Quarterly Report Q1/07

January – March

A good start despite a mild winter in Europe

At € 944.7 million, revenues rise by 10 %

Operating earnings (EBIT I) reach € 103.3 million (- 9 %)

Adjusted earnings per share at € 1.52 (- 12 %)

Outlook 2007 raised significantly

Experience growth.

Key Data Business Development

Key figures (IFRSs)

€ million	Jan. - March (Q1) 2007	2006	%
Revenues	944.7	855.5	+ 10.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	134.3	143.1	(6.1)
EBITDA margin in %	14.2	16.7	
Operating earnings (EBIT I)	103.3	113.1	(8.7)
Operating EBIT margin in %	10.9	13.2	
Earnings after market value changes (EBIT II)	106.3	164.8	(35.5)
Earnings before income taxes	96.5	158.9	(39.3)
Earnings before income taxes, adjusted [1]	93.5	107.2	(12.8)
Group earnings after taxes	64.5	103.8	(37.9)
Group earnings after taxes, adjusted [1]	62.6	71.2	(12.1)
Gross cash flow	104.1	114.0	(8.7)
Net debt as of 31 March [2]	713.1	308.2	> 100.0
Capital expenditure [3]	25.2	15.8	+ 59.5
Depreciation and amortisation [3]	31.0	30.0	+ 3.3
Working Capital	677.6	495.3	+ 36.8
Earnings per share, adjusted [1] (€)	1.52	1.73	(12.1)
Gross cash flow per share (€)	2.53	2.77	(8.7)
Book value per share as of 31 March [1] (€)	26.96	24.51	+ 10.0
Total number of shares as of 31 March (million)	41.25	41.25	–
Outstanding shares as of 31 March (million) [4]	41.19	41.13	+ 0.1
Average number of shares (million) [5]	41.21	41.20	+ 0.0
Employees as of 31 March (number) [6]	11,956	10,979	+ 8.9
Average number of employees [6]	11,950	10,977	+ 8.9
Personnel expenses	171.5	167.3	+ 2.5
Closing price (XETRA) as of 31 March (€)	82.34	66.60	+ 23.6
Market capitalisation as of 31 March	3,391.6	2,739.3	+ 23.8
Enterprise value as of 31 March	4,104.7	3,047.5	+ 34.7

[1] Adjusted for the effect of market value changes in hedging transactions; a tax rate of 37.0% is assumed for adjusted Group earnings.
[2] Including provisions for pensions and non-current 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.
[6] Total workforce including temporary employees (without students and interns), measured on full-time equivalent basis (FTE).

Management Report

Variance analysis in %	Q1/07
Change in revenues	**+ 10.4**
- volume/structure	(2.5)
- prices	+ 3.4
- exchange rates	(1.8)
- consolidation	+ 11.3

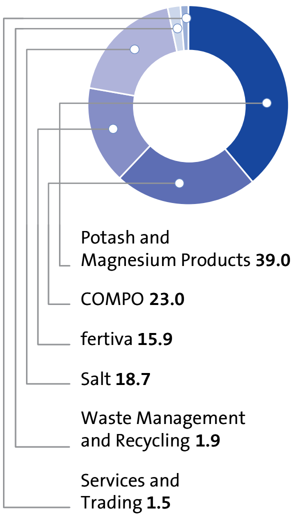
Macroeconomic environment

Economic trends in the first quarter displayed the global economy in robust shape with output in the industrialised countries increasing again and world trade intensifying further. Growth in Asia remained on a high level and the economic upturn in the eurozone also continued. Prices for industrial raw materials rose again in the first quarter; at the end of March, crude oil cost just under US$ 70 and thus, in terms of quarterly averages, was on about the same level as a year ago. In relation to the euro, the US currency fluctuated within a narrow range of USD/EUR 1.28 to 1.33 during the first quarter.

Industry environment

Fertilizer and plant care business segment: Canadian and Belarusian/Russian producers have concluded higher prices and volume agreements for calendar year 2007 with Chinese customers already at the beginning of February. This early agreement – a further indicator of the sharp rise in global demand for potash fertilizers – led to announcements of partly significant price increases due to lower producer stocks as well as temporary logistical problems at North American suppliers.

Revenues by business segment Jan. - March 2007 (in %)



Salt business segment: In the first quarter, the Western European de-icing salt market was marked by the warmest winter in the history of weather records. The North American de-icing salt market too was influenced by mild weather at the beginning of the year. However, the late start of the winter in March had a positive effect. Business was stable in the remaining salt segments. The South American market for industrial salt and salt for chemical use grew in line with local population development and received additional support from strong economic upturn.

Group legal structure

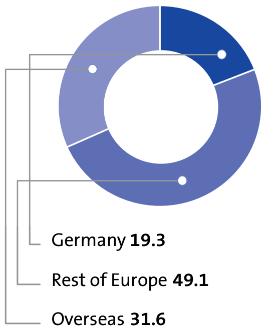
The SPL Group was fully consolidated as of 30 June 2006.

First quarter revenues rise by 10%

At € 944.7 million, first quarter revenues were up € 89.2 million or 10% on the same period last year; in addition to the first-time consolidation of SPL, the increase was essentially attributable to price effects in the fertilizer business, thus more than offsetting negative volume and currency effects. The Potash and Magnesium Products business area achieved pleasing revenue increases as a result of higher volume as well as higher prices on a year-on-year basis. The COMPO and fertiva business segments attained significant revenue increases. The revenue rise for the Salt business segment resulted from the first-time consolidation of SPL, which more than made up for the negative effect stemming from the unusually low sales of de-icing salt in Europe attributable to weather conditions.

At € 646.6 million, just under 70% of group revenues were generated in Europe in the first quarter. The Potash and Magnesium Products business segment accounted with 39% for the largest share.

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



Operating earnings reach € 103.3 million (-9%) despite earnings decreases in the European de-icing salt business

EBIT I is free of non-cash changes in the market value of the 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.

At € 103.3 million, EBIT I for the first quarter of 2007 was down € 9.8 million on the same period last year. Noticeable earnings increases in the Potash and Magnesium Products and COMPO business segments could not fully make up for the markedly lower earnings contribution of the Salt business segment resulting from the weak de-icing salt business in Europe. However, this already illustrates the positive earnings momentum of the Potash and Magnesium Products business segment.

Market values of hedging transactions slightly positive in the first quarter

Under IFRSs, changes in the market value of our double-barrier options used to hedge the US dollar exchange rate are 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 foreign currency management and, if necessary, the acceptance of additional premium payments to adjust barriers, we can ensure that a hedge is essentially maintained until the exercise date.

At € 106.3 million, EBIT II, earnings after changes in market value changes, for the first quarter of 2007 was down € 58.5 million on the same period last year due to the 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 term.

First quarter financial result weaker

At € (9.8) million, the financial result for the first quarter was, as expected, down € 3.9 million on the same period last year, with the key factor here being the higher interest expense resulting from the loan taken out to finance the SPL acquisition. Under IFRSs, in addition to the interest expense for pension provisions (Q1/2007: € (1.8) million), the financial result includes the interest expense for other long-term provisions (Q1/2007: € (3.7) million) mainly related to mining obligations; both are non-cash. Further details can be found in the Notes.

Adjusted earnings before and after taxes lower than a year ago

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.

Adjusted earnings before taxes for the first quarter amounted to € 93.5 million representing a substantial decrease of € 13.7 million or 13% compared with a year ago. Under IFRSs, deferred taxes, i.e. non-cash taxes, are reported on an imputed basis despite the use of tax loss carryforwards. Of the total of € 31.9 million (Q1/2006: € 55.1 million) in income taxes for the first quarter, € 4.6 million (Q1/2006: € 30.2 million) were non-cash. Further details of taxation can be found in the Notes. Group earnings after taxes and after adjustment for the effect of market value changes amounted to € 62.6 million in the first quarter and were down € 8.6 million or 12% on the same period last year.

Adjusted earnings per share for the first quarter at € 1.52 (-12%)

The undiluted, adjusted earnings per share are the quotient for the adjusted group earnings after taxes and minority interests and the weighted average number of shares outstanding. As none of the conditions resulting in the dilution of earnings per share exist at 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 € 1.52, adjusted earnings per share were down 12% on the figure for the same period last year (€ 1.73) despite the relatively high decline in de-icing salt sales in Europe. They were computed on the basis of 41.21 million (2006: 41.20 million) non par value shares, being the average number of shares outstanding during the reporting period.

As of 31 March 2007, we temporarily held 60,000 of our shares in connection with an employee share ownership programme; thus, the total number of K+S Group shares outstanding at the end of March amounted to 41.19 million non par value shares.

First quarter cash flow from operating activities rises by € 7.5 million

At € 104.1 million, gross cash flow for the first quarter was down on the figure for the same period last year (Q1/2006: € 114.0 million). This resulted from the lower operating earnings as well as higher interest and income tax payments. By contrast, first quarter cash flow from operating activities amounted to € 39.2 million and thus improved by € 7.5 million or 24% on the same period last year. This was due to a smaller increase in working capital despite a sharp rise in receivables. As a result of planned higher disbursements for property, plant and equipment, cash flow from investment activities in the first quarter amounted to € (24.2) million compared with € 7.8 million in the first quarter of 2006. It should be noted that the same period last year was positively affected by proceeds from the sale of securities totalling € 20.8 million.

As a result of higher investment-related disbursements and the absence of extraordinary effects from the sale of securities, free cash flow for the first quarter amounted to € 15.0 million compared with € 39.5 million for the same period last year. After taking into account the slightly positive cash flow from financing activities, we report net indebtedness of € 713.1 million for the period ending 31 March 2007 (Q1/2006: € 308.2 million). The increase is mainly due to the taking out of a loan in connection with the acquisition of SPL.

Capital expenditure rose by just under € 10 million as planned

First quarter capital expenditure amounted to € 25.2 million and was thus € 9.4 million higher than a year ago. The increase is mainly attributable to continued work on projects from the previous year that have not been completed yet. 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 first quarter were the doubling of loading capacity at the SPL harbour already started in 2006 as well as the investment by fertiva in the construction of a new filter plant for ammonium sulphate.

Including the overhangs, we expect capital expenditure volume of about € 200 million for 2007 which already includes the acquisition of a further ship for SPL. Just under two thirds of this volume are expected to be spent for replacement and safeguarding production which should be financed in total by the expected depreciation amount of about € 130 million.

At € 4.0 million, first quarter research and development costs were up slightly on the same period last year. We expect costs of about € 16 million for 2007.

Number of employees increases following SPL takeover

As of 31 March 2007, the K+S Group employed a total of 11,956 people, of whom 856 are employees of the salt producer SPL acquired in the middle of last year. At the end of 2007, the number of employees should remain on about the same level. There were 496 trainees as of 31 March 2007 – a further increase of 22 compared with same period last year.

First quarter personnel expenses amounted to € 171.5 million, up just under 3% on the same period last year. Despite the first-time consolidation of SPL and the collective agreement pay rise as of August 2006, personnel expenses only showed a moderate increase. For 2007 as a whole, we also expect only a slight rise in personnel expenses.

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

Compared with 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 Annual Report 2006 and published on 15 March 2007, there have been no significant changes. This also applies to 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.

Outlook for 2007 raised significantly

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 of 2007. Any greater depreciation of the US dollar could have a dampening effect.

The tendency for food production to be insufficient is resulting in declining stocks of agricultural products on agricultural markets. The resulting price increases that can be observed are encouraging the use of mineral fertilizers. In addition, the trend towards renewable raw materials is also impacting favourably on fertilizer demand. International price levels have risen significantly as a result of the related strong demand for potash fertilizers while producer stocks remain 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 also be positively impacted by consolidation effects arising from the first-time inclusion of SPL for the entire year. The K+S Group's operating earnings over the coming three quarters should not only offset the current shortfall but also more than make up for it to an appreciable extent. Our outlook is based on the following premises: strong global demand for potash fertilizers, a significant reserve in the double-digit million range for possible follow-up hedging connected with the further depreciation of the US dollar, energy costs on their current level as well as average de-icing salt business in Europe and North America in the fourth quarter.

Assurance from the legal representatives of K+S Aktiengesellschaft

We hereby confirm that, to the best of our knowledge and in keeping with the principles of due group interim reporting, the interim consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations of the group, that the group management report presents the course of business, including the results of operations and the position of the group, in such a way as to provide a true and fair view and that the key opportunities and risks relating to the anticipated development of the group over the remainder of the financial year are described.

The Board of Executive Directors, 2 May 2007

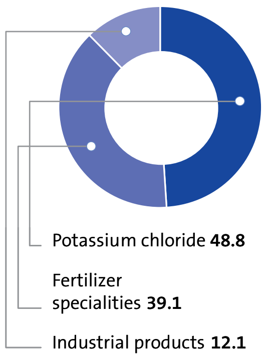
Business Segments of the K+S Group

Change in revenues in %	Q1/07
Potassium chloride	+ 16.1
Fertilizer specialities	+ 8.3
Industrial products	(7.2)

Potash and Magnesium Products	Jan. - March (Q1)		
€ million	2007	2006	%
Revenues	368.5	336.0	+ 9.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	71.6	61.5	+ 16.4
Operating earnings (EBIT I)	52.8	42.1	+ 25.4
Operating EBIT margin in %	14.3	12.5	
Earnings after market value changes (EBIT II)	54.1	93.0	(41.8)
Capital expenditure	11.1	11.1	–
Employees as of 31 March (number)	7,545	7,461	+ 1.1

The first quarter of 2007 was marked worldwide by strong demand for potash fertilizers, which was also contributed to by rising prices worldwide for agricultural products. The international price level for potash increased further, so that the market began 2007 with higher prices than at the beginning of 2006. Logistical problems on the part of North American suppliers resulted in supply bottlenecks.

Revenues by product group
Jan. - March 2007
(in %)



Business segment revenues for the first quarter of 2007 rose by just under 10% to € 368.5 million. The increase is attributable to higher volume as well as price rises and could more than make up for a weaker US dollar. As to potassium chloride, revenues rose by 16% to € 179.9 million, primarily driven by significantly higher overseas sales. Fertilizer specialities generated revenues of € 143.8 million, thus rising by 8% as a result of price and volume factors. Higher prices of industrial products could only partially make up for sales decreases in Germany and overseas; revenues amounted to € 44.8 million and were thus down 7% year on year.

First quarter operating earnings totalled € 52.8 million, an increase of 25%. Higher average prices for potash and magnesium products as well as the positive effects of currency hedging could significantly offset only slightly higher costs.

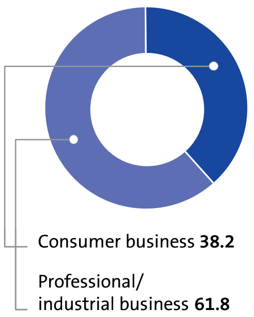
Against the backdrop of rising prices for potash worldwide, we expect revenues of the Potash and Magnesium Products business segment to rise tangibly in 2007. We assume no change in the level of sales against previous year of 8 million tonnes and a declining US dollar exchange rate. Operating earnings should increase tangibly as a result of higher average prices and stable energy costs. Because of the further weakening of the US dollar, this forecast already includes a significant reserve in the double-digit million range for possible follow-up hedging. This will enable an attractive hedging level to be retained.

Change in revenues in %	Q1/07
Consumer business	+ 10.2
Professional/ industrial business	+ 9.6

COMPO	Jan. - March (Q1)		
€ million	**2007**	2006	%
Revenues	217.1	197.7	+ 9.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	21.7	18.7	+ 16.0
Operating earnings (EBIT I)	19.2	16.3	+ 17.8
Operating EBIT margin in %	8.8	8.2	
Earnings after market value changes (EBIT II)	18.8	17.2	+ 9.3
Capital expenditure	2.5	1.9	+ 31.6
Employees as of 31 March (number)	1,279	1,295	(1.2)

The consumer business in the first quarter benefited from an early start to the season due to weather conditions. The upturn in consumer behaviour in Europe also had a positive effect. The professional business too – especially in Southern Europe and South America – was marked by high demand.

Revenues by segment
Jan. - March 2007
(in %)



First quarter revenues rose by just under 10% to € 217.1 million as a result of volume and price factors. While at € 82.9 million, consumer area revenues exceeded last year's figure by 10% as a result of volume factors, the revenue increase of just under 10% to € 134.2 million in the professional area was besides sales increases also the result of higher prices.

At € 19.2 million, first quarter operating earnings were up € 2.9 million or 18% on the same period last year. With the price of ammonia stable, higher average prices and increased sales had a positive impact. The further implementation of the efficiency enhancement measures launched in the consumer segment also made a positive contribution to the rise in operating earnings.

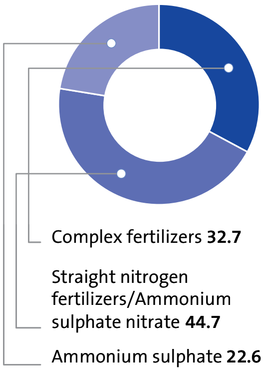
We expect a tangible increase in revenues with consumer products in 2007. Professional area revenue growth with speciality fertilizers outside Europe should also continue. In addition, we assume that as a result of the mild winter the pest population will increase in the summer months. We therefore expect increased demand for plant protection products, which we are offering for the first time in 2007, also thanks to the new cooperation with Syngenta. Against this backdrop, operating earnings should increase tangibly.

Change in revenues in %	Q1/07
Complex fertilizers	+ 14.5
Straight nitrogen fertilizers/ Ammonium sulphate nitrate	+ 6.2
Ammonium sulphate	+ 31.2

FERTIVA	Jan. - March (Q1)		
€ million	2007	2006	%
Revenues	150.5	132.2	+ 13.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	4.5	3.9	+ 15.4
Operating earnings (EBIT I)	4.4	3.8	+ 15.8
Operating EBIT margin in %	2.9	2.9	
Earnings after market value changes (EBIT II)	4.4	3.8	+ 15.8
Capital expenditure	1.0	–	–
Employees as of 31 March (number)	61	61	–

Demand for nitrogenous fertilizers was initially moderate in Western Europe at the beginning of the year. However, demand leapt in March with an early start to the season.

Revenues by product group
Jan. - March 2007
(in %)



Business segment revenues for the first quarter of 2007 rose by 14% to € 150.5 million, mainly attributable to price but also to volume factors. In the case of complex fertilizers, it was possible to achieve a revenue increase of just under 15% to € 49.2 million. In the straight nitrogen fertilizer segment too, revenues increased by 6% to € 67.3 million year on year, mainly as a result of volume factors. Ammonium sulphate revenues rose by 31% to € 34.0 million chiefly due to price factors.

First quarter operating earnings totalled € 4.4 million and thus surpassed the figure for the same period last year by 16%. Higher prices for nitrogenous fertilizer could more than offset the rises in raw material costs.

We expect revenues to increase tangibly in 2007 as a result of higher average prices for nitrogenous fertilizers. However, the price increases might not be quite sufficient to fully make up for a possible rise in raw material costs. Following last year's very good result, operating earnings in the current financial year might decline slightly.

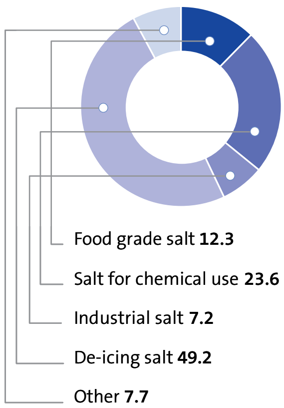
Change in revenues in %	Q1/07
Food grade salt	+ 18.7
Industrial salt	+ 23.5
Salt for chemical use	+ 88.3
De-icing salt	(5.8)
Other	> 100.0

SALT (Q1 2007: INCL. SPL; Q1 2006: WITHOUT SPL)	Jan. - March (Q1)		
million €	2007	2006	%
Revenues	176.6	157.7	+ 12.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	31.9	53.0	(39.8)
Operating earnings (EBIT I)	25.0	47.5	(47.4)
Operating EBIT margin in %	14.2	30.1	
Earnings after market value changes (EBIT II)	27.1	47.5	(42.9)
Capital expenditure	5.5	1.5	> 100.0
Employees as of 31 March (number)	2,268	1,373	+ 65.2

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

De-icing salt is the determining product segment for the performance of the Salt business segment in the first quarter. In the first quarter, the Western European salt market was marked by the warmest winter in the history of weather records, which is in stark contrast to the same quarter last year, when winter conditions lasted into April. At the beginning of the year, the North American de-icing salt market too was influenced by mild weather. However, the late start of the winter in March had a positive effect.

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



The first-quarter rise in business segment revenues of € 18.9 million to € 176.6 million resulted from the first-time consolidation of SPL. After adjustment for this effect, revenues fell by € 78.0 million. This was attributable to low European de-icing salt sales because of the mild winter, which has to be compared with the record winter in the first quarter of 2006. In the case of food grade salt and salt for chemical use, revenues amounted to € 21.8 million and € 41.6 million respectively; the increases for both product groups for the most part were consolidation-related. In the case of industrial salt, positive price and volume effects in addition to consolidation effects caused revenues to rise by € 6.0 million or 88% to € 12.7 million. De-icing salt revenues amounted to € 86.9 million, down 6% or € 5.4 million year on year. Without the inclusion of SPL, revenues would have declined by € 76.8 million.

At € 25.0 million, first quarter operating earnings were down € 22.5 million on the same period last year with SPL accounting for € 18.1 million of operating earnings. The decrease in earnings is therefore solely attributable to the unusually weak de-icing salt business in Europe.

Despite the weak first quarter attributable to weather conditions, we expect Salt business segment revenues to rise appreciably this year as a result of the consolidation of the SPL activities for the whole year. In making such estimate, we assume a normal winter in the fourth quarter in Europe and in the United States. As a result of the sharp decrease in sales for the European de-icing salt business in the first quarter, operating earnings will probably not be able to mirror the consolidation-related increase in revenues but will fall significantly short of the figure for the preceding year.

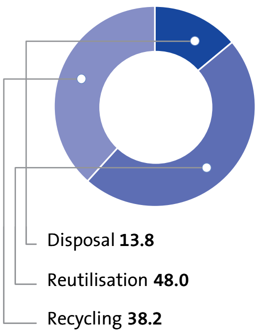
Change in revenues in %	Q1/07
Disposal	(4.1)
Reutilisation	+ 9.8
Recycling	(0.8)

Waste Management and Recycling

€ million	Jan. - March (Q1) 2007	2006	%
Revenues	17.6	17.0	+ 3.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3.9	4.2	(7.1)
Operating earnings (EBIT I)	3.2	3.6	(11.1)
Operating EBIT margin in %	18.2	21.2	
Earnings after market value changes (EBIT II)	3.2	3.6	(11.1)
Capital expenditure	0.7	0.3	> 100.0
Employees as of 31 March (number)	34	36	(5.6)

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 benefited from the full utilisation of recycling capacity. By contrast, the disposal business continued to experience very intense competition.

Revenues by segment
Jan. - March 2007
(in %)



During the quarter under review, business segment revenues rose by about 4% to € 17.6 million mainly as a result of volume factors. At € 2.4 million, revenues for underground waste disposal were down 4% on the figure for the same period last year (€ 2.5 million); volume decreases for storage could not be completely offset by volume increases for the removal of stored waste for the recovery of reusable materials. In the case of underground waste reutilisation, we achieved an increase of just under 10% to € 8.5 million. At € 6.7 million, recycling business revenues for the first quarter attained a level close to that for the preceding year (€ 6.8 million).

First quarter operating earnings declined by € 0.4 million to € 3.2 million. Higher revenues could not completely make up for higher costs, triggered in part by structural factors.

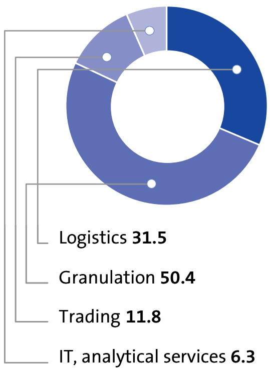
For 2007, we expect revenues on a similar level to last year. We expect higher volumes in the case of flue gas cleaning residues for underground reutilisation as well as an increase in the removal of stored waste for the recovery of reusable materials. In the case of the aluminium salt slag recycling business, we continue to expect our capacities to be fully utilised. However, as a result of the lower aluminium prices anticipated, a limited decline in revenues can be expected. Against this backdrop, we currently assume that the business segment's operating earnings might not quite attain last year's very good level.

Change in revenues in %	Q1/07
Logistics	+ 13.8
Granulation	+ 2.2
Trading	(37.4)
IT, analytical services	(14.7)

Services and Trading

€ million	Jan. - March (Q1) 2007	2006	%
Revenues	14.4	14.9	(3.4)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	8.7	8.8	(1.1)
Operating earnings (EBIT I)	7.1	7.3	(2.7)
Operating EBIT margin in %	49.3	49.0	
Earnings after market value changes (EBIT II)	7.1	7.3	(2.7)
Capital expenditure	4.2	1.0	> 100.0
Employees as of 31 March (number)	392	396	(1.0)

Revenues by segment Jan. - March 2007 (in %)



At € 14.4 million, first quarter revenues for the Services and Trading business segment were down 3% on the same period last year. The revenues deriving from services supplied to K+S Group companies, especially in the case of logistics, are not included in this figure.

Logistics area revenues reached € 4.5 million and were thus up € 0.6 million or 14% on the same period last year, largely attributable to an increase in the freight forwarding business. Trading business revenues declined by € 1.0 million to € 1.7 million due to lower sales, because of the mild winter, of the calcium chloride solution for the prewetted de-icing agents used by winter road clearance services. Because of the absence of one-off orders in the area of analytical services from the previous year, revenues for IT and analytical services (€ 0.9 million) were down € 0.2 million on the same period last year. In CATSAN® production (granulation), revenues rose by 2% to € 7.3 million; volume-related revenue increases could more than make up for price-related revenue decreases.

At € 7.1 million, business segment operating earnings were down slightly on the same period last year (€ 7.3 million), predominantly because of the lower contribution to earnings made by granulation which was attributable to price decreases.

We expect the course of business in the Services and Trading business segment to remain stable. Revenues and earnings for this year should also once 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. The interim figures are unaudited.

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

Income statement	Jan. - March (Q1)	
€ million	2007	2006
Revenues	**944.7**	**855.5**
Cost of sales	609.6	519.6
Gross profit	**335.1**	**335.9**
Gross margin in %	35.5	39.3
Selling expenses	218.3	201.2
- of which freight costs	130.8	126.6
General and administrative expenses	20.5	17.6
Research and development costs	4.0	3.1
Other operating income/expenses	10.8	(1.2)
Income from investments, net	0.2	0.3
Operating earnings (EBIT I)	**103.3**	**113.1**
Operating EBIT margin in %	10.9	13.2
Market value changes from hedging transactions	3.0	51.7
Earnings after market value changes (EBIT II)	**106.3**	**164.8**
Interest income, net	(9.1)	(5.7)
Other financial result	(0.7)	(0.2)
Financial result	**(9.8)**	**(5.9)**
Earnings before income taxes	**96.5**	**158.9**
Earnings before income taxes, adjusted*	**93.5**	**107.2**
Taxes on income	31.9	55.1
- of which deferred taxes	4.6	30.2
Earnings after taxes	**64.6**	**103.8**
Minority interests in earnings	0.1	0.0
Group earnings after taxes and minority interests	**64.5**	**103.8**
Elimination of market value changes	(1.9)	(32.6)
Group earnings after taxes, adjusted*	**62.6**	**71.2**
Earnings per share in € (undiluted ≙ diluted)	1.57	2.52
Earnings per share in €, adjusted*	**1.52**	**1.73**
Average number of shares (million)	41.21	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
Earnings after taxes for the period	–	–	64.5	–	–	0.1	64.6
Subscription of employee shares	–	–	–	–	–	–	–
Market value of securities	–	–	–	–	(0.2)	–	(0.2)
Other neutral changes	–	–	–	(12.7)	0.1	–	(12.6)
Balance as of 31 March 2007	**108.8**	**7.9**	**1,062.0**	**(28.4)**	**25.2**	**0.7**	**1,176.2**
Balance as of 1 January 2006	108.8	8.7	804.6	(0.2)	20.1	0.1	942.1
Earnings after taxes for the period	–	–	103.8	–	–	–	103.8
Subscription of employee shares	–	–	(7.5)	–	–	–	(7.5)
Market value of securities	–	–	–	–	5.8	–	5.8
Other neutral changes	–	–	2.2	0.1	5.1	–	7.4
Balance as of 31 March 2006	**108.8**	**8.7**	**903.1**	**(0.1)**	**31.0**	**0.1**	**1,051.6**

Balance sheet - assets

€ million	31.03.2007	31.03.2006	31.12.2006
Intangible assets	185.0	121.6	189.0
- of which goodwill from acquisitions	101.2	13.9	102.9
Property, plant and equipment	1,070.0	778.5	1,082.7
Investment properties	8.1	11.2	8.3
Financial assets	19.2	19.0	19.4
Receivables and other assets	4.6	9.8	2.5
Securities	41.9	39.1	42.1
Deferred taxes	61.7	47.5	52.0
Recoverable income taxes	0.6	–	0.6
Non-current assets	**1,391.1**	**1,026.7**	**1,396.6**
Inventories	305.9	271.2	370.2
Accounts receivable – trade	845.7	714.2	629.5
Other receivables and assets	375.2	259.7	344.4
- of which derivative financial instruments	254.6	173.0	242.7
Recoverable income taxes	10.5	2.1	10.6
Securities	13.1	75.8	15.2
Cash on hand and balances with banks	63.8	107.8	64.4
Current assets	**1,614.2**	**1,430.8**	**1,434.3**
ASSETS	**3,005.3**	**2,457.5**	**2,830.9**

Balance sheet - equity and liabilities

€ million	31.03.2007	31.03.2006	31.12.2006
Subscribed capital	108.8	108.8	108.8
Additional paid-in capital	7.9	8.7	7.9
Other revenue reserves and profit retained	1,058.8	934.0	1,007.0
Minority interests	0.7	0.1	0.6
Equity	**1,176.2**	**1,051.6**	**1,124.3**
Bank loans and overdrafts	175.0	6.2	136.8
Other liabilities	13.8	10.7	14.0
Provisions for pensions and similar obligations	128.3	171.9	128.2
Provisions for mining obligations	340.4	323.9	338.2
Other provisions	125.6	135.5	125.4
Deferred taxes	93.5	33.2	79.5
Non-current debt	**876.6**	**681.4**	**822.1**
Bank loans and overdrafts	183.1	24.6	234.0
Accounts payable – trade	388.0	332.1	360.8
Other liabilities	98.8	100.6	77.8
- of which derivative financial instruments	49.7	28.9	39.3
Income tax liabilities	30.4	25.9	16.6
Provisions	252.2	241.3	195.3
Current debt	**952.5**	**724.5**	**884.5**
EQUITY AND LIABILITIES	**3,005.3**	**2,457.5**	**2,830.9**

Net debt

	Jan. - March (Q1)	
€ million	2007	2006
Net debt at the beginning of the period	**(718.2)**	**(324.0)**
Cash on hand and balances with banks	63.8	107.8
Liabilities due to banks < 3 months	(25.6)	–
Cash invested with affiliated companies*	–	–
Cash received from affiliated companies*	(5.1)	(4.3)
Net cash and cash equivalents as of 31 March	**33.1**	**103.5**
Securities	55.0	114.9
Liabilities due to banks > 3 months	(332.5)	(30.8)
Provisions for pensions and similar obligations	(128.3)	(171.9)
Provisions for mining obligations	(340.4)	(323.9)
Net debt as of 31 March	**(713.1)**	**(308.2)**

* Companies not included in the scope of consolidation

Cash flow statement

€ million	Jan. - March (Q1) 2007	2006
Operating earnings (EBIT I)	**103.3**	**113.1**
Depreciation and amortisation on fixed assets*	31.0	30.0
Decrease(-)/increase(+) in non-current provisions (without interest rate effects)	1.2	(5.9)
Interest received, dividends and similar income	1.6	1.3
Gains(+)/losses(-) realised on the disposal of financial assets, investment properties and securities	0.0	1.6
Interest paid	(5.2)	(1.2)
Other financing income/expenses	(0.5)	–
Income tax received/paid	(27.3)	(24.9)
Gross cash flow	**104.1**	**114.0**
Gains(-)/losses(+) on the disposal of fixed assets and securities	(1.1)	(3.0)
Increase(-)/decrease(+) in inventories	64.3	10.2
Increase(-)/decrease(+) in receivables and other assets from operating activities	(234.1)	(122.2)
- of which derivative financial instruments	2.2	3.4
Decrease(-)/increase(+) in liabilities from operating activities	48.2	(18.9)
- of which derivative financial instruments	(1.2)	(1.9)
Decrease(-)/increase(+) in current provisions	60.3	52.0
Out-financing of provisions	(2.5)	(0.4)
Cash flow provided by operating activities	**39.2**	**31.7**
Proceeds from disposals of fixed assets	2.0	3.0
Disbursements for intangible assets	(3.0)	(0.9)
Disbursements for property, plant and equipment	(22.6)	(15.0)
Disbursements for financial assets	(0.1)	(0.1)
Disbursements for acquisition of consolidated companies	(0.5)	–
Proceeds from sale/disbursements for acquisition of securities	–	20.8
Cash flow provided by(+)/used in(-) investing activities	**(24.2)**	**7.8**
Free cash flow	**15.0**	**39.5**
Purchase of own shares	(5.2)	(7.5)
Taking out(+)/repayment (-) of loans	6.9	1.5
Cash flow provided by(+)/used in(-) financing activities	**1.7**	**(6.0)**
Change in cash and cash equivalents affecting cash flow	**16.7**	**33.5**
Change in value of cash and cash equivalents	–	0.2
Change in cash and cash equivalents	**16.7**	**33.7**

* 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 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	Q3/06	Q4/06	2006	Q1/07
Revenues*	€ million	**336.0**	**319.0**	**288.3**	**295.6**	**1,238.9**	**368.5**
- Europe	€ million	226.2	189.2	160.5	166.0	741.9	231.6
- Overseas	€ million	109.8	129.8	127.8	129.6	497.1	136.9
Volumes	million tons	**2.11**	**2.08**	**1.87**	**1.93**	**7.99**	**2.30**
- Europe	million tons	1.45	1.25	1.05	1.08	4.83	1.41
- Overseas	million tons	0.66	0.83	0.82	0.85	3.16	0.89
Average prices	per ton in €	**159.4**	**153.2**	**153.8**	**153.4**	**155.0**	**160.6**
- Europe	per ton in €	156.0	151.1	152.7	154.0	153.6	164.4
- Overseas	per ton in €	166.9	156.4	155.5	152.5	157.3	154.5

* 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	Q1/07	Q1/06
Foreign currency result (from measurement and hedging)	12.9	2.2
Change in provisions	(5.8)	(0.9)
Other	3.7	(2.5)
Other operating income/expenses	**10.8**	**(1.2)**

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 end of 2009. 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. For 2007, the barriers lie between USD/EUR 1.13 and USD/EUR 1.40.

We have hedged a total of USD 505 million for 2007 (2006: USD 500 million). 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	Q2/07e	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	1.04	1.02	1.04
Average USD/EUR spot rate	1.20	1.26	1.27	1.29	1.26	1.31	–	–	–	–

* As of Q2/07, the values are anticipated ones; they apply on the assumption that no adjustments to existing hedging transactions will be necessary.

Financial result

€ million	Q1/07	Q1/06
Interest income	1.6	1.3
Interest expense	(10.7)	(7.0)
- of which interest expense for pension provisions	(1.8)	(2.3)
- of which interest expense for provisions for mining obligations	(3.7)	(3.5)
Interest income, net	**(9.1)**	**(5.7)**
Other financing costs	(0.5)	(0.9)
Income from the disposal of financial assets	0.0	1.6
Income from the measuring of financial assets at market value	(0.2)	(0.9)
Other financial result	**(0.7)**	**(0.2)**
Financial result	**(9.8)**	**(5.9)**

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	Q1/07	Q1/06
Corporation tax	10.0	8.0
Trade tax on income	7.8	12.9
Foreign income taxes	9.5	4.0
Deferred taxes	4.6	30.2
Taxes on income	**31.9**	**55.1**

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.

Contingent liabilities

There have been no significant changes in contingent liabilities in relation to the annual financial statements for 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.

Summary by Quarter

Revenues and operating earnings (IFRSs)

€ million	2006 Q1	Q2	Q3	Q4	2006	2007 Q1	%
Potash and Magnesium Products	336.0	319.0	288.3	295.6	1,238.9	368.5	+ 9.7
COMPO	197.7	145.6	92.2	116.9	552.4	217.1	+ 9.8
fertiva	132.2	137.6	143.8	142.6	556.2	150.5	+ 13.8
Salt	157.7	67.7	115.5	144.9	485.8	176.6	+ 12.0
Waste Management and Recycling	17.0	17.7	16.6	18.1	69.4	17.6	+ 3.5
Services and Trading	14.9	12.5	13.7	13.9	55.0	14.4	(3.4)
K+S Group revenues	855.5	700.1	670.1	732.0	2,957.7	944.7	10.4
Potash and Magnesium Products	42.1	41.7	39.2	35.6	158.6	52.8	+ 25.4
COMPO	16.3	9.7	(0.4)	3.6	29.2	19.2	+ 17.8
fertiva	3.8	5.0	5.8	2.1	16.7	4.4	+ 15.8
Salt	47.5	0.4	7.7	12.0	67.6	25.0	(47.4)
Waste Management and Recycling	3.6	3.7	2.9	3.6	13.8	3.2	(11.1)
Services and Trading	7.3	6.3	6.8	5.0	25.4	7.1	(2.7)
Reconciliation	(7.5)	(7.4)	(10.3)	(8.1)	(33.3)	(8.4)	+ 12.0
K+S Group EBIT I	113.1	59.4	51.7	53.8	278.0	103.3	(8.7)

Income statements (IFRSs)

€ million	2006 Q1	Q2	Q3	Q4	2006	2007 Q1	%
Revenues	855.5	700.1	670.1	732.0	2,957.7	944.7	+ 10.4
Cost of sales	519.6	478.5	455.8	460.0	1,913.9	609.6	+ 17.3
Gross profit	335.9	221.6	214.3	272.0	1,043.8	335.1	(0.2)
Selling expenses	201.2	163.5	156.5	206.9	728.1	218.3	+ 8.5
General and administrative expenses	17.6	20.1	21.0	23.4	82.1	20.5	+ 16.5
Research and development costs	3.1	3.8	3.2	3.7	13.8	4.0	+ 29.0
Other operating income/expenses	(1.2)	24.4	17.5	15.7	56.4	10.8	–
Income from investments, net	0.3	0.8	0.6	0.1	1.8	0.2	(33.3)
Operating earnings (EBIT I)	113.1	59.4	51.7	53.8	278.0	103.3	(8.7)
Market value changes from hedging transactions	51.7	8.2	45.3	(21.6)	83.6	3.0	(94.2)
Earnings after market value changes (EBIT II)	164.8	67.6	97.0	32.2	361.6	106.3	(35.5)
Financial result	(5.9)	(0.2)	(5.2)	(8.8)	(20.1)	(9.8)	(66.1)
Earnings before income taxes	158.9	67.4	91.8	23.4	341.5	96.5	(39.3)
Earnings before income taxes, adjusted [1]	107.2	59.2	46.5	45.0	257.9	93.5	(12.8)
Taxes on income	55.1	23.3	31.7	(39.8)	70.3	31.9	(42.1)
- of which deferred taxes	30.2	10.5	18.8	(39.1)	20.4	4.6	(84.8)
Minority interests in earnings	–	–	–	0.4	0.4	0.1	–
Group earnings after taxes and minority interests [2]	103.8	44.1	60.1	62.8	270.8	64.6	(37.9)
Group earnings after taxes, adjusted [1, 2]	71.2	39.0	31.5	76.4	218.1	62.6	(12.1)

Other key data (IFRSs)

	2006 Q1	Q2	Q3	Q4	2006	2007 Q1	%
Capital expenditure (€ million) [3]	15.8	30.0	33.2	51.5	130.5	25.2	+ 59.5
Depreciation and amortisation (€ million) [3]	30.0	29.8	29.8	33.5	123.1	31.0	+ 3.3
Gross cash flow (€ million)	114.0	74.8	63.2	90.8	342.7	104.1	(8.7)
Earnings per share, adjusted (€) [1, 4]	1.73	0.95	0.76	1.85	5.29	1.52	(12.1)
Gross cash flow per share (€)	2.77	1.81	1.53	2.20	8.31	2.53	(8.7)
Book value per share, adjusted (€) [1]	24.51	23.28	24.16	–	25.71	26.96	+ 10.0
Total number of shares (million)	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	+ 0.1
Average number of shares (million) [5]	41.20	41.25	41.25	41.25	41.24	41.21	+ 0.0
Employees as of the reporting date (number)	10,979	10,959	11,843	–	11,873	11,956	+ 8.9
Closing price (XETRA, €)	66.60	63.07	63.20	–	82.20	82.34	+ 23.6

[1] Adjusted for the effect of market value changes from hedging transactions; 37.0 % tax rate assumed
[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

Dates	2007/08
Interim report 30 June 2007	14 August 2007
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

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