	74.8	(10.3)	171.2	188.8	(9.3)
Net debt as of 30 June <sup>2)</sup>	–	–	–	741.6	739.2	+ 0.3
Capital expenditure <sup>3)</sup>	25.6	30.0	(14.7)	50.8	45.8	+ 10.9
Depreciation and amortisation <sup>3)</sup>	31.0	29.8	+ 4.0	62.0	59.8	+ 3.7
Working capital as of 30 June	–	–	–	687.2	590.7	+ 16.3
Earnings per share, adjusted <sup>1)</sup> (€)	1.02	0.95	+ 7.4	2.54	2.67	(4.9)
Gross cash flow per share (€)	1.63	1.81	(9.9)	4.15	4.58	(9.4)
Book value per share as of 30 June <sup>1)</sup> (€)	–	–	–	26.08	22.58	+ 15.5
Total number of shares as of 30 June (million)	–	–	–	41.25	41.25	–
Outstanding shares as of 30 June (million) <sup>4)</sup>	–	–	–	41.25	41.25	–
Average number of shares (million) <sup>5)</sup>	41.23	41.21	–	41.22	41.20	–
Employees as of 30 June (number) <sup>6)</sup>	–	–	–	11,912	10,959	+ 8.7
Average number of employees <sup>6)</sup>	11,934	10,957	+ 8.9	11,942	10,967	+ 8.9
Personnel expenses	176.9	165.6	+ 6.8	348.4	332.9	+ 4.7
Closing price (XETRA) as of 30 June (€)	–	–	–	114.06	63.07	+ 80.8
Market capitalisation as of 30 June	–	–	–	4,705.0	2,601.6	+ 80.8
Enterprise value as of 30 June	–	–	–	5,446.6	3,340.8	+ 63.0

<sup>1)</sup> ADJUSTED FOR THE EFFECT OF MARKET VALUE CHANGES IN HEDGING TRANSACTIONS; A TAX RATE OF 37.0% IS ASSUMED FOR ADJUSTED GROUP EARNINGS

<sup>2)</sup> INCLUDING PROVISIONS FOR PENSIONS AND MINING OBLIGATIONS

<sup>3)</sup> FOR OR IN CONNECTION WITH INTANGIBLE ASSETS AS WELL AS PROPERTY, PLANT AND EQUIPMENT

<sup>4)</sup> TOTAL NUMBER OF SHARES LESS THE OWN SHARES HELD BY K+S ON THE REPORTING DATE

<sup>5)</sup> TOTAL NUMBER OF SHARES LESS THE AVERAGE NUMBER OF OWN SHARES HELD BY K+S OVER THE PERIOD

<sup>6)</sup> TOTAL WORKFORCE INCLUDING TEMPORARY EMPLOYEES (WITHOUT STUDENTS AND INTERNS), MEASURED ON FULL-TIME EQUIVALENT BASIS (FTE)

## Management Report

Variance analysis in %	Q2/07	H1/07
<b>Change in revenues</b>	<b>+ 11.2</b>	<b>+ 10.8</b>
- volume/structure	+ 3.0	+ 0.0
- prices	+ 5.8	+ 4.5
- exchange rates	(1.9)	(1.9)
- consolidation	+ 4.3	+ 8.2

### Macroeconomic environment

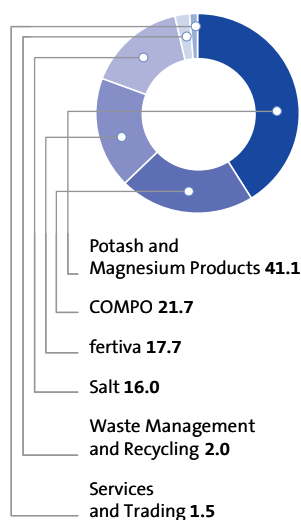
The global economy expanded tangibly in the second quarter. It did so, however, slightly more slowly than in the previous year. Production in Asia again rose very sharply, while the economies of the industrial countries saw growth continue at a moderate rate. Growth was slower in the United States, while the economic upturn persisted in most parts of the eurozone. During the second quarter, the US currency increasingly weakened in relation to the euro and at the end of June reached an exchange rate of just under USD/EUR 1.37. Prices for industrial raw materials continued to rise during the second quarter. The price of crude oil was again above US\$ 70 per barrel at the end of June. In the quarter under consideration, the average crude oil price was at approximately the same level as in the same period last year.

### Industry-specific framework conditions for fertilizers excellent

Fertilizer and plant care sector: During the second half of May, the Canadian and Belarusian/Russian producers agreed with their Indian customers on a price increase of US\$ 50 per tonne for standard potash fertilizer, resulting in a price of US\$ 270 per tonne. This agreement, which indicates the tense supply situation for potash fertilizers, formed the basis for further announcements of significant price increases: In South-East Asia, an increase in the prices for standard potash fertilizer of US\$ 40 to US\$ 300 was announced starting from 1 August, while in Brazil granulate prices of US\$ 280 were announced. In Europe, the price level for granulate initially increased by € 12; a further increase by € 8 to € 9, resulting in a price of approximately € 200, is already valid from 1 July. The price for standard potash fertilizer was even increased by about € 25 to approximately € 180 per tonne for the second half of the year.

Salt business sector: In the second quarter too, the exceptionally warm winter left its mark on the Western European de-icing salt business. On the other hand, the late and dramatic onset of winter had positive effects on the North American de-icing salt market. In the food grade salt and industrial salt segments, business in Europe was stable, while the demand for salt for chemical use was comparatively high. 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 strong economic upturn.

REVENUES BY  
BUSINESS SEGMENT  
JAN. - JUN. 2007  
(IN %)



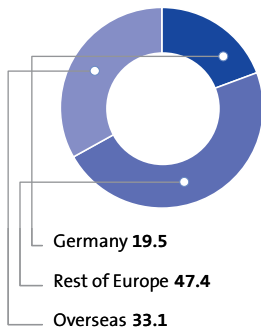
### Group legal structure

The SPL Group was fully consolidated for the first time as of 30 June 2006.

### Revenues rise 11% in second quarter

At € 778.6 million, second quarter revenues surpassed the figure of the same period last year by € 78.5 million or 11%; in addition to the first-time consolidation of SPL, the increase was attributable to positive price effects and volume increases which could more than offset negative currency effects. Pleasant increases in revenues were achieved in the Potash and Magnesium Products business segment as a result of higher prices; the COMPO and fertiva business segments also experienced tangible revenue increases. The first-time consolidation of SPL moreover led to a strong expansion of revenues in the Salt business segment. Revenues for the first half of the year rose as a result of consolidation and price factors by € 167.7 million or 11% to € 1,723.3 million.

REVENUES BY REGION  
JAN. - JUN. 2007  
(IN %)



Around 67% of the Group's sales were generated in Europe; 41% were accounted for by the largest business segment Potash and Magnesium Products.

#### At € 69.4 million (+17%), operating earnings (EBIT I) rise significantly in Q2

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

EBIT I rose during the second quarter of 2007 by € 10.0 million or 17% to € 69.4 million; this was primarily due to significant increases in earnings in the Potash and Magnesium Products business segment. During the first half of the year, EBIT I of the K+S Group attained the level of the same period in the previous year; the markedly lower earnings contribution of the Salt business segment in the first quarter could thus already be fully compensated for.

#### Market values of exchange rate hedging transactions positive in the second quarter

Under IFRSs, changes in the market value of our double-barrier options used to hedge the US dollar exchange rate have to be reported in the income statement. While cash currency 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 until they expire are irrelevant for the operating success of K+S. By means of active currency management, and, if necessary, the acceptance of additional premium payments to adjust the barriers, we can ensure that a hedge is essentially maintained until the exercise date.

EBIT II, earnings after market value changes, rose by € 10.8 million to € 78.4 million during the quarter under review and thus approximately reflected the development of EBIT I, since the growth in market values due to hedging transactions showed similar values when the quarters are compared. At € 184.7 million, EBIT II for the first half of 2007 was down € 47.7 million on the same period last year due to a lower US dollar exchange rate. 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.

#### Financial result in the second quarter weaker

At € (6.3) million, the financial result for the second quarter was down € 6.1 million on the same period last year, which had benefited by € 2.4 million due to one-off effects. Another key factor here was the higher interest expense resulting from the loan taken out to finance the SPL acquisition. In the first six months, the financial result fell by € 10.0 million to € (16.1) million. Under IFRSs, in addition to the interest portion for pension provisions (H1/2007: € (2.1) million), the financial result includes the interest portion for other long-term provisions which mainly relate to mining obligations (H1/2007: € (7.5) million); both are non-cash. Further details can be found in the Notes.

**Adjusted earnings before and after taxes noticeably higher in the second quarter**

Given their limited economic meaningfulness as well as the considerable fluctuations to which the market values of our currency option transactions are subject, we report earnings before taxes as well as after taxes following adjustment for these effects. The latter will also take account of the impact of changes in market values on deferred taxes.

Second quarter adjusted earnings before taxes amounted to € 63.1 million, which represents an increase of € 3.9 million or 7% compared with a year ago. Under IFRSs, deferred taxes, i.e. non-cash taxes, are reported. Of the total of € 24.2 million (Q2/2006: € 23.3 million) in income taxes for the second quarter, € 6.5 million (Q2/2006: € 10.5 million) were deferred taxes. After a significant portion of corporate income tax loss carryforwards was fully used up in the first quarter, the cash part of the income taxes has now increased. Further details of income taxation can be found in the Notes.

Group earnings after taxes and after adjustment for the effect of market value changes increased by 8% to € 42.2 million in the second quarter. At € 104.8 million, in the first half of the year the Group result was, however, 5% under the level for the same period last year due to the lower financial result.

**Adjusted earnings per share for the second quarter at € 1.02 (+7.4%)**

The undiluted adjusted earnings per share are computed by dividing the adjusted Group earnings after taxes and minority interests by the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist in the case of K+S at the present time, undiluted earnings per share correspond to diluted earnings per share. In addition, earnings per share are based entirely on continued activities; no discontinued activities or changes in accounting treatment needed to be taken into account.

At € 1.02, adjusted earnings per share were up 7% on the figure for the same period last year (€ 0.95). They were computed on the basis of 41.23 million (previous year: 41.21 million) no-par value shares, being the average number of shares outstanding during the reporting period.

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

**Dividend**

On 9 May 2007, the Annual General Meeting resolved the payment of a dividend of € 2.00 per share (total dividend payment: € 82.5 million) for financial year 2006. The dividend was thus 20 cents or 11% higher than for the previous year. In relation to the year-end closing price, this corresponds to a dividend yield of 2.4%. The dividend was distributed on 10 May 2007.

**H1 cash flow from operating activities rises 21%**

At € 171.2 million, gross cash flow for the first half of the year was down € 17.6 million on the figure for the same period last year. This resulted particularly from higher payments for interest and income taxes. By contrast, H1 cash flow from operating activities amounted to € 113.4 million and improved by € 19.9 million or 21% on the same period last year. The key factor in this regard was a smaller increase in working capital despite a sharp rise in receivables. It should additionally be noted that, compared to the same period last year, the first half of the year was characterised by € 83.8 million higher premium payments for US dollar hedging for future years.

At € (49.2) million, cash flow from investing activities was lower in the first six months, after the same period a year ago had been influenced by the acquisition of the SPL Group. It should additionally be noted that the previous year had been positively affected by proceeds from the sale of securities totalling € 37.9 million in connection with the financing of SPL.

Free cash flow for the first half of the year amounted to € 64.2 million after € (253.8) million which was above all due to acquisition payments during the same period of last year. After adjustment for acquisitions, the free cash flow fell by € 40.9 million, mainly as a result of the higher premium payments for US dollar hedging. After taking into account the dividend payment and loan repayment, we reported net indebtedness of € 741.6 million for the period ending 30 June 2007 (previous year: € 739.2 million).

**Capital expenditure lower than in the same quarter last year**

Second quarter capital expenditure amounted to € 25.6 million and was thus € 4.4 million down on the corresponding figure for last year's quarter. Most of the capital expenditure was accounted for by the Potash and Magnesium Products business segment, with a particular focus on the replacement and expansion of underground infrastructure. Further major projects in the second quarter were the expansion of the storage capacity of KTG in Hamburg, the doubling of loading capacity at the SPL harbour and the construction of a new filter plant for ammonium sulphate for fertiva. In the first half of the year, capital expenditure rose as planned by € 5.0 million to € 50.8 million.

For 2007, we expect, including investment overhangs, capital expenditure of about € 185 million. Measures related to replacement and safeguarding production capacity are likely to account for just under two thirds of the capital expenditure volume. They should be fully financed through the anticipated depreciation charges of about € 130 million.

At € 3.5 million, second quarter research and development costs were € 0.3 million down year on year. We expect costs of around € 16 million for 2007.

**Number of employees increases following SPL takeover**

As at 30 June 2007, the K+S Group employed a total of 11,912 people, of whom 897 are employees of the salt producer SPL acquired in the middle of last year. At the end of 2007, the number of employees should be slightly above the current level. There were 474 trainees as of 30 June 2007 – a further increase of 15 compared with the same period last year.

Second quarter personnel expenses amounted to € 176.9 million and were thus up just under 7% on the same period last year. In the first six months too, at € 348.4 million, this figure was up just under 5%. The increase is due to the first-time consolidation of SPL and the collective agreement pay rise effective since August 2006. For 2007 as a whole, we expect a moderate rise in personnel expenses.

**Changes in the Board of Executive Directors and the Supervisory Board**

After 16 years at the head of the Board of Executive Directors, Dr. Ralf Bethke retired on 30 June 2007. Norbert Steiner, hitherto deputy chairman of the Board of Executive Directors, took over the chairmanship of the Board of Executive Directors of K+S Aktiengesellschaft with effect from 1 July 2007 and keeps responsibility for the Salt business segment and for the areas of finance, legal affairs, taxes and audit. He will additionally be responsible for the areas of corporate development, controlling, investor relations and communication.

The other members of the Board of Executive Directors remain Joachim Felker, Gerd Grimmig and Dr. Thomas Nöcker, so that the total number of members of the Board of Executive Directors has been reduced from five to four. Mr Felker, who is responsible for the Potash and Magnesium Products and fertiva business segments, additionally took over responsibility for the COMPO business segment. In addition to his previous responsibilities, Mr Grimmig took over tasks from the Services and Trading business segment. The same applies to Dr. Nöcker to whom responsibility for purchasing, logistics and IT were being transferred.

Helmut Mamsch stepped down as a member of the Supervisory Board on 30 June 2007. On 9 May 2007, the Annual General Meeting elected Dr. Bethke to the Supervisory Board with effect from 1 July 2007.

**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, nor were there any other events of material importance for the K+S Group that would require disclosure.

**Risk report**

In respect of the information provided in the K+S Group risk report and published on 15 March 2007 on pages 107 et seqq. of the K+S Group Annual Report 2006, there have been no significant changes in the risks described, i.e. in respect of possible negative consequences and the respective likelihood of materialisation. That includes new risks and those risks that no longer exist. At the present time, there are no risks that would jeopardise continued existence.

**Opportunity report**

In respect of the opportunities described on pages 129 et seqq. of the K+S Group Annual Report 2006, there have been no significant changes. That includes new opportunities and those opportunities that no longer exist. There is no offsetting of opportunities and risks as well as positive and negative changes in them.

**Very good prospects; new highs expected for revenues and earnings**

The favourable economic conditions in Europe as well as in the global economy described at the beginning should continue to apply over the remaining months. However, a further decline in the US dollar exchange rate as well as a further increase in energy costs could have a dampening effect in the medium term; 2007 is largely secured by means of currency and energy sector hedging.

On agricultural markets, the tendency for food production to be insufficient is resulting in a further decline in stocks of agricultural products. The resulting price increases that can be observed are having a favourable effect on the use of mineral fertilizers. In addition, the trend towards renewable raw materials is also impacting positively on fertilizer demand. International price levels have risen significantly as a result of the related strong demand for fertilizers while producer stocks remained very low at the same time. 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 shortfall in sales of de-icing salt.

Given the conditions that are expected, we anticipate a tangible rise in revenues this year, which will in large measure also be positively influenced by consolidation effects arising from the first-time inclusion of SPL for the entire year. Revenues for 2007 as a whole should thus reach about € 3.1 billion to € 3.3 billion (previous year: € 2.96 billion). As regards operating earnings (EBIT I) for the K+S Group, we anticipate a value of between € 310 million and € 325 million. Compared with the top result of a year ago, this represents a further increase of between 12% and 17% (previous year: € 278.0 million).



We base our outlook on the following assumptions: strong worldwide demand for fertilizers as well as average de-icing salt businesses in Europe and North America in the fourth quarter. It further includes a reserve for possible follow-up hedging in connection with a further decline of the US dollar. Subject to the conditions described above, adjusted earnings after taxes for 2007 should amount to between € 185 million and € 195 million, corresponding to adjusted earnings per share of approximately € 4.50 to € 4.75 per share.

#### **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, 7 August 2007

#### FORWARD-LOOKING STATEMENTS

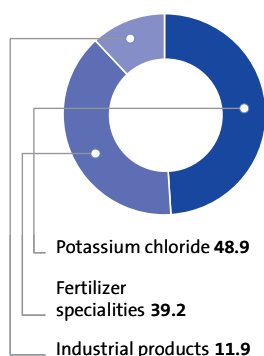
THIS REPORT CONTAINS FACTS AND FORECASTS THAT RELATE TO THE FUTURE DEVELOPMENT OF THE K+S GROUP AND ITS COMPANIES. THE FORECASTS ARE ESTIMATES THAT WE HAVE MADE ON THE BASIS OF ALL THE INFORMATION AVAILABLE TO US AT THIS MOMENT IN TIME. SHOULD THE ASSUMPTIONS UNDERLYING THESE FORECASTS PROVE NOT TO BE CORRECT, ACTUAL EVENTS MAY DEVIATE FROM THOSE EXPECTED AT THE PRESENT TIME.

## Business Segments of the K+S Group

Change in revenues in %	Q2/07	H1/07	POTASH AND MAGNESIUM PRODUCTS			Apr. - Jun. (Q2)			Jan. - Jun. (H1)		
			€ million	2007	2006	%	2007	2006	%		
Potassium chloride	+ 2.6	+ 9.2	Revenues	339.7	319.0	+ 6.5	708.2	655.0	+ 8.1		
Fertilizer specialities	+ 22.0	+ 14.5	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	74.0	60.5	+ 22.3	145.6	122.0	+ 19.3		
Industrial products	(16.3)	(11.7)	Operating earnings (EBIT I)	55.9	41.7	+ 34.1	108.7	83.8	+ 29.7		
			Operating EBIT margin in %	16.5	13.1		15.3	12.8			
			Earnings after market value changes (EBIT II)	63.4	49.8	+ 27.3	117.5	142.8	(17.7)		
			Capital expenditure	13.9	18.5	(24.9)	25.0	29.6	(15.5)		
			Employees as of 30 June (number)	–	–	–	7,509	7,446	+ 0.8		

The second quarter of 2007 worldwide was influenced by strong demand for potash fertilizers, which was also driven by significantly higher prices for agricultural products. The international potash price level has risen markedly against the background of limited supply, and price increases have already been announced for the second half of the year.

REVENUES BY PRODUCT GROUP  
JAN. - JUN. 2007  
(IN %)



In the second quarter of 2007, revenues of the business segment amounted to € 339.7 million, an increase of just under 7%. The increase is primarily attributable to price rises and clearly more than made up for a weaker US dollar. In the case of potassium chloride, price factors produced a revenue increase of almost 3% to € 166.3 million. Revenues obtained with fertilizer specialities amounted to € 133.8 million and thus rose by 22% due to an improved sales structure and positive price effects. In the case of industrial products, higher prices could only partially make up for sales decreases; revenues amounted to € 39.6 million and were thus down 16% on the figure for the same period last year. In the first half of the year, revenues of the business segment rose by 8% to € 708.2 million due to price and structural factors.

Second quarter operating earnings totalled € 55.9 million and thus rose by 34%. Compared with the same period last year, higher average prices for potash and magnesium products were able to more than make up for slightly increased costs, in particular for freight and personnel. Operating earnings for the first six months amounted to € 108.7 million, up about 30% on the same period last year.

Against the background of the worldwide rise of potash prices, we expect a tangible increase in revenues in the Potash and Magnesium Products business segment for 2007. Compared with the same period last year, we assume an unchanged sales level of about 8 million tonnes of goods. Operating earnings should even improve significantly; higher average prices should be able to more than make up for only moderate increases in energy and personnel costs this year as well as for the expenditure necessary to maintain the full utilisation of our production capacity.

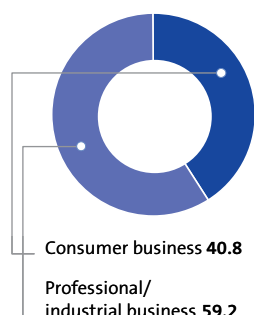
Change in revenues in %	Q2/07	H1/07
Consumer business	+ 3.7	+ 7.1
Professional/ industrial business	+ 11.1	+ 10.2

## COMPO

€ million	Apr. - Jun. (Q2)			Jan. - Jun. (H1)		
	2007	2006	%	2007	2006	%
Revenues	156.9	145.6	+ 7.8	374.0	343.3	+ 8.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11.5	12.1	(5.0)	33.2	30.8	+ 7.8
Operating earnings (EBIT I)	9.0	9.7	(7.2)	28.2	26.0	+ 8.5
Operating EBIT margin in %	5.7	6.7		7.5	7.6	
Earnings after market value changes (EBIT II)	8.6	9.8	(12.2)	27.4	27.0	+ 1.5
Capital expenditure	1.3	1.6	(18.8)	3.8	3.5	+ 8.6
Employees as of 30 June (number)	–	–	–	1,260	1,275	(1.2)

While in April the consumer business benefited from excellent weather conditions, the bad weather in May and June had a dampening effect on demand. An exception: the plant protection agent market, which was able to profit from weather that was favourable to pests. In addition, on the important French sales market, aggressive competition and trade concentration cause margins to come under pressure. The professional business in Central Europe was also characterised by unfavourable weather conditions, while demand in Southern Europe and overseas was again high.

REVENUES BY SEGMENT  
JAN. - JUN. 2007  
(IN %)



In the second quarter, revenues rose by just under 8% to € 156.9 million, primarily due to volume factors. While at € 69.9 million, consumer area revenues exceeded the figure for a year ago by 4% as a result of volume factors, higher prices and sales increases in the professional area resulted in a revenue increase of 11% to € 87.0 million. During the first six months, revenues rose by about 9% to € 374.0 million, primarily due to volume factors.

Operating earnings amounted to € 9.0 million and were thus € 0.7 million or 7% down on the same period last year. This is mainly due to structural effects in sales, which, however, have balanced out during this half of the year. Operating earnings for the first six months amounted to € 28.2 million and were up 9% on the same period last year.

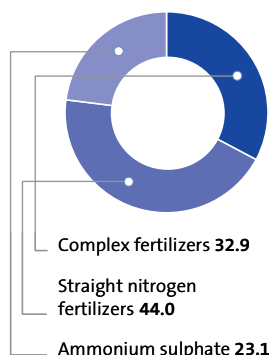
We expect a tangible upswing in revenues in 2007. Increased sales of consumer products, in particular of plant protection products, should contribute to this, as should price increases already agreed for the second half of the year in the professional sector. Against this backdrop and the trend in raw material prices that can be currently forecast, operating earnings should also rise tangibly.

## Business Segments of the K+S Group

Change in revenues in %	Q2/07	H1/07	FERTIVA	Apr. - Jun. (Q2)			Jan. - Jun. (H1)		
				2007	2006	%	2007	2006	%
Complex fertilizers	(6.3)	+ 2.9	€ million	154.0	137.6	+ 11.9	304.5	269.8	+ 12.9
Straight nitrogen fertilizers	+ 20.7	+ 12.9	Revenues						
Ammonium sulphate	+ 30.2	+ 30.7	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5.5	5.2	+ 5.8	10.0	9.1	+ 9.9
			Operating earnings (EBIT I)	5.5	5.0	+ 10.0	9.9	8.8	+ 12.5
			Operating EBIT margin in %	3.6	3.6		3.3	3.3	
			Earnings after market value changes (EBIT II)	5.5	5.0	+ 10.0	9.9	8.8	+ 12.5
			Capital expenditure	1.4	–	–	2.4	–	–
			Employees as of 30 June (number)	–	–	–	58	59	(1.7)

In the second quarter, both the European and overseas markets were characterised by high demand for nitrogenous fertilizers. Against the background of availability bottlenecks and increasing potash and phosphate prices, substantial price increases for complex fertilizers were implemented in Western Europe. The prices for ammonium sulphate are also high due to demand factors.

REVENUES BY PRODUCT GROUP  
JAN. - JUN. 2007  
(IN %)



Business segment revenues for the second quarter of 2007 rose by 12% to € 154.0 million, which was mainly attributable to price factors but also to volume factors. While volume factors meant that the revenues for complex fertilizers at € 50.9 million were 6% down on the level of the same period last year, revenues from straight nitrogen fertilizers rose by just under 21% to € 66.6 million, also mainly due to higher sales volumes. Ammonium sulphate revenues amounted to € 36.5 million and thus rose by 30%, primarily due to price factors. During the first six months, total revenues of the business segment rose by just under 13% to € 304.5 million, both due to price and volume factors.

Second quarter operating earnings totalled € 5.5 million and thus rose by 10% on the figure for the same period last year. Higher average prices more than made up for increased acquisition costs. In the first six months it also proved possible to increase operating earnings by just under 13% to € 9.9 million.

We expect revenues to increase tangibly in 2007 as a result of higher average prices for nitrogenous fertilizers. Although we expect an increase in the costs of raw materials in the second half of the year as well, operating earnings in the current financial year should be able to follow the very good earnings of the previous year.

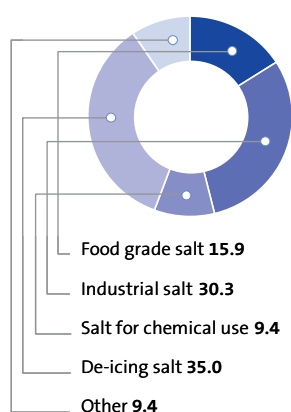
Change in revenues in %	Q2/07	H1/07
Food grade salt	+ 20.8	+ 19.8
Industrial salt	+ 34.7	+ 28.9
Salt for chemical use	+ 96.0	+ 92.2
De-icing salt	(4.4)	(5.7)
Other	> 100.0	> 100.0

SALT (H1 2007: INCL. SPL; H1 2006: WITHOUT SPL)	Apr. - Jun. (Q2)			Jan. - Jun. (H1)		
	2007	2006	%	2007	2006	%
million €	98.6	67.7	+ 45.6	275.2	225.4	+ 22.1
Revenues						
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	8.9	5.9	+ 50.8	40.8	58.9	(30.7)
Operating earnings (EBIT I)	1.7	0.4	> 100.0	26.7	47.9	(44.3)
Operating EBIT margin in %	1.7	0.6		9.7	21.3	
Earnings after market value changes (EBIT II)	3.7	0.4	> 100.0	30.8	47.9	(35.7)
Capital expenditure	4.9	6.7	(26.9)	10.4	8.2	+ 26.8
Employees as of 30 June (number)	–	–	–	2,282	1,390	+ 64.2

SPL was included as of 1 July 2006; the figures for the previous year are not comparable.

In the second quarter too, the exceptionally warm weather left its mark on the Western European de-icing salt business; this is in sharp contrast to the same quarter last year, when wintry conditions persisted into April with a high level of early procurement. On the other hand, the late and dramatic onset of winter in North America had positive effects on the North American de-icing salt market. The markets for food grade salt and industrial salt proved to be stable, and the demand for salt for chemical use was relatively strong.

REVENUES BY PRODUCT GROUP  
JAN. - JUN. 2007  
(IN %)



The rise in revenues by € 30.9 million to € 98.6 million for the second quarter resulted from the first-time consolidation of SPL. After adjustment for this effect, revenues almost amounted to the level of the same period last year; price increases in food grade salt, industrial salt and salt for chemical use all made up for falls in sales of de-icing salt. Revenues of food grade and industrial salt amounted to € 22.0 million and € 41.9 million respectively; the increases for the two segments were both consolidation- and price-related. In the case of salt for chemical use, positive volume effects additionally led to an increase in revenues of € 6.4 million to € 13.1 million. De-icing salt revenues amounted to € 9.3 million, down € 0.4 million or 4% on the same period last year. Without the inclusion of SPL, revenues would have declined by € 4.6 million. The dramatic increase in revenues in the "other" segment of € 10.3 million to € 12.3 million was due to the first-time consolidation of the logistics business of the SPL Group's shipping company Emprepar. Revenues for the first six months rose by 22% to € 275.2 million due to consolidation factors.

The operating earnings for the second quarter amounted to € 1.7 million and were thus € 1.3 million higher than in the same period last year; the earnings contribution of SPL more than made up for a drop in earnings in Europe. In the first half of the year, at € 26.7 million, operating earnings were € 21.2 million or 44% under the level of the same period last year due to the exceptionally weak European business with de-icing salt.

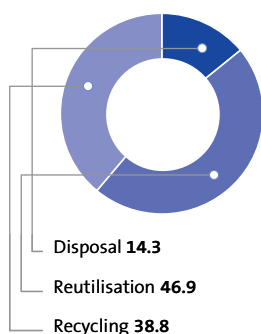
Due to the first-time consolidation of SPL activities for the entire year, we anticipate a considerable increase in revenues for the Salt business segment this year. In making such estimate, we assume a normal fourth quarter winter in Europe and in the United States. As a result of the marked decrease in sales for the European de-icing salt business, operating earnings will probably not be able to mirror the consolidation-related increase in revenues but will fall tangibly short of the figure for the preceding year.

## Business Segments of the K+S Group

Change in revenues in %	Q2/07	H1/07	WASTE MANAGEMENT AND RECYCLING			Apr. - Jun. (Q2)			Jan. - Jun. (H1)		
			€ million			2007	2006	%	2007	2006	%
Disposal	(15.1)	(10.1)	Revenues	17.5	17.7	(1.1)	35.1	34.7	+ 1.2		
Reutilisation	+ 4.8	+ 7.3	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	4.2	4.4	(4.5)	8.1	8.6	(5.8)		
Recycling	(0.5)	(0.7)	Operating earnings (EBIT I)	3.1	3.7	(16.2)	6.3	7.3	(13.7)		
			Operating EBIT margin in %	17.7	20.9		17.9	21.0			
			Earnings after market value changes (EBIT II)	3.1	3.7	(16.2)	6.3	7.3	(13.7)		
			Capital expenditure	0.4	1.3	(69.2)	1.1	1.6	(31.3)		
			Employees as of 30 June (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 on reutilisation. The aluminium recycling business also benefited from the full utilisation of recycling capacity. By contrast, the waste disposal business again saw intense competition.

REVENUES BY SEGMENT  
JAN. - JUN. 2007  
(IN %)



In the quarter under review, the business segment attained revenues of € 17.5 million (Q2/2006: € 17.7 million). Revenues from underground waste disposal amounted to € 2.6 million and were € 0.5 million under the previous year's figure. Volume decreases for storage could not be completely offset by volume increases for the removal of stored waste for the recovering of reusable materials. In the case of underground waste reutilisation, we achieved a price- and volume-related increase of just under 5% to € 8.0 million. At € 6.9 million, recycling business revenues for the second quarter attained the level of the previous year. Declines in revenues due to lower prices for aluminium granulate could be made up for by higher sales of smelting salt and aluminium granulate. In the first six months, revenues of the business segment amounted to € 35.1 million and thus slightly exceeded the figure for last year.

In the second quarter, operating earnings fell by € 0.6 million to € 3.1 million; this was mainly due to higher costs in the area of recycling and to increased freight costs. During the first six months, the business segment obtained operating earnings of € 6.3 million; this is € 1.0 million under the previous year's figure.

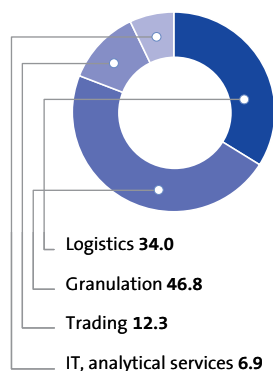
For 2007, we expect revenues on a similar level to last year. We expect higher volumes in the case of flue gas cleaning residues for underground reutilisation as well as an increase in the removal of stored waste for the recovering of reusable materials. We continue to expect a full use of our capacity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

Change in revenues in %	Q2/07	H1/07
Logistics	+ 10.2	+ 12.0
Granulation	(16.7)	(6.5)
Trading	+ 14.9	(20.3)
IT, analytical services	(19.9)	(17.4)

**SERVICES AND TRADING**

€ million	Apr. - Jun. (Q2)			Jan. - Jun. (H1)		
	2007	2006	%	2007	2006	%
Revenues	11.9	12.5	(4.8)	26.3	27.4	(4.0)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	7.3	7.7	(5.2)	16.0	16.5	(3.0)
Operating earnings (EBIT I)	5.7	6.3	(9.5)	12.8	13.6	(5.9)
Operating EBIT margin in %	47.9	50.4		48.7	49.6	
Earnings after market value changes (EBIT II)	5.7	6.3	(9.5)	12.8	13.6	(5.9)
Capital expenditure	3.3	1.4	> 100.0	7.5	2.4	> 100.0
Employees as of 30 June (number)	–	–	–	396	401	(1.2)

REVENUES BY SEGMENT  
JAN. - JUN. 2007  
(IN %)



In the second quarter of 2007, revenues of the Services and Trading business segment amounted to € 11.9 million and were thus down just under 5% on the level of the previous year. Revenues for the first six months also fell by € 1.1 million or 4% to € 26.3 million. Under IFRSs, revenues deriving from services supplied to K+S Group companies, especially in the case of logistics, are not included in these figures. Including intercompany revenues, the first half year's revenues totalled € 68.2 million (H1/2006: € 65.8 million).

In the second quarter, logistics area revenues amounted to € 4.4 million and were thus € 0.4 million or 10% up on the same period last year. This was mainly due to a stronger freight forwarding business. Trading business revenues increased by € 0.2 million to € 1.5 million, while at € 0.9 million, revenues for IT and analytical services were down € 0.2 million on the same period last year. In CATSAN® production (granulation), revenues fell by 17% to € 5.1 million due to both price- and volume-related factors.

At € 5.7 million, business segment operating earnings in the second quarter were down € 0.6 million on the same period last year; this was mainly because of the lower earnings contribution made by granulation. In the first six months of the year, operating earnings of the business segment fell by € 0.8 million to € 12.8 million.

In the Services and Trading business segment, we anticipate a stable business despite figures being slightly lower than for the previous year. This year, revenues and operating earnings should again attain the good levels of the previous year.

## Financial Section

### Explanatory notes; structural changes

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 corresponding period. As a result of the SPL acquisition, the scope of consolidation as of 30 June 2006 was extended to include 19 companies in the Group balance sheet for the first time; they are included in Group earnings as of the third quarter 2006.

INCOME STATEMENT € million	Apr. - Jun. (Q2)		Jan. - Jun. (H1)	
	2007	2006	2007	2006
<b>Revenues</b>	<b>778.6</b>	<b>700.1</b>	<b>1,723.3</b>	<b>1,555.6</b>
Cost of sales	533.1	478.5	1,157.7	998.1
<b>Gross profit</b>	<b>245.5</b>	<b>221.6</b>	<b>565.6</b>	<b>557.5</b>
Gross margin in %	31.5	31.7	32.8	35.8
Selling expenses	181.8	163.5	385.5	364.7
General and administrative expenses	25.4	20.1	45.5	37.7
Research and development costs	3.5	3.8	7.5	6.9
Other operating income/expenses	34.4	24.4	45.2	23.2
Income from investments, net	0.2	0.8	0.4	1.1
<b>Operating earnings (EBIT I)</b>	<b>69.4</b>	<b>59.4</b>	<b>172.7</b>	<b>172.5</b>
Operating EBIT margin in %	8.9	8.5	10.0	11.1
Market value changes from hedging transactions	9.0	8.2	12.0	59.9
<b>Earnings after market value changes (EBIT II)</b>	<b>78.4</b>	<b>67.6</b>	<b>184.7</b>	<b>232.4</b>
Interest income, net	(5.9)	(3.5)	(15.0)	(9.2)
Other financial result	(0.4)	3.3	(1.1)	3.1
<b>Financial result</b>	<b>(6.3)</b>	<b>(0.2)</b>	<b>(16.1)</b>	<b>(6.1)</b>
<b>Earnings before income taxes</b>	<b>72.1</b>	<b>67.4</b>	<b>168.6</b>	<b>226.3</b>
<b>Earnings before income taxes, adjusted*</b>	<b>63.1</b>	<b>59.2</b>	<b>156.6</b>	<b>166.4</b>
Taxes on income	24.2	23.3	56.1	78.4
- of which deferred taxes	6.5	10.5	11.1	40.7
<b>Earnings after taxes</b>	<b>47.9</b>	<b>44.1</b>	<b>112.5</b>	<b>147.9</b>
Minority interests in earnings	–	–	0.1	–
<b>Group earnings after taxes and minority interests</b>	<b>47.9</b>	<b>44.1</b>	<b>112.4</b>	<b>147.9</b>
Elimination of market value changes after taxes	(5.7)	(5.1)	(7.6)	(37.7)
<b>Group earnings after taxes, adjusted*</b>	<b>42.2</b>	<b>39.0</b>	<b>104.8</b>	<b>110.2</b>
Earnings per share in € (undiluted $\triangleq$ diluted)	1.16	1.07	2.73	3.59
<b>Earnings per share in €, adjusted*</b>	<b>1.02</b>	<b>0.95</b>	<b>2.54</b>	<b>2.67</b>
Average number of shares (million)	41.23	41.21	41.22	41.20

\* ADJUSTED FOR THE EFFECT OF MARKET VALUE CHANGES IN HEDGING TRANSACTIONS; A TAX RATE OF 37.0% IS ASSUMED FOR ADJUSTED GROUP EARNINGS

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	997.5	(15.7)	25.3	0.6	1,124.4
Dividend for previous year	–	–	(82.5)	–	–	–	(82.5)
Earnings after taxes for the period	–	–	112.4	–	–	0.1	112.5
Subscription of employee shares	–	(2.7)	–	–	–	–	(2.7)
Market value of securities	–	–	–	–	2.7	–	2.7
Other neutral changes	–	–	(0.3)	(7.3)	0.2	–	(7.4)
<b>Balance as of 30 June 2007</b>	<b>108.8</b>	<b>5.2</b>	<b>1,027.1</b>	<b>(23.0)</b>	<b>28.2</b>	<b>0.7</b>	<b>1,147.0</b>
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	–	–	147.9	–	–	–	147.9
Subscription of employee shares	–	(3.8)	–	–	–	–	(3.8)
Market value of securities	–	–	–	–	2.5	–	2.5
Consolidation effects	–	–	–	0.9	–	0.6	1.5
Other neutral changes	–	–	2.7	–	(9.4)	–	(6.7)
<b>Balance as of 30 June 2006</b>	<b>108.8</b>	<b>4.9</b>	<b>881.0</b>	<b>0.7</b>	<b>13.2</b>	<b>0.7</b>	<b>1,009.3</b>



**BALANCE SHEET - ASSETS**

€ million	30.06.2007	30.06.2006	31.12.2006
Intangible assets	177.7	424.3	189.0
- of which goodwill from acquisitions	101.9	13.9	102.9
- of which balance from the acquisition of SPL	–	321.2	–
Property, plant and equipment	1,066.9	817.0	1,082.7
Investment properties	8.1	8.9	8.3
Financial assets	19.0	18.8	19.4
Receivables and other assets	5.8	10.4	2.5
Securities	44.8	36.6	42.1
Deferred taxes	58.9	44.3	52.0
Recoverable income taxes	0.5	–	0.6
<b>Non-current assets</b>	<b>1,381.7</b>	<b>1,360.3</b>	<b>1,396.6</b>
Inventories	298.2	315.8	370.2
Accounts receivable – trade	725.9	609.2	629.5
Other receivables and assets	443.5	295.1	344.4
- of which derivative financial instruments	331.6	170.0	242.7
Recoverable income taxes	9.0	4.6	10.6
Securities	12.7	58.5	15.2
Cash on hand and balances with banks	51.5	77.8	64.4
<b>Current assets</b>	<b>1,540.8</b>	<b>1,361.0</b>	<b>1,434.3</b>
<b>ASSETS</b>	<b>2,922.5</b>	<b>2,721.3</b>	<b>2,830.9</b>

**BALANCE SHEET - EQUITY AND LIABILITIES**

€ million	30.06.2007	30.06.2006	31.12.2006
Subscribed capital	108.8	108.8	108.8
Additional paid-in capital	5.2	4.9	7.9
Other revenue reserves and profit retained	1,032.2	895.0	1,007.0
Minority interests	0.7	0.6	0.6
<b>Equity</b>	<b>1,146.9</b>	<b>1,009.3</b>	<b>1,124.3</b>
Bank loans and overdrafts	214.8	257.4	136.8
Other liabilities	14.0	11.4	14.0
Provisions for pensions and similar obligations	127.3	173.0	128.2
Provisions for mining obligations	341.8	326.0	338.2
Other provisions	116.0	128.2	125.4
Deferred taxes	97.1	45.7	79.5
<b>Non-current debt</b>	<b>911.0</b>	<b>941.7</b>	<b>822.1</b>
Bank loans and overdrafts	161.7	151.5	234.0
Accounts payable – trade	345.9	307.7	360.8
Other liabilities	121.9	84.6	77.8
- of which derivative financial instruments	37.1	19.6	39.3
Income tax liabilities	33.8	28.4	16.6
Provisions	201.3	198.1	195.3
<b>Current debt</b>	<b>864.6</b>	<b>770.3</b>	<b>884.5</b>
<b>EQUITY AND LIABILITIES</b>	<b>2,922.5</b>	<b>2,721.3</b>	<b>2,830.9</b>

**NET DEBT**

€ million	Jan. - Jun. (H1)	
	2007	2006
<b>Net debt as of 1 January</b>	<b>(718.2)</b>	<b>(324.0)</b>
Cash on hand and balances with banks	51.5	77.8
Liabilities due to banks < 3 months	(79.2)	(100.0)
Cash invested with affiliated companies*	–	–
Cash received from affiliated companies*	(4.9)	(4.2)
<b>Net cash and cash equivalents as of 30 June</b>	<b>(32.6)</b>	<b>(26.4)</b>
Securities	57.5	95.1
Liabilities due to banks > 3 months	(297.4)	(308.9)
Provisions for pensions and similar obligations	(127.3)	(173.0)
Provisions for mining obligations	(341.8)	(326.0)
<b>Net debt as of 30 June</b>	<b>(741.6)</b>	<b>(739.2)</b>

\* COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

## Financial Section

CASH FLOW STATEMENT	Apr. - Jun. (Q2)		Jan. - Jun. (H1)	
	2007	2006	2007	2006
€ million				
<b>Operating earnings (EBIT I)</b>	<b>69.4</b>	<b>59.4</b>	<b>172.7</b>	<b>172.5</b>
Depreciation and amortisation on fixed assets*	31.0	29.8	62.0	59.8
Decrease(-)/increase(+) in non-current provisions (without interest rate effects)	(13.2)	(10.8)	(12.0)	(16.7)
Interest received, dividends and similar income	3.3	4.2	4.9	5.5
Gains(+)/losses(-) realised on the disposal of financial assets, investment properties and securities	0.1	15.2	0.1	16.8
Interest paid	(5.1)	(1.9)	(10.3)	(3.1)
Other financing income/expenses	(0.2)	(8.3)	(0.7)	(8.3)
Income tax received/paid	(17.7)	(12.8)	(45.0)	(37.7)
Other non-cash expenses(+)/income(-)	(0.5)	-	(0.5)	-
<b>Gross cash flow</b>	<b>67.1</b>	<b>74.8</b>	<b>171.2</b>	<b>188.8</b>
Gains(-)/losses(+) on the disposal of fixed assets and securities	(0.2)	(15.6)	(1.3)	(18.6)
Increase(-)/decrease(+) in inventories	7.6	10.4	71.9	20.6
Increase(-)/decrease(+) in receivables and other assets from operating activities	49.4	103.0	(184.7)	(19.2)
- of which derivative financial instruments	(77.9)	5.5	(75.6)	8.9
Decrease(-)/increase(+) in liabilities from operating activities	(3.6)	(47.2)	44.6	(66.1)
- of which derivative financial instruments	(3.4)	(3.3)	(4.8)	(5.5)
Decrease(-)/increase(+) in current provisions	(44.0)	(61.4)	16.3	(9.4)
Out-financing of provisions	(2.1)	(2.2)	(4.6)	(2.6)
<b>Cash flow from operating activities</b>	<b>74.2</b>	<b>61.8</b>	<b>113.4</b>	<b>93.5</b>
Proceeds from disposals of fixed assets	0.7	16.6	2.7	19.6
Disbursements for intangible assets	(2.2)	(0.9)	(5.2)	(1.8)
Disbursements for property, plant and equipment	(23.5)	(29.0)	(46.1)	(44.0)
Disbursements for financial assets	-	-	(0.1)	(0.1)
Disbursements for acquisition of consolidated companies	-	(358.9)	(0.5)	(358.9)
Proceeds from sale/disbursements for acquisition of securities	-	17.1	-	37.9
<b>Cash flow for investing activities</b>	<b>(25.0)</b>	<b>(355.1)</b>	<b>(49.2)</b>	<b>(347.3)</b>
<b>Free cash flow</b>	<b>49.2</b>	<b>(293.3)</b>	<b>64.2</b>	<b>(253.8)</b>
Payment of dividend	(82.5)	(74.2)	(82.5)	(74.2)
Purchase of own shares	-	-	(5.2)	(7.5)
Payments from allocations to equity	2.7	4.1	2.7	4.1
Taking out(+)/repayment (-) of loans	(35.1)	230.5	(28.2)	232.0
<b>Cash flow from(+)/for(-) financing activities</b>	<b>(114.9)</b>	<b>160.4</b>	<b>(113.2)</b>	<b>154.4</b>
<b>Change in cash and cash equivalents affecting cash flow</b>	<b>(65.7)</b>	<b>(132.9)</b>	<b>(49.0)</b>	<b>(99.4)</b>
Change in value of cash and cash equivalents	-	(0.2)	-	-
Changes from consolidation	-	3.2	-	3.2
<b>Change in cash and cash equivalents</b>	<b>(65.7)</b>	<b>(129.9)</b>	<b>(49.0)</b>	<b>(96.2)</b>

\* ON INTANGIBLE ASSETS AS WELL AS ON PROPERTY, PLANT AND EQUIPMENT INCLUDING INVESTMENTS

## Notes

### 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 use of fertilizers in Europe during the spring. This effect can either be enhanced or diminished by overseas sales. Sales of salt products – especially of de-icing salt – largely depend on winter weather conditions during the first and fourth quarters. In the aggregate, both these effects mean that revenues and earnings in particular are generally greatest during the first half of the year.

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

POTASH AND MAGNESIUM PRODUCTS BUSINESS SEGMENT		Q1/06	Q2/06	H1/06	Q3/06	Q4/06	2006	Q1/07	Q2/07	H1/07
Revenues*	€ million	336.0	319.0	655.0	288.3	295.6	1,238.9	368.5	339.7	708.2
- Europe	€ million	226.2	189.2	415.4	160.5	166.0	741.9	231.6	194.7	426.3
- Overseas	US\$ million	131.7	163.4	295.1	162.7	167.5	625.3	179.4	195.3	374.7
Volumes	million tonnes	2.11	2.08	4.19	1.87	1.93	7.99	2.30	2.08	4.38
- Europe	million tonnes	1.45	1.25	2.70	1.05	1.08	4.83	1.41	1.21	2.61
- Overseas	million tonnes	0.66	0.83	1.49	0.82	0.85	3.16	0.89	0.88	1.76
Average prices	per tonne in €	159.4	153.2	156.3	153.8	153.4	155.0	160.6	163.1	161.8
- Europe	per tonne in €	156.0	151.1	153.7	152.7	154.0	153.6	164.4	161.6	163.1
- Overseas	per tonne in US\$	200.1	196.9	198.3	197.9	197.0	197.9	202.5	222.7	212.5

\* 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.

### OTHER OPERATING INCOME/EXPENSES

€ million	Q2/07	Q2/06	H1/07	H1/06
Foreign currency result (from measurement and hedging)	22.4	7.4	35.3	9.6
Change in provisions	13.2	10.8	7.4	9.9
Other	(1.2)	6.2	2.5	3.7
Other operating income/expenses	34.4	24.4	45.2	23.2

### Foreign currency result in EBIT I

Exchange rates are generally hedged using double-barrier options. The terms of the derivatives employed vary and extend until the middle of 2010. It should be noted that hedging transactions are only effective as long as the USD/EUR spot rate remains within agreed barriers. If need be, these 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	Q3/07e	Q4/07e	2007e
USD/EUR hedged rate after premiums	1.13	1.09	1.06	1.09	1.09	1.08	1.00	1.10	1.09	1.08
Average USD/EUR spot rate	1.20	1.26	1.27	1.29	1.26	1.31	1.35	–	–	–

\* AS OF Q3/2007, THE VALUES ARE ANTICIPATED ONES; THEY APPLY ON THE ASSUMPTION THAT NO ADJUSTMENTS TO EXISTING HEDGING TRANSACTIONS WILL BE NECESSARY.

<b>FINANCIAL RESULT</b>				
€ million	Q2/07	Q2/06	H1/07	H1/06
Interest income	3.3	4.2	4.9	5.5
Interest expense	(9.2)	(7.7)	(19.9)	(14.7)
- of which interest expense for pension provisions	(0.3)	(2.3)	(2.1)	(4.6)
- of which interest expense for provisions for mining obligations	(3.8)	(3.4)	(7.5)	(6.9)
<b>Interest income, net</b>	<b>(5.9)</b>	<b>(3.5)</b>	<b>(15.0)</b>	<b>(9.2)</b>
Other financing costs	(0.2)	(7.5)	(0.7)	(8.4)
Income from the disposal of financial assets	0.1	15.2	0.1	16.8
Income from the measuring of financial assets at market value	(0.3)	(4.4)	(0.5)	(5.3)
<b>Other financial result</b>	<b>(0.4)</b>	<b>3.3</b>	<b>(1.1)</b>	<b>3.1</b>
<b>Financial result</b>	<b>(6.3)</b>	<b>(0.2)</b>	<b>(16.1)</b>	<b>(6.1)</b>

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

- Trend in salary increases: 1.5%
- 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%

<b>TAXES ON INCOME</b>				
€ million	Q2/07	Q2/06	H1/07	H1/06
Corporation tax	8.9	5.1	18.9	13.1
Trade tax on income	7.3	7.2	15.1	20.1
Foreign income taxes	1.5	0.5	11.0	4.5
Deferred taxes	6.5	10.5	11.1	40.7
<b>Taxes on income</b>	<b>24.2</b>	<b>23.3</b>	<b>56.1</b>	<b>78.4</b>

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.

### Contingent liabilities

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

### Related parties

Within the K+S Group, deliveries and services are supplied on customary market terms. Transactions and open items between K+S Group companies are eliminated from the consolidated financial statements insofar as the companies are consolidated. 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 and Half Year

REVENUES AND OPERATING EARNINGS (IFRSs)	2006						2007		
	Q1	Q2	H1	Q3	Q4	2006	Q1	Q2	H1
€ million									
Potash and Magnesium Products	336.0	319.0	655.0	288.3	295.6	1,238.9	368.5	339.7	708.2
COMPO	197.7	145.6	343.3	92.2	116.9	552.4	217.1	156.9	374.0
fertiva	132.2	137.6	269.8	143.8	142.6	556.2	150.5	154.0	304.5
Salt	157.7	67.7	225.4	115.5	144.9	485.8	176.6	98.6	275.2
Waste Management and Recycling	17.0	17.7	34.7	16.6	18.1	69.4	17.6	17.5	35.1
Services and Trading	14.9	12.5	27.4	13.7	13.9	55.0	14.4	11.9	26.3
<b>K+S Group revenues</b>	<b>855.5</b>	<b>700.1</b>	<b>1,555.6</b>	<b>670.1</b>	<b>732.0</b>	<b>2,957.7</b>	<b>944.7</b>	<b>778.6</b>	<b>1,723.3</b>
Potash and Magnesium Products	42.1	41.7	83.8	39.2	35.6	158.6	52.8	55.9	108.7
COMPO	16.3	9.7	26.0	(0.4)	3.6	29.2	19.2	9.0	28.2
fertiva	3.8	5.0	8.8	5.8	2.1	16.7	4.4	5.5	9.9
Salt	47.5	0.4	47.9	7.7	12.0	67.6	25.0	1.7	26.7
Waste Management and Recycling	3.6	3.7	7.3	2.9	3.6	13.8	3.2	3.1	6.3
Services and Trading	7.3	6.3	13.6	6.8	5.0	25.4	7.1	5.7	12.8
Reconciliation	(7.5)	(7.4)	(14.9)	(10.3)	(8.1)	(33.3)	(8.4)	(11.5)	(19.9)
<b>K+S Group EBIT I</b>	<b>113.1</b>	<b>59.4</b>	<b>172.5</b>	<b>51.7</b>	<b>53.8</b>	<b>278.0</b>	<b>103.3</b>	<b>69.4</b>	<b>172.7</b>

INCOME STATEMENTS (IFRSs)	2006						2007		
	Q1	Q2	H1	Q3	Q4	2006	Q1	Q2	H1
€ million									
<b>Revenues</b>	<b>855.5</b>	<b>700.1</b>	<b>1,555.6</b>	<b>670.1</b>	<b>732.0</b>	<b>2,957.7</b>	<b>944.7</b>	<b>778.6</b>	<b>1,723.3</b>
Cost of sales	519.6	478.5	998.1	455.8	474.1	1,928.0	624.6	533.1	1,157.7
Gross profit	335.9	221.6	557.5	214.3	257.9	1,029.7	320.1	245.5	565.6
Selling expenses	201.2	163.5	364.7	156.5	193.1	714.3	203.7	181.8	385.5
General and administrative expenses	17.6	20.1	37.7	21.0	23.1	81.8	20.1	25.4	45.5
Research and development costs	3.1	3.8	6.9	3.2	3.7	13.8	4.0	3.5	7.5
Other operating income/expenses	(1.2)	24.4	23.2	17.5	15.7	56.4	10.8	34.4	45.2
Income from investments, net	0.3	0.8	1.1	0.6	0.1	1.8	0.2	0.2	0.4
<b>Operating earnings (EBIT I)</b>	<b>113.1</b>	<b>59.4</b>	<b>172.5</b>	<b>51.7</b>	<b>53.8</b>	<b>278.0</b>	<b>103.3</b>	<b>69.4</b>	<b>172.7</b>
Market value changes from hedging transactions	51.7	8.2	59.9	45.3	(21.6)	83.6	3.0	9.0	12.0
Earnings after market value changes (EBIT II)	164.8	67.6	232.4	97.0	32.2	361.6	106.3	78.4	184.7
Financial result	(5.9)	(0.2)	(6.1)	(5.2)	(8.8)	(20.1)	(9.8)	(6.3)	(16.1)
Earnings before income taxes	158.9	67.4	226.3	91.8	23.4	341.5	96.5	72.1	168.6
<b>Earnings before income taxes, adjusted <sup>1)</sup></b>	<b>107.2</b>	<b>59.2</b>	<b>166.4</b>	<b>46.5</b>	<b>45.0</b>	<b>257.9</b>	<b>93.5</b>	<b>63.1</b>	<b>156.6</b>
Taxes on income	55.1	23.3	78.4	31.7	(39.8)	70.3	31.9	24.2	56.1
- of which deferred taxes	30.2	10.5	40.7	18.8	(39.1)	20.4	4.6	6.5	11.1
Minority interests in earnings	-	-	-	-	0.4	0.4	0.1	-	0.1
Group earnings after taxes and minority interests <sup>2)</sup>	103.8	44.1	147.9	60.1	62.8	270.8	64.6	47.9	112.5
<b>Group earnings after taxes, adjusted <sup>1,2)</sup></b>	<b>71.2</b>	<b>39.0</b>	<b>110.2</b>	<b>31.5</b>	<b>76.4</b>	<b>218.1</b>	<b>62.6</b>	<b>42.2</b>	<b>104.8</b>

OTHER KEY DATA (IFRSs)	2006						2007		
	Q1	Q2	H1	Q3	Q4	2006	Q1	Q2	H1
Capital expenditure (€ million) <sup>3)</sup>	15.8	30.0	45.8	33.2	51.5	130.5	25.2	25.6	50.8
Depreciation and amortisation (€ million) <sup>3)</sup>	30.0	29.8	59.8	29.8	33.5	123.1	31.0	31.0	62.0
Gross cash flow (€ million)	114.0	74.8	188.8	63.2	90.8	342.7	104.1	67.1	171.2
Earnings per share, adjusted (€) <sup>1,4)</sup>	1.73	0.95	2.67	0.76	1.85	5.29	1.52	1.02	2.54
Gross cash flow per share (€)	2.77	1.81	4.58	1.53	2.20	8.31	2.53	1.63	4.16
Book value per share, adjusted (€) <sup>1)</sup>	24.51	-	23.28	24.16	-	25.71	26.96	-	26.08
Total number of shares (million)	41.25	-	41.25	41.25	-	41.25	41.25	-	41.25
Number of shares outstanding (million) <sup>4)</sup>	41.13	-	41.25	41.25	-	41.25	41.19	-	41.25
Average number of shares (million) <sup>5)</sup>	41.20	41.21	41.20	41.25	41.25	41.23	41.21	41.23	41.22
Employees as of the reporting date (number)	10,979	-	10,959	11,843	-	11,873	11,956	-	11,912
Closing price (XETRA, €)	66.60	-	63.07	63.20	-	82.20	82.34	-	114.06

<sup>1)</sup> ADJUSTED FOR THE EFFECT OF MARKET VALUE CHANGES FROM HEDGING TRANSACTIONS; 37.0% TAX RATE ASSUMED

<sup>2)</sup> IN THE FOURTH QUARTER OF 2006: INCLUDING NON-RECURRENT DEFERRED TAX INCOME OF € 41.9 MILLION OR € 1.02 PER SHARE

<sup>3)</sup> FOR OR IN CONNECTION WITH INTANGIBLE ASSETS AS WELL AS PROPERTY, PLANT AND EQUIPMENT

<sup>4)</sup> TOTAL NUMBER OF SHARES LESS THE OWN SHARES HELD BY K+S ON THE REPORTING DATE

<sup>5)</sup> TOTAL NUMBER OF SHARES LESS THE AVERAGE NUMBER OF OWN SHARES HELD BY K+S OVER THE PERIOD

## Dates

	2007/08
Interim report 30 September 2007	13 November 2007
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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