K+S Aktiengesellschaft

Press and Analyst Conference

15 March 2007

Frankfurt am Main

Speech by Norbert Steiner,

Deputy Chairman of the Board of Executive Directors

– The spoken word is binding –

Presentation of
Annual Financial Statements 2006
K+S Aktiengesellschaft

Norbert Steiner

15 March 2007
Frankfurt am Main

K+S
Experience growth.

Ladies and Gentlemen,

Following the comments about the course of business of the K+S Group and the individual business segments, I would now like to provide you with some information concerning the earnings, financial and assets position of our Company.

The most important event for our Company in the past year was the acquisition of the Chilean salt producer SPL, and I shall return to this at various points in my speech. So, let me first mention once again that we included the companies newly acquired on 29 June 2006 in the consolidated balance sheet as of 30 June 2006 and in the Group earnings as of 1 July 2006.

Slide 1 - Key figures for Q4/2006

K+S Group

Key figures for Q4/2006

€ million	2006	2005	%
Revenues	732.0	716.0	+ 2.2
Operating earnings (EBIT I)	53.8	48.8	+ 10.2
Earnings before taxes (EBT), adjusted*	45.0	43.9	+ 2.5
Group earnings after taxes, adjusted*	76.4**	35.7	> 100
Capital expenditure	51.5	41.4	+ 24.4
Free cash flow before acquisitions	- 48.8	- 70.7	+ 31.0
Net indebtedness***	718.2	324.0	> 100
Earnings per share, adjusted (€)*	1.85**	0.86	> 100
Average number of shares (million)	41.25	41.70	- 1.1

* Adjusted for the effect of market value changes for exchange rate hedging transactions; a tax rate of 37.0% is assumed
** Including non-recurrent deferred tax income of € 41.9 million or € 1.02 per share
*** Including pension provisions and provisions for mining obligations

15 March 2007 K+S Group / 1

Before I turn to the figures for the whole year, I would like to say a few words about the fourth quarter: The revenues from October to December of 732.0 million euros exceeded the figure for the same period last year by 16.0 million euros or 2%; the first-time consolidation of SPL more than made up for the negative sales and currency effects on revenues.

In the fourth quarter, operating earnings EBIT I rose by 5.0 million euros or 10% to 53.8 million euros. The positive effects of the foreign currency result as well as lower allocations to provisions more than compensated for earnings decreases due to price and volume factors in the Potash and Magnesium Products as well as Salt business segments.

Group earnings, after adjustment for the effect of market value changes, amounted to 76.4 million euros, which represents an increase of 40.7 million euros or 114%. Accordingly, the adjusted earnings per share also improved significantly in the fourth quarter.

This is also, of course, attributable to the non-recurrent deferred tax income of 41.9 million euros, which was a consequence of the reorganisation of the corporate structure of the SPL Group in Chile. By way of a reminder: At the end of last year, SPL, acquired by K+S, was merged with a company founded by K+S for this purpose. This triggered an increase in carrying amounts for tax purposes, resulting in lower future income tax payments prompted by tax write-downs. It also led to the reporting of non-recurrent deferred tax income in the K+S consolidated financial statements in accordance with IFRSs, which was, however, almost non-cash in 2006. The cash advantage will rather have an effect successively over the coming years.

In the fourth quarter, we invested 51.5 million euros, which was 10.1 million euros or 24% above the figure for the same period last year. The major part of the investments were in the Potash and Magnesium Products and the Salt Business segments; here, the acquisition and installation of new gas turbines, the replacement of a winding machine and the first-time consolidation of SPL had an effect.

In the fourth quarter, the predominantly negative free cash flow prior to acquisitions improved in comparison with the same period last year due to a lower working capital requirement. The net indebtedness of the K+S Group including long-term provisions more than doubled during the course of the SPL takeover.

A comprehensive set of figures for the fourth quarter can be found on our homepage; we have also laid out some copies of these figures in the foyer here.

I would now like to comment on the figures for 2006 as a whole.

Slide 2 - Revenues and earnings as of 31 December

K+S Group

Revenues and earnings as of 31 December

€ million	2006	2005	%
Revenues	**2,957.7**	**2,815.7**	**+ 5.0**
Operating earnings (EBIT I)	**278.0**	**250.9**	**+ 10.8**
Earnings after market value changes (EBIT II)	361.6	271.7	+ 33.1
Financial result	- 20.1	- 12.1	- 66.1
Earnings before taxes (EBT)	341.5	259.6	+ 31.5
Income taxes	70.3	85.2	- 17.5
of which: deferred taxes	20.4	35.5	- 42.5
Group earnings after taxes	270.8**	174.4	+ 55.3
Earnings before income taxes, adjusted*	**257.9**	**238.8**	**+ 8.0**
Group earnings after taxes, adjusted*	**218.1****	**161.3**	**+ 35.2**

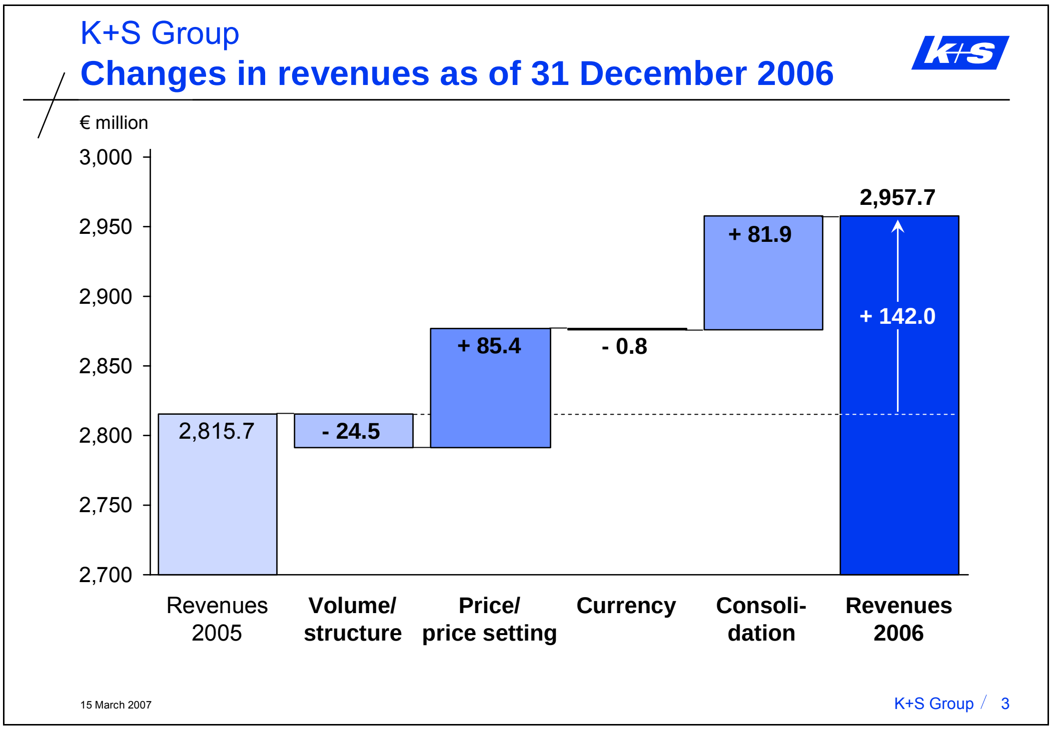
* A tax rate of 37.0% is assumed
** Including non-recurrent deferred tax income of € 41.9 million

15 March 2007 K+S Group / 2

This slide gives an overview of the good development of the revenues and earnings of the K+S Group and will provide the framework for my further comments.

At this point, let me just note that the de-icing salt business in the fourth quarter on both sides of the Atlantic was not only weaker than in the previous year, but almost collapsed entirely. If one then takes into consideration the follow-up hedging of our US dollar double-barrier options also necessary in the fourth quarter, the operating earnings of 278 million euros, which are almost in the middle of our earnings fore-cast, may perhaps be seen in a better light.

Slide 3 - Change in revenues as of 31 December 2006



In 2006, we were once again able to achieve a substantial increase in revenues of 142 million euros. About 82 million euros of this applied to the companies in the SPL Group consolidated for the first time.

At about 85 million euros, the price improvements already discussed have, however, had a positive effect, so that negative volume effects – partly due to the weaker de-icing salt business in the fourth quarter – were far more than offset.

Currency-related effects on revenues were insignificant. This is because at 1.26 US dollars per euro, the average exchange rate for 2006 was almost identical to that for 2005.

Slide 4 - Important cost items as of 31 December

K+S Group

Important cost items as of 31 December

€ million	2006	2005	%
Personnel expenses	663.5	671.1	- 1.1
Cost of materials and purchased services	1,213.2	1,186.7	+ 2.2
Energy costs	207.5	157.7	+ 31.6
Freight costs	431.5	394.2	+ 9.5

- Personnel: Collective agreement wage increases, lower provision allocations, inclusion of SPL
- Materials: Inclusion of SPL, fertiva
- Energy: Price increases
- Freight: Inclusion of SPL, price increases

15 March 2007 K+S Group / 4

The increase in revenues, as you have already seen, was also reflected in improved operating earnings. Admittedly, for the most important cost items, substantial increases may in part be noted; however, this was more than made up for by the improvements in revenues already discussed.

The following can be stated regarding the most important cost items: In absolute terms, the largest item was costs of materials and purchased services, which increased by about 27 million euros or 2%. Here, particularly the inclusion of SPL as well as the higher share of earnings contributed by fertiva to BASF have had an effect, which we can post under this heading.

At 663.5 million euros, the personnel expenses of the K+S Group in the past year were down 7.6 million euros or 1% on the preceding year. The decrease is mainly due to lower allocations to provisions for early retirement arrangements. Without the provision effects, pure personnel costs rose by 2% against the previous year; the increase is attributable to higher pay settlements under collective wage agreements as well as the first-time inclusion of SPL. Of personnel expenses, variable remuneration accounted for 58.2 million euros or just under 9% last year.

Greater flexibility in personnel expenses will also be sought in the future so that – depending on the earning situation – personnel expenses, as the largest cost item for the K+S Group, can be influenced. We believe the flexibility in personnel expenses thus gained to be indispensable, both for reasons of profitability and in the light of our socio-political responsibility to provide employment.

As to the energy costs, general price increases also have an impact on our usage of natural gas. This is the main explanation for the increase of around 50 million euros or 32%. Accounting for more than 70% of costs, gas is the most important primary source of energy for the K+S Group. We are, of course, making every effort to counter this trend through price agreements, but also by using other sources of energy. Nevertheless, against a background of general price increases, it is scarcely possible to avoid paying more to obtain energy. Therefore, we have also started in this regard to protect ourselves in part against major increases in energy costs through financial instruments.

The almost 10% increase in costs for outbound freight is in part also due to price factors; however, the bulk of the increase resulted from the first-time inclusion of SPL.

I would now like to turn to currency management, which also made a decisive contribution to the success of the K+S Group over the past year.

Slide 5 - Currency management

K+S Group

Currency management

- Continuation of the previous policy of hedging future USD receipts, revolving about 3 years in advance
- Instrument: Double-barrier options
- Average hedging rates incl. paid premiums

2007:	**1.05 USD/EUR (volume USD 563 million)**
2008:	1.08 USD/EUR (volume USD 633 million)
2009:	1.08 USD/EUR (volume USD 614 million)

- Dbl.-barriers

Dbl.-barriers	Lower knock-out	Upper knock-out
2007:	1.09 - 1.13	1.40
2008:	1.03 - 1.10	1.40 - 1.42
2009:	1.03 - 1.10	1.42 - 1.46

15 March 2007 K+S Group / 5

Because the level of our sales revenues is to a not inconsiderable extent dependent on the development of exchange rates, especially in the Potash and Magnesium Products business segment, we have, of course, continued to pursue an active currency management strategy covering the period of our medium-term planning. Accordingly, we hedge our net positions for about three years in advance. Following the takeover of SPL, we are now also pursuing the same approach for our net US dollar receipts from the Salt business; however, the volume in this case is only a fraction of that hedged by us in the Potash and Magnesium Products business segment.

Many of you know that for some years we have been employing so-called double-barrier options, which only remain effective if the exchange rate moves within the pre-defined thresholds during the entire period. At present, the upper knock-out thresholds of our hedging are, depending on the period, 1.40 to 1.46 USD/EUR and the lower knock-outs 1.03 to 1.13 USD/EUR. If the spot rate exceeds or falls below a knock-out value, we restructure our hedging transactions, if necessary, in order to protect against their loss.

Such restructuring measures – as already mentioned at the start – became necessary at the end of 2006, since the US dollar rate had grown very close to the upper threshold value applied last year of 1.35 USD/EUR. Despite the related premium expenses, we were able to achieve an average hedging rate of 1.09 USD/EUR for 2006 with a hedging volume of 500 million US dollar. Against the background of a weakening US dollar during the course of the year, however, the pure hedging success was subject to negative valuation effects for payment receipts during the year as well as for receivables on the reporting date, so that the currency result for 2006 was, in total, despite the clearly improved hedging rate, only a good 5 million euros above that of 2005.

The anticipated net receipts for the years 2007 to 2009 are also hedged using double-barrier options. In this case we would, if no further adjustments prove to be necessary, achieve very attractive average hedging rates including paid premiums of 1.05, 1.08 and once again 1.08 USD/EUR.

Slide 6 - Financial result as of 31 December

K+S Group

Financial result as of 31 December

€ million	2006	2005	%
Interest and similar income	9.9	11.4	- 13.2
Interest and similar expenses	- 37.4	- 29.2	+ 28.1
of which: interest expenses for mining provisions	- 13.6	- 13.9	- 2.2
of which: interest expenses for pensions provisions	- 7.4	- 9.5	- 22.1
Interest result	**- 27.5**	**- 17.8**	**- 54.5**
Other financial result	**7.4**	**5.7**	**+ 29.8**
Financial result	**- 20.1**	**- 12.1**	**- 66.1**

15 March 2007

K+S Group / 6

Now to the financial result: while the interest income in the past year was lower than that of the previous year due to a reduced volume of investment, interest expenses rose clearly, above all following the funding the syndicated loan taken out in connection with the acquisition of SPL. The interest result, which additionally also includes the expenses arising from the accrual of interest on pension provisions and other long-term personnel obligations as well as the accrual of interest on provisions for mining obligations, thus deteriorated by just under 10 million euros.

The other financial result amounted to 7.4 million euros and exceeded the figure for the previous year by 1.4 million euros. This item includes, in particular, gains and losses realised on the sale of financial assets as well as effects of measuring such items as of the reporting date. In the past year, special mention should be made of the sale of a property not required for our operations. On the other hand, one-off costs are also included here, incurred in connection with the financing of the SPL acquisition.

In total, the financial result has thus declined by 8.0 million euros compared with the previous year.

Slide 7 - Income taxes as of 31 December

K+S Group
Income taxes as of 31 December

€ million	2006	2005	%
Corporate income tax	16.4	14.7	+ 11.6
Trade tax	27.5	27.3	+ 0.7
Foreign income taxes	6.0	7.7	- 22.1
Deferred taxes	20.4*	35.5	- 42.5
Income taxes	**70.3**	**85.2**	**- 17.5**

* Including non-recurrent deferred tax income of € 41.9 million

15 March 2007 K+S Group / 7

In the current year, income taxes have fallen by 18% to 70.3 million euros. A decisive factor here was the previously mentioned non-recurrent deferred tax income that arose during the course of the reorganisation of SPL amounting to 41.9 million euros. Without this effect, deferred taxes would have constituted the largest item; they result from the increase in the market value of our derivatives, but also from the use of the corporate income tax loss carryforward still available.

The healthy earnings position of recent years means that this loss carryforward might be used up during the first quarter of this year. In future, the deferred tax expense in Germany will thus be structurally lower and the corporate income tax to be paid higher, at least on the basis of the tax rates that apply.

Slide 8 - Earnings per share as of 31 December

K+S Group

Earnings per share as of 31 December

€ million	2006	2005	%
Group earnings after taxes	270.8	174.4	+ 55.3
Elimination of market value changes	- 52.7	- 13.1	> 100
Group earnings after taxes, adjusted	**218.1**	**161.3**	**+ 35.2**
Average number of shares (million)	41.24	42.31	- 2.5
Earnings per share (€)*	6.57	4.12	+ 59.5
Earnings per share, adjusted (€)*	**5.29**	**3.81**	**+ 38.8**

* A tax rate of 37.0% is assumed; undiluted ≈ diluted; all activities are continued

15 March 2007

K+S Group / 8

If we look at the earnings after taxes on an unadjusted basis, we can see an increase in earnings of more than 50%. In addition to the improvement in operating earnings as well as the non-recurrent deferred tax income, the changes in market values of the USD options acquired are responsible for this as they have to be recognised in profit and loss in accordance with IFRS on each reporting date. As of 31 December 2006, the relevant book profits amounted to around 53 million euros net after taking into account deferred taxes, and at the same period last year "only" to around 13 million euros. If we eliminate these market value effects, adjusted Group earnings after taxes were 218.1 million euros. Compared with the same period last year, this is an improvement of 35%. All this shows how correct it is to present the pure operating earnings and to adjust the Group earnings after taxes to take account of market value changes.

Accordingly, the adjusted earnings per share amounts to 5.29 euros, of which 1.02 euros is derived from the non-recurrent deferred tax income already mentioned several times. Eliminating this effect, earnings would have improved by 12%.

I would now like to talk briefly about cash flow development:

Slide 9 - Cash flow statement for the period ending 31 December

K+S Group

Cash flow statement for the period ending 31 Dec.

€	2006	2005	+ / -
Gross cash flow	**342.7**	**341.5**	**+ 1.2**
Increase in inventories	- 33.7	- 25.6	- 8.1
Increase in receivables and other assets	- 75.3	- 146.1	+ 70.8
Decrease/increase in liabilities and current provisions	- 12.6	+ 62.1	- 74.7
Other	- 18.7	- 11.1	- 7.6
Cash flow from operating activities	**202.4**	**220.8**	**- 18.4**
Cash flow from investing activities	- 429.8	- 94.3	- 335.5
of which: acquisition expenditure	- 357.7	0.0	- 357.7
Free cash flow	**- 227.4**	**+ 126.5**	**- 353.9**
Cash flow from financing activities	170.9	- 113.3	+ 284.2
Other items	3.1	- 5.2	+ 8.3
Change in cash and cash equivalents	**- 53.4**	**+ 8.0**	**- 61.4**

15 March 2007 K+S Group / 9

Gross cash flow reached 342.7 million euros in 2006 and was thus somewhat above the previous year's. As a result of an increase in working capital, the cash flow from operating activities declined by 8%.

Expenditure from investing activities, which also includes disbursements for acquisitions, increased substantially over the past year to 429.8 million euros; The decisive factor behind this were the payments for the acquisition of the SPL Group in the amount of 357.7 million euros.

For 2006, we are therefore reporting negative free cash flow of 227.4 million euros. Adjusted, however, for the acquisition expenditure referred to, it increased by 3% to 130.4 million euros.

Cash flow from financing activities for the year under review mainly comprised the dividend payment for 2005 of 74.3 million euros and the loan of 249.4 million euros that was taken out.

Now some comments on the balance sheet of the K+S Group:

Slide 10 - Balance sheet as of 31 December

K+S Group

Balance sheet as of 31 December

€ million	2006	2005
Non-current assets	**1,396.6**	**1,020.8**
of which: Intangible assets	189.0	82.2
Property, plant and equipment	1,082.6	791.9
Securities	42.1	56.0
Deferred tax assets	52.0	58.1
Current assets	**1,434.3**	**1,238.2**
of which: Operating current assets	1,233.4	1,054.6
Securities and cash and cash equivalents	79.6	150.0
Equity	**1,124.3**	**942.1**
Non-current debt	**822.1**	**665.1**
of which: Financial liabilities	136.8	6.0
Provisions (pensions and mining obligations)	466.4	496.6
Deferred tax liabilities	79.5	13.7
Current debt	**884.5**	**651.8**
of which: Financial liabilities	233.9	23.5
Cash from affiliated companies	2.8	3.9
Balance sheet total	**2,830.9**	**2,259.0**
Net indebtedness	**718.2**	**324.0**

15 March 2007 K+S Group / 10

The acquisition of SPL and its financing have also changed the K+S Group's balance sheet picture. I will go into this in more detail when we look at the next slide. Here, you can see first and foremost an increase in the non-current assets. This mainly concerns the assets acquired with the takeover of SPL, assets which have to be remeasured in accordance with IFRS and the goodwill. Securities and cash and cash equivalents have, on the other hand, decreased.

As of 31 December 2006, the Group's equity rose by 182.2 million euros to 1.124 billion euros. The increase is mainly due to the inclusion of the consolidated earnings for 2006.

The net incurring of financial liabilities has increased non-current debt tangibly as of 31 December 2006. The carrying amount of the provisions has, on the other hand, fallen somewhat as a consequence of a second CTA allocation of a good 40 million euros in the fourth quarter; although the provisions are still the largest item in non-current debt.

The reduction in the amount of securities and cash and cash equivalents, on the one hand, and the increase in bank loans and overdrafts, on the other, has increased the net indebtedness of the K+S Group substantially from 324 million euros to around 718 million euros. The net indebtedness also includes, at present value, the long-term provisions for pensions and mining obligations.

Slide 11 - Balance sheet as of 31 Dec. 2006 – Effects of SPL

K+S Group

Balance sheet as of 31 Dec. 2006 – Effects of SPL

€ million

• Assets	+ 393.2	• Non-current bank liabilities	+ 136.6
of which goodwill	+ 89.0		
of which salt deposit	+ 234.5	• Current bank liabilities	+ 204.2
• Deferred taxes	+ 46.8	• Deferred taxes	+ 46.2
• Operating current assets	+ 144.8	• Other liabilities	+ 93.2
• Cash and cash equiv. / securities	- 104.6		
Total assets	**+ 480,2**	**Total liabilities**	**+ 480,2**

15 March 2007

K+S Group / 11

This overview is intended to make clear to you the most significant balance-sheet effects of the acquisition of SPL:
Altogether, the balance sheet total of the K+S Group increased by 480 million euros as a result of the acquisition. At 393 million euros, the majority of this is accounted for by the assets, of which, in turn, just under 90 million euros are reported as goodwill and 235 million euros are attributable to the salt deposit. The increase in the operating current assets is to a great extent offset by the reduction in the amount of cash and cash equivalents and securities.

On the financing side, 136 million euros of the financial liabilities refer to non-current and 204 million euros to current liabilities. Deferred tax assets and deferred tax liabilities balance each other out almost completely.

Nevertheless, the K+S Group continues to have solid balance sheet structures and financing ratios. We thus continue to see sufficient scope for the financing of investments and acquisitions, in order to further strengthen the revenue base of the K+S Group.

Slide 12 - Returns as of 31 December

K+S Group

Returns as of 31 December

in %	2006	2005
Return on equity	21.9*	17.8
Return on total investment	12.3	12.7
EBIT margin	9.4	8.9
Return on Capital Employed (ROCE)	17.4	19.5
Value added (€ million)	118.5	119.9

* Including non-recurrent deferred tax income of € 41.9 million

15 March 2007

K+S Group / 12

Owing to our good results, we have been able generally to maintain our returns in 2006 at the high level of the previous year:

The return on equity as of 31 December 2006 leapt to just under 22% compared with just under 18% in the previous year. In computing the return on equity, we related adjusted earnings after taxes to average equity, which is also adjusted for the effects of measuring derivatives at market value after taxes. Otherwise, the development of the return on equity compared over time would scarcely be meaningful.

In the past year, the non-recurrent deferred tax income was also added to this; without this, the return on equity would have reached a value similar to that of the previous year.

At 12.3%, the return on total investment was almost at the same high level as for the previous year. In this case, we base our calculations on EBIT, which is also adjusted for the effects of measuring derivatives at market value.

While the EBIT margin improved by 0.5 percentage points, the ROCE fell slightly owing to the increased capital employed during the course of the acquisition of SPL.

The figure of 17.4% achieved is, however, nonetheless substantially more than our capital costs of about 10% before taxes and thus confirms that the K+S Group has again created value.

This also is evident in the key figure value added; value added created in the year under review amounted to 119 million euros, the same level as the previous year.

Slide 13 - Proposed dividend

K+S Group

Proposed dividend

	2006	**2005**
Dividend per share	€ 2.00	€ 1.80
Dividend payout	€ 82.5 million	€ 74.3 million
Group earnings, adjusted	€ 218.1 million	€161.3 million
Group earnings, adjusted, without non-recurrent deferred tax income	€ 176.2 million	-
Net income distributed*	46.8%	46.0%
Dividend yield**	2.4%	3.5%

* Without non-recurrent deferred tax income of € 41.9 million
** Based on share price as of 31 Dec. (2006: € 82.20; 2005: € 51.05)

15 March 2007 K+S Group / 13

Dr. Bethke has already commented the increase in the proposed dividend of 11% to 2.00 euros per share. At this point, I would like to briefly discuss the level of the dividend payment and the future dividend policy:

With 41.25 million shares entitled to dividend, this will result in a dividend payout of just under 82.5 million euros. Without taking into consideration the non-recurrent deferred and non-cash tax income, we are with our dividend level within our target corridor, i.e. of distributing between 40% and 50% of the adjusted earnings after taxes to the shareholders.

On the basis of the respective year-end closing prices of the K+S share, the dividend yield of 2.4% is admittedly somewhat lower than the 3.5% for the previous year. As the K+S share once again performed very pleasingly over the past year, our share remains an investment alternative for both value and growth investors.