



# Quarterly Report Q4/07

October – December

Weak US dollar weighs on the K+S Group's fourth quarter  
Revenues for the quarter rise to € 893.7 million (+ 22%)  
Operating earnings (EBIT I) reach € 33.6 million (- 38%)  
Proposed dividend unchanged at € 2.00 per share  
Markedly higher revenues and earnings expected for 2008



Experience growth.

## Key Data Business Development

| KEY FIGURES (IFRSs)   | Oct. - Dec. (Q4) |        |        | Jan. - Dec. (12M) |         |        |
|---|------------------|--------|--------|-------------------|---------|--------|
|   | 2007             | 2006   | %      | 2007              | 2006    | %      |
| € million   |                  |        |        |                   |         |        |
| Revenues  | 893.7            | 732.0  | + 22.1 | 3,344.1           | 2,957.7 | + 13.1 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 68.6             | 87.3   | (21.4) | 413.9             | 401.1   | + 3.2  |
| EBITDA margin in %  | 7.7              | 11.9   |        | 12.4              | 13.6    |        |
| Operating earnings (EBIT I)   | 33.6             | 53.8   | (37.5) | 285.7             | 278.0   | + 2.8  |
| Operating EBIT margin in %  | 3.8              | 7.3    |        | 8.5               | 9.4     |        |
| Earnings after market value changes (EBIT II)                           | (137.5)          | 32.2   | -      | (106.9)           | 361.6   | -      |
| Earnings before income taxes  | (148.7)          | 23.4   | -      | (142.6)           | 341.5   | -      |
| Earnings before income taxes, adjusted <sup>1)</sup>                    | 22.4             | 45.0   | (50.2) | 250.0             | 257.9   | (3.1)  |
| Group earnings after taxes <sup>2)</sup>                                | (97.3)           | 20.9   | -      | (93.3)            | 228.9   | -      |
| Group earnings after taxes, adjusted <sup>1),2)</sup>                   | 22.9             | 34.5   | (33.6) | 175.3             | 176.2   | (0.5)  |
| Gross cash flow   | 84.4             | 90.8   | (7.0)  | 372.1             | 342.7   | + 8.6  |
| Net debt as of 31 December <sup>3)</sup>                                | -                | -      | -      | 1,086.5           | 718.2   | + 51.3 |
| Capital expenditure <sup>4)</sup>                                       | 75.4             | 51.5   | + 46.4 | 171.6             | 130.5   | + 31.5 |
| Depreciation and amortisation <sup>4)</sup>                             | 35.0             | 33.5   | + 4.5  | 128.2             | 123.1   | + 4.1  |
| Working capital as of 31 December                                       | -                | -      | -      | 566.9             | 600.2   | (5.5)  |
| Earnings per share, adjusted <sup>1),2)</sup> (€)                       | 0.56             | 0.83   | (32.5) | 4.25              | 4.27    | (0.5)  |
| Gross cash flow per share (€)   | 2.05             | 2.20   | (6.8)  | 9.02              | 8.31    | + 8.5  |
| Book value per share as of 31 December, adjusted <sup>1)</sup> (€)      | -                | -      | -      | 27.24             | 25.71   | + 6.0  |
| Total number of shares as of 31 December (million)                      | -                | -      | -      | 41.25             | 41.25   | -      |
| Outstanding shares as of 31 December (million) <sup>5)</sup>            | -                | -      | -      | 41.25             | 41.25   | -      |
| Average number of shares (million) <sup>6)</sup>                        | 41.25            | 41.25  | -      | 41.24             | 41.24   | -      |
| Employees as of 31 December (number) <sup>7)</sup>                      | -                | -      | -      | 12,033            | 11,873  | + 1.3  |
| Average number of employees <sup>7)</sup>                               | 12,010           | 11,869 | + 1.2  | 11,959            | 11,392  | + 5.0  |
| Personnel expenses  | 178.3            | 171.5  | + 4.0  | 687.3             | 663.5   | + 3.6  |
| Closing price (XETRA) as of 31 December (€)                             | -                | -      | -      | 162.75            | 82.20   | + 98.0 |
| Market capitalisation as of 31 December                                 | -                | -      | -      | 6,713.4           | 3,390.8 | + 98.0 |
| Enterprise value as of 31 December                                      | -                | -      | -      | 7,799.9           | 4,109.0 | + 89.8 |

<sup>1)</sup> ADJUSTED FOR THE EFFECT OF MARKET VALUE CHANGES IN HEDGING TRANSACTIONS; IN THE CASE OF ADJUSTED GROUP EARNINGS, THE RESULTING TAX EFFECTS WERE ALSO ELIMINATED

<sup>2)</sup> 2006: EXCLUDING NON-RECURRENT DEFERRED TAX INCOME OF € 41.9 MILLION OR € 1.02 PER SHARE

<sup>3)</sup> INCLUDING PROVISIONS FOR PENSIONS AND MINING OBLIGATIONS

<sup>4)</sup> FOR OR IN CONNECTION WITH INTANGIBLE ASSETS AS WELL AS PROPERTY, PLANT AND EQUIPMENT

<sup>5)</sup> TOTAL NUMBER OF SHARES LESS THE OWN SHARES HELD BY K+S ON THE REPORTING DATE

<sup>6)</sup> TOTAL NUMBER OF SHARES LESS THE AVERAGE NUMBER OF OWN SHARES HELD BY K+S OVER THE PERIOD

<sup>7)</sup> TOTAL WORKFORCE INCLUDING TEMPORARY EMPLOYEES (WITHOUT STUDENTS AND INTERNS), MEASURED ON FULL-TIME EQUIVALENT BASIS (FTE)

## Management Report

Detailed information about the past financial year can be found in the Financial Report 2007, which can be downloaded and ordered on our homepage: [www.k-plus-s.com](http://www.k-plus-s.com).

### Macroeconomic environment

The global economy continued to grow tangibly in 2007, at a rate of 5.1%. Once again, it was primarily the rapid economic upturn in the developing countries and emerging markets that contributed to this. In China, for example, growth increased by 11.4%. In the industrial countries, however, the economic climate was gloomy at the end of the year, above all because of the real estate crisis in the United States. Although, over the course of the year, the US economy experienced the largest expansion since four years, this was primarily driven, however, by a substantial increase in exports and by government and corporate investments during the summer months. The Federal Reserve Bank (Fed) has so far reacted to the crisis on the real estate market and financial markets by injecting liquidity into the banking sector and by sharply cutting the refinancing rate by 225 basis points to 3.0% at the present time.

The upturn in the European Union continued during the course of 2007 at a somewhat slower pace; the economic performance of the 27 EU member states improved by 3.1%, according to provisional estimates. Following two interest rate hikes of 0.25% each in March and June to 4.0%, in September, the European Central Bank (ECB) chose not to implement a further anticipated increase in the interest rate in view of uncertainties about the effects of the turbulence on the international financial markets. At 2.1%, the average annual inflation rate for 2007 was just below that of the previous year.

In 2007, German GDP grew by 2.5% in real terms. The German economy has thus proven to be robust: The pace of growth has scarcely slowed, in spite of a restrictive financial policy, rising crude oil prices and the marked appreciation of the euro. This, in turn, had a positive impact on employment figures and domestic demand. At 2.3%, the German inflation rate in 2007 was higher than that for the previous year (2006: 1.8%).

A clear upward trend could be seen on the commodities markets in 2007. After the oil price had eased considerably at the end of 2006 and stood at about USD 60 per barrel, it increased sharply again in the course of 2007, closing near to its historic high of over USD 90 per barrel at the end of the year. In 2007, the average price for a barrel of oil was with just under USD 73 about USD 7 or 10% higher than in 2006.

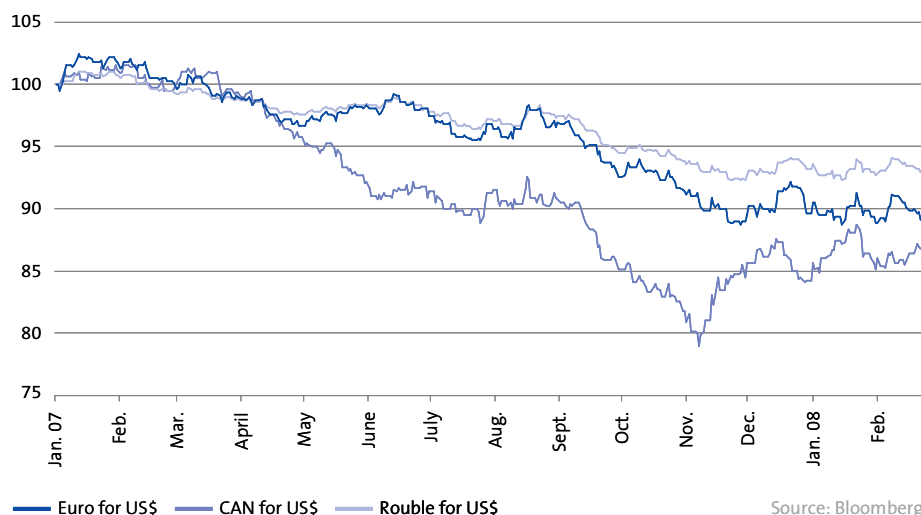
Developments on the international foreign exchange markets were influenced by the tangible depreciation of the US dollar. Over the course of 2007, the US dollar lost about 10% in relation to the euro. In terms of the annual average too, the US dollar lost almost 10% in value (2007: 1.37 USD/EUR; 2006: 1.26 USD/EUR).

## IMPACT ON K+S

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

- Our production costs are affected to a not inconsiderable extent by energy costs, in particular for gas. Rising crude oil prices normally result in gas becoming more expensive. However, as a result of our hedging transactions implemented during the first half of the year and the time formulas in the delivery agreements that were concluded, the further increase in the oil price has not yet had any tangible impact on our energy costs.
- In terms of the average for the year, global market prices for ammonia, an important raw material for the COMPO and fertiva business segments, were also higher than a year ago. However, on the purchasing side we profited from a weak US dollar, which caused ammonia costs, converted into euros, to remain unchanged in comparison to the previous year.
- The weaker US dollar made it necessary to adjust the options that we use to hedge currencies. This resulted in a deterioration of the average hedging rate including premium payments from 1.09 USD/EUR in 2006 to 1.33 USD/EUR in 2007.
- In addition to the absolute relationship between the exchange rates, also a relative comparison of the euro and the currencies of our competitors each in relation to the US dollar is of particular importance for us. A weak US dollar has a negative impact on the revenues of most of the world's potash producers in their respective currency; this is due to the fact that the bulk of worldwide potash output lies outside the US dollar zone while all sales, with the exception of the European market, are invoiced in US dollars. The following diagram shows that in 2007, our competitors were also confronted with a weakening dollar. Canadian, Russian and European potash producers therefore had the same motivation to compensate for weaker exchange rates through higher prices in the US dollar.

DEVELOPMENT OF  
EUR/USD vs. CAN/USD  
AND RUB/USD  
(INDEX: BEGINNING OF  
THE YEAR 2007; IN %)



Source: Bloomberg

## Industry environment

### FERTILIZER AND PLANT CARE SECTOR

The strong growth of the global economy, which was once again mainly the result of the upswing in the Asian emerging markets, also indirectly affected the success of the K+S Group. Increasing prosperity in these regions resulted in their populations having greater expectations of their diet and led to changes in traditional eating habits. This was particularly reflected in the increasing consumption of meat. The production of a kilogramme of meat requires several times that amount of feed, e.g. corn and soybeans. The demand for agricultural products and thus also feed is therefore growing disproportionately in these regions of the world. In addition, economic success in these countries is boosting urbanisation, which tends to decrease the amount of land available for agriculture.

Accordingly, population growth in emerging countries is creating greater demand for food in both quantitative and qualitative terms while the land available for cultivation per head is declining at the same time. This challenge can only be met by more intensive as well as professional agriculture that includes the efficient use of fertilizers.

In recent years, it has only been possible to service the constantly increasing global demand for agricultural raw materials needed to feed people and animals by utilising stocks. For the majority of agricultural products, however, owing to the described developments in 2007, these have again diminished considerably. The resulting shortfall was additionally exacerbated by the increasing importance of renewable raw materials for the generation of bioenergy. All in all, in 2007, this once again resulted in marked rises in the prices of agricultural products: Prices for wheat, corn, soybeans and palm oil have risen by up to 160% on international commodity exchanges during the past three years.

Rising prices in turn encouraged farmers worldwide both to make greater use of the arable land still available to them and also to raise the intensity of cultivation; both these developments required a greater use of fertilizers and resulted in the global demand for fertilizers increasing significantly last year, while production capacity remained largely constant. In consequence, fertilizer prices rose sharply for the three main nutrients: nitrogen, potash and phosphate.

### SALT BUSINESS SEGMENT

With its Salt business segment, K+S is the world's second largest producer of salt. esco – european salt company, with a production capacity of about 9.5 million tonnes, is Europe's largest supplier of salt. Through SPL, K+S is the largest salt producer in South America and through the North American distribution company ISCO, it occupies a strong market position in the north-eastern states of the United States. At SPL, annual production capacity was about 6.5 million tonnes in 2007; this will increase following the expansion of the port in connection with SPL open-cast mining operations in Chile.

Fluctuations in consumption on the Western European salt market were relatively modest, with the exception of an unusual weak de-icing business in the individual segments. During the reporting year, due to an extremely warm winter at the start and end of 2007, sales of de-icing salt in Europe were considerably weaker than in the previous year, whose first quarter had been characterised by an especially severe winter. In the food grade salt and industrial salt segments, business in Europe was stable, while the demand for salts for chemical use rose markedly because of economic factors.

The North American de-icing salt market was also negatively impacted by mild weather conditions at the start of the year. However, the late start of the winter in March had a positive effect here. In the tenders for de-icing salt for the winter season 2007/2008 in the United States, there were no significant shifts in market share. The South and Central 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.

#### **Key events affecting the course of business**

- On 22 April 2006, K+S signed the agreement to purchase the Chilean salt producer SPL. The takeover of SPL was completed on 29 June 2006; the SPL Group was fully consolidated for the first time as of 30 June 2006. In 2007, this therefore resulted in a consolidation effect of € 126.9 million of revenues and € 23.5 million of earnings due to the first-time inclusion for the entire year.
- For some time now, the international market for potash fertilizers is characterised by both robust demand and scarce supply. Consequently, in the last year alone prices for potassium chloride have almost doubled worldwide.
- In 2007, the Western European de-icing salt market was marked by the warmest winter in the history of weather records, which is in stark contrast to the same quarter in 2006, when winter conditions lasted into April. The unusually weak de-icing salt business in Europe was therefore decisive for the substantial decline in earnings of our European salt business during the year under review.
- The weaker US dollar made it necessary for us to adjust the options that we use to hedge currencies several times. This resulted in a deterioration in the average hedging rate incl. premium payments for the Potash and Magnesium Products business segment, from 1.09 USD/EUR in 2006 to 1.33 USD/EUR in 2007. The hedging success thus amounted to € 9.5 million (2006: € 65.3 million). Furthermore, last year we devoted € 359.1 million to concluding new hedging transactions for the years 2008 to 2010 and to adjusting the options acquired for that time to the weaker US dollar rate. This had a significant impact on our cash flow in 2007.

#### **Products and services**

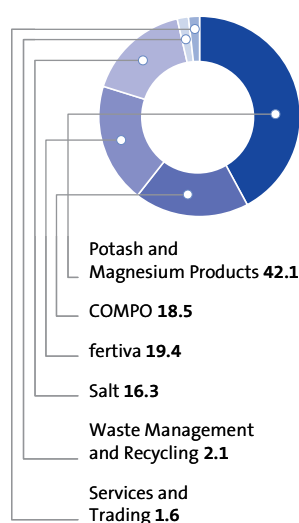
For a comprehensive description of our products and services, please see the relevant passages in our Financial Report 2007. We assume no significant changes in our range of products and services in 2008 and 2009.

| Variance analysis in %    | Q4/07         | 12M/07        |
|---------------------------|---------------|---------------|
| <b>Change in revenues</b> | <b>+ 22.1</b> | <b>+ 13.1</b> |
| - volume/structure        | + 10.2        | + 2.3         |
| - prices                  | + 15.9        | + 9.1         |
| - exchange rates          | (4.0)         | (2.6)         |
| - consolidation           | (0.1)         | + 4.3         |

### Revenues rise 22% in fourth quarter

At € 893.7 million, fourth quarter revenues exceeded the figure for the same period last year by € 161.7 million or 22%. The increase was attributable to positive price and volume effects that could more than offset slight currency declines. While the four large business segments were able, in part, to post significant revenue gains, the complementary business segments were just under the respective figures for the same period last year.

REVENUES BY BUSINESS SEGMENT  
JAN. – DEC. 2007  
(IN %)



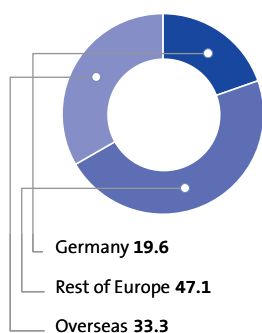
We posted revenues of € 3,344.1 million for financial year 2007, up 13.1% year on year. The revenue increase mainly resulted from price and volume effects. Additionally, the first-time inclusion of the SPL Group for the whole year resulted in a consolidation-related increase of revenues of € 126.9 million of 4% in the Salt business segment. Thus, currency-related effects could be more than made up for. About 67% of Group revenues were generated in Europe, with the largest business segment, Potash and Magnesium Products, accounting for 42% of revenues.

### Q4 operating earnings drop by € 20.2 million to € 33.6 million

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

In the fourth quarter of 2007, EBIT I dropped by € 20.2 million or just under 38% compared with a year ago to € 33.6 million; this was mainly attributable to a markedly negative currency result in the Potash and Magnesium Products business segment. This could only be partially offset by the positive earnings trend in the fertiva and Salt business segments. For the year as a whole, EBIT I amounted to € 285.7 million and exceeded the figure for the previous year by € 7.7 million or 3% (2006: € 278.0 million). With the exception of the Salt and Waste Management and Recycling business segments, all the business segments could post a clear to robust improvement on the preceding year.

REVENUES BY REGION  
JAN. – DEC. 2007  
(IN %)



### Fourth quarter market values of hedging transactions markedly lower

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 the cash-relevant hedging result from options already exercised, as well as losses from expired options, which would have been exercisable in the period under review, are included in operating earnings EBIT I, we report the non-cash changes in the market value of options still outstanding as well as losses from expired options with a due date in future periods as a reconciliation to EBIT II.

Earnings after market value changes EBIT II for the quarter under review fell by € 169.7 million to € (137.5) million. The key factor in this regard was that the market values from hedging transaction in the fourth quarter had markedly lost value after the US dollar exchange rate depreciated significantly once again. During the year under review, earnings after market value changes EBIT II decreased by € 468.5 million to € (106.9) million; the improvement in EBIT I was further enhanced by this positive trend in the market values of our double-barrier options: The improvement in EBIT I was markedly overshadowed by the negative development in the market values – including realised losses – of our double-

barrier options. 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. In particular, the proximity on the reporting date of the US dollar exchange rate to the agreed upper barriers produced a sharp market value reduction while rising market values were still reported in the two preceding years.

#### **Fourth quarter financial result weaker**

The financial result for the fourth quarter amounted to € (11.2) million and was thus down € 2.4 million on the same period last year as a result of lower interest income as well as lower income from the evaluation of financial investments. For 2007 as a whole, the financial result declined by € 15.6 million to € (35.7) million. Under the IFRSs, not only interest expenses for pension provisions (2007: € (4.0) million) but also interest expenses for other non-current provisions, essentially provisions for mining obligations (2007: € (13.9) million) are disclosed in the financial result; both are non-cash. Further details can be found in the Notes.

#### **Q4 adjusted earnings before and after taxes down on a year ago**

Given the limited economic meaningfulness of as well as the significant range of fluctuation in the market values of our currency option transactions, we also report earnings after taxes adjusted for this effect. This also eliminates the impact of market value changes on deferred taxes.

Adjusted earnings before taxes for the fourth quarter amounted to € 22.4 million, which represents a decrease of € 22.6 million compared with a year ago. For financial year 2007 as a whole, adjusted earnings before taxes amounted to € 250.0 million and were thus down € 7.9 million or 3% on the figure for the previous year. The weaker financial result was not entirely offset by the increase in operating earnings.

Under IFRSs, deferred, that is, non-cash income taxes are reported. In the fourth quarter, the markedly negative market development of our double-barrier options generated tax income totalling € 51.5 million, of which € 37.8 million were deferred (income tax income Q4/2006: € 39.8 million, of which € 39.1 million were deferred). The same effect also produced tax income for the year as a whole. Further details of income taxation can be found in the Notes.

After-tax group earnings adjusted for the effect of market value changes in the fourth quarter fell by € 53.5 million to € 22.9 million. It should be noted that the same quarter last year benefited from the non-recurrent deferred tax income in the amount of € 41.9 million resulting from the reorganisation of the corporate structure of the SPL Group. For the year as a whole, adjusted group earnings amounted to € 175.3 million, almost the same figure as for a year ago after adjustment of the non-recurrent deferred tax income. The slight increase in operating earnings as well as the slightly lower adjusted group tax rate (29.9% after 31.7%) could thus almost entirely make up for the weaker financial result.

### Adjusted earnings per share reach € 0.56 in Q4

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

At € 0.56, adjusted earnings per share for the quarter under review were down 27 euro cents on the same period last year (€ 0.83) after adjustment for the non-recurrent deferred tax income. They were computed on the basis of the same average number of outstanding shares as a year ago (41.25 million no-par value shares). For 2007 as a whole, adjusted earnings per share were € 4.25 and thus almost on the same level as last year's figure of € 4.27 (without the non-recurrent deferred tax income of € 1.02 per share).

As of 31 December 2007, we held no shares of our own; the total number of K+S Group shares outstanding at the end of December thus amounted to 41.25 million no-par value shares.

| € million                                      | 12M/07  | 12M/06  |
|--|---------|---------|
| Cash flow from operating activities *          | 258.7   | 227.6   |
| Cash flow for investing activities             | (140.7) | (429.8) |
| Free cash flow bef. acquisitions/divestments * | 115.3   | 155.5   |
| Cash flow from financing activities            | 81.7    | 170.9   |

\* ADJUSTED BY TIED-UP FUNDS FOR PREMIUM PAYMENTS FOR HEDGING TRANSACTIONS.

### 2007 cash flow influenced by high premium payments for US dollar hedging

Attaining € 372.1 million in the year under review, gross cash flow was tangibly above the high level of a year ago. In spite of high interest rates, the higher operating earnings and lower income tax payments had an impact.

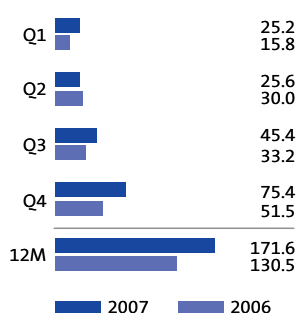
Cash flow from operating activities for 2007 was influenced exceptionally strongly by premium payments of € 367.0 million, for the previous and in the meantime transformed US dollar hedging for payment receipts in the years 2007 to 2010 (previous year: € 25.3 million). After the changeover to a new system, such a high level of tied-up funds is not to be expected anymore in the coming years, so that a look at the figures adjusted for these tied-up funds shows: The cash flow from current business operations adjusted for these premium volumes rose by € 31.1 million or 14% in comparison with last year and thus mirrored the trend of gross cash flow.

Expenditure related to investing activities, which in the previous year included comparatively high payments for acquisitions, fell considerably by a total of € 289.1 million to € 140.7 million in the reporting year. Adjusted for acquisitions, it increased, however, by € 71.2 million and thus almost doubled; but here it must be taken into consideration that the previous year benefited from proceeds from the sale of securities to the value of € 45.0 million within the framework of the funding of SPL.

In 2007, we posted negative free cash flow of € 249.0 million, down € 21.6 million on the corresponding figure for last year. Adjusted for acquisitions/divestitures and the tie-up of funds caused by premium payments, it fell by € 40.2 million or 26% to € 115.4 million; this is chiefly attributable to the proceeds from the sale of securities obtained in the previous year.

Cash flow from financing activities for the year under review essentially covered the dividend payment of € 82.5 million for 2006 as well as the loan of € 166.3 million taken out in connection with the premium payments for US dollar hedging. Overall, the cash flow from financing activities fell by € 89.2 million or 52%. Thus, cash and cash equivalents amounted to € (151.4) million at the end of the year compared with € 16.4 million for the previous year.

**CAPITAL EXPENDITURE  
BY QUARTER  
COMPARED TO 2006  
(€ MILLION)**



**Capital expenditure significantly higher than in the same quarter last year**

In the fourth quarter, we invested € 75.4 million and thus € 23.9 million more than in the same quarter last year. The Potash and Magnesium Products as well as Salt business segments accounted for the bulk of the capital expenditure; the focus was on enhancing exploitation in the Potash and Magnesium Products business segment as well as the acquisition of a freight ship for SPL. In 2007 as a whole, we invested a total of € 171.6 million in property, plant and equipment and intangible assets, about 32% more than in the previous year. In addition and contrary to our initial expectations, there were capital expenditure overhangs of about € 10 million at the end of the year, which were mainly attributable to limited resources on the part of suppliers and the resulting increase in delivery times.

Measures relating to replacing and ensuring production account for just under 60% of the capital expenditure. The depreciations totalling € 128.2 million were able to fund these measures completely and, furthermore, cover part of the investments in expansion and rationalisation projects.

For the next few years, we are assuming that capital expenditure related to maintenance and ensuring production will remain at about the level of our depreciation. Furthermore, the anticipated increases in earnings should result in a cash flow provided by operating activities, which leaves sufficient scope for profitable investments in expansion and rationalisation projects. For 2008 overall, we expect a volume of capital expenditure of about € 240 million. Just under 60% of this will be spent on maintenance and ensuring production; this should, as usual, remain at the level of the expected depreciation and thus be in the amount of € 140 million. Following the acquisition of up to two ships for SPL in 2008, we are anticipating a significant decline in the volume of capital expenditure to just under € 200 million for 2009. About two thirds of this will probably be spent on maintenance and ensuring production.

| € million                          | 2007 | 2006 |
|------------------------------------|------|------|
| Research costs                     | 15,5 | 13,8 |
| Capitalized development investment | 2,7  | 2,0  |
| Employees as of 31 Dec. (number)   | 58   | 51   |

**Research and development**

During the quarter under review, research and development expenses totalled € 4.1 million and were thus up on the same period last year (Q4/2006: € 3.7 million). For 2007 as a whole, research costs came to a € 15.5 million in total and were thus above the level of the previous year (2006: € 13.8 million). This increase can be attributed to higher research expenditure on mining, the expansion of university projects and intensified research activities in the COMPO and fertiva business segments. Additionally, we continued working on minimising solid and liquid product residues in potash production.

In the future too, we want to consistently pursue research and development goals defined in close consultation with marketing and production. We therefore expect both research expenditure and the number of employees involved in research to remain at a similarly level in the years 2008 and 2009.

In 2008 and 2009, the research projects carried out will include the following:

- Research into the impact of potash products on water efficiency in soils;
- The development of plant care products in collaboration with Syngenta;
- Cooperation in the Dutch research project “Wetsus” investigating the use of renewable energies;
- The development of new and optimisation of existing production processes in order to minimise solid and liquid production residues during potash production.

#### **Slight increase in headcount**

As of 31 December 2007, the K+S Group employed a total of 12,033 people. Compared with 31 December 2006 (11,873 employees), the number increased by 160 employees, that is by 1.3%. This already announced rise in the number of employees is mainly attributable to two factors: (1) In the Potash and Magnesium Products business segment, new personnel was taken on in order to maintain the volume of crude salt mined; (2) At SPL, former contractors were taken on by the company for economic and legal reasons.

As at 31 December 2007, we employed a total of 614 trainees (previous year: 620 trainees), of which 607 were located at German sites. The slight drop in the number of trainees can be attributed to the sale of biodata ANALYTIK GmbH. At 6.1%, the proportion of trainees at the domestic companies was at the high level of the previous year.

Fourth quarter personnel expenses amounted to € 178.3 million and were thus up 4% on the same quarter a year ago. K+S Group personnel expenses totalled € 687.3 million for 2007 as a whole and thus displayed a moderate increase on the previous year (2006: € 663.5 million). This was due to the first-time inclusion of SPL for the year as a whole as well as collective agreement pay increases. Of personnel expenses, variable remuneration accounted for € 64.5 million or just under 11% last year (2006: € 58.2 million or 9%).

For the coming year, we anticipate only a slight increase in the number of employees, by about 150 to almost 12,200 employees; regarding our domestic companies, we are continuing to strive for a training rate of over 6%. Also as a result of the latest collective agreement pay increases, personnel expenses should rise by about € 40 million and thus be in the mid-single-digit percentage range. For 2009, we are expecting an unchanged number of employees and a slight increase in personnel expenses.

### Shareholder structure

There were no significant changes in our shareholder structure in the fourth quarter. BASF SE holds about 10.3% of our shares. In addition, MCC Holding Ltd. (Linea Ltd) holds 7.28%. This is a corporate entity which manages the industrial holdings of Andrey Melnichenko and has a stake, for example, in the Russian agrochemicals company EuroChem.

Furthermore, the following investment companies informed us that as at 29 February 2008, they have exceeded the reportable thresholds:

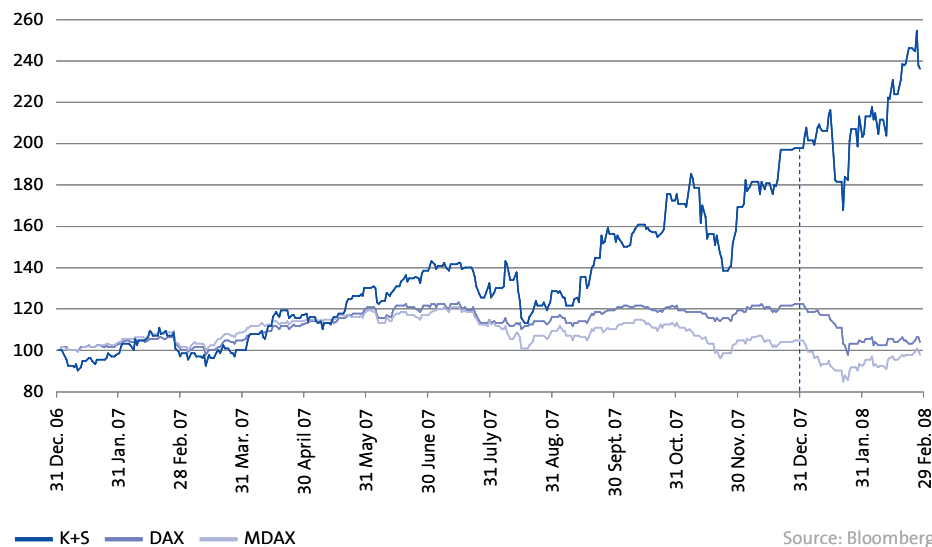
- Capital Group/Capital Research & Management: 5.20%
- Janus Capital Group: 5.18%
- Fidelity International/FMR LLC.: 4.97%
- The Bank of New York Mellon Corporation/Newton Management Ltd.: 3.08%

Under the free float definition applied by Deutsche Börse AG, the free float amounts to a good 82%.

### Course of K+S share price in the fourth quarter

- On 1 October, in an ad hoc notification, we announced a negative effect on earnings resulting from the adjustment of our US dollar hedging in the light of a further weakening of the US dollar. However, this only resulted in a slight fall in the share price, as further substantial price rises for potash were announced.
- At the start of November, it became known that K+S will probably be included in the very important MSCI standard index, which is used as a benchmark by investors around the world. This triggered strategic advanced buying on the part of investors, which had a positive effect on the development of the share price.
- Following the strong share price performance of international potash producers, November saw profit taking. In spite of the fact that the figures for the third quarter were better than expected, continued uncertainty on the capital market resulting from the subprime mortgage crisis and the further negative impact on K+S's earnings due to the accelerated depreciation of the US dollar led to a price drop of up to 25% to € 113.97.
- Once this relatively low level had been reached, investors apparently took the opportunity to buy the share at a bargain price. In addition to this, announcements of further substantial increases in the potash price had a very positive effect on the performance of the share during the last few weeks of the year.
- On 28 December 2007, our share was priced at € 162.75, the highest price so far in its history. This represents an increase of 98.0% in terms of performance over the course of the year. If the dividend that was paid in May 2007 is also taken into account, the gain even amounted to 100.4%. The performance of the K+S share over the course of the year was almost 93 percentage points better than that of the MDAX and 76 percentage points better than that of the DAX. It thus proved to be one of the top performers of 2007 among the stocks listed on the DAX and the MDAX.

PERFORMANCE OF THE K+S  
SHARE IN RELATION TO THE  
DAX AND MDAX IN 2007  
(INDEX: 31 DECEMBER 2006;  
PERFORMANCE IN %)



Source: Bloomberg

#### Subsequent events

No significant changes have occurred in the economic environment or in the position of our industry since the close of the quarter under review. No other events of material importance for the K+S Group requiring disclosure have occurred.

#### Risk report/Opportunity report

For a comprehensive description of the risk and opportunity management system as well as possible risks, please see the relevant passages in our Financial Report 2007.

#### Outlook

More detailed information about the future macroeconomic situation, the future industry situation and the anticipated revenue and earnings positions according to business segments can be found in the Financial Report 2007, which can be downloaded and ordered on our homepage: [www.k-plus-s.com](http://www.k-plus-s.com).

#### FUTURE EARNINGS POSITION

In the financial year 2008, revenues of the K+S Group should increase significantly in comparison to the previous year. This projection is based primarily on higher than previously expected revenues in the Potash and Magnesium Products business segment as a consequence of substantial price rises on the global potash markets. This should more than offset negative currency effects: The revenue forecast assumes an average US dollar exchange rate for 2008 of 1.44 USD/EUR (2007: 1.37 USD/EUR).

The development of total costs, however, is expected to be moderate this year. Energy costs will rise sharply though in comparison to the previous year. Other important cost types, such as material, personnel and freight costs as well as depreciation, should each increase by a rate in the mid single-digit percentage range.

For the financial year 2008, we are therefore forecasting significantly higher operating earnings EBIT I in comparison to last year. This is primarily due to the already described sharply increasing average prices in the Potash and Magnesium Products business segment, which should be far exceeding the rise in costs. Even an appreciably worse US dollar exchange rate in comparison to the previous year does not lead us to change this forecast: Following our fundamental revision of the US dollar hedging system last December, no significant expenditure on follow-up hedging is to be expected for the double-barrier options used previously for US dollar exchange rate hedging. The new hedging system guarantees a hedging rate of at least 1.50 USD/EUR for 2008.

The adjusted group earnings after taxes should increase significantly during this year in line with the development of operating earnings. Our forecast is based on the following circumstances that are to be expected at the current point in time:

- A largely unchanged financial result compared with the previous year.
- In the framework of the reform of German corporate taxation, the level of corporate income tax was cut from 25% to 15%, starting from 2008. The relief provided by the reform will, however, in part be diluted by the implemented financing countermeasures. As we earn about three quarters of our income in our domestic companies, starting from 2008, there will nevertheless be a marked decrease in our netted income taxes. The domestic group rate of income tax to be applied in accordance with IFRS is thus reduced from 37.2 to 27.8%. This year, the corporate tax rate, without effects from the valuation of hedging transactions, should be reduced to approximately 27 to 29% (2007: 29.9%) as a result of the reform of corporate taxation in Germany.

Our outlook is based on the following premises in particular:

- Continued rising demand for potash fertilizers worldwide,
- a US dollar exchange rate that will not deviate significantly from the current exchange rate of 1.44 USD/EUR,
- oil and gas prices that will remain at their current levels as well as
- an average level of de-icing salt business in the fourth quarter of 2008 and normalised sales of de-icing salt in 2009 in Europe and North America.

Revenues should continue to slightly increase in 2009, with this estimate being based, above all, on higher revenues in the Potash and Magnesium Products, COMPO and fertiva business segments. With regard to operating earnings too, we foresee realistic opportunities of a further tangible increase, which should also positively impact the adjusted group earnings after taxes.

Moreover, further growth in our core business sectors remains the focal point of our strategy and encompasses both acquisitions and cooperation arrangements.

#### DIVIDEND PAYMENT FOR FINANCIAL YEAR 2007

As a result of the largely unchanged adjusted earnings of the K+S Group (previous year's figure is adjusted for the non-recurrent deferred tax income) and in line with our long-term policy on dividends, the Board of Executive Directors and the Supervisory Board once again recommend to the Annual General Meeting the payment of a dividend of € 2.00 per

share. Assuming that on the day of the Annual General Meeting we hold no own shares, this will result in a dividend payment of € 82.5 million; with a distribution level of 47%, this is in the distribution corridor of 40 to 50% of the adjusted group earnings of the K+S Group that we are seeking to sustainably achieve.

#### FUTURE DIVIDEND POLICY

We pursue an earnings-based dividend policy. The K+S share should remain an investment offering high growth and high yields in the future too. A distribution level of between 40 and 50%, taking into account the customarily high free cash flow, forms the basis for future dividend recommendations to be determined jointly with the Supervisory Board. The significant increase in adjusted group earnings after taxes expected for 2008 should result in a marked rise in the dividend for financial year 2008.

#### EXPECTED FINANCING STRUCTURE

With net indebtedness (including long-term provisions) of € 1,086.5 million, the K+S Group has a strong financial base as a result of normally high operating and free cash flows. Both these factors mean that we are able to respond flexibly to investment and acquisition opportunities. In view of the expected significant increase in earnings and without taking into account possible acquisitions, share repurchase transactions or CTA allocations, the level of our financial debts should fall substantially compared with the previous year; subject to these conditions, we will, in all likelihood, also display an equity ratio of 35 to 40% over 2008 and 2009, and the level of indebtedness should again fall below 100%.

#### EXPECTED DEVELOPMENT OF LIQUIDITY

For the current and coming year, we are anticipating a positive development of liquidity over the coming two years; the projected increases in earnings should also have an impact on the cash flow provided by operating activities. The latter should significantly exceed outlays connected with capital expenditure, so that we can expect to generate substantial free cash flow in the years 2008 and 2009.

#### Assurance from the legal representatives of K+S Aktiengesellschaft

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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.

The Board of Executive Directors, 22 February 2008

#### 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.

## Business Segments of the K+S Group

| Change in revenues in % | Q4/07  | 12M/07 | POTASH AND MAGNESIUM PRODUCTS   |  |  | Oct. - Dec. (Q4) |       |        | Jan. - Dec. (12M) |         |        |
|-------------------------|--------|--------|---|--|--|------------------|-------|--------|-------------------|---------|--------|
|                         |        |        | € million   |  |  | 2007             | 2006  | %      | 2007              | 2006    | %      |
| Potassium chloride      | + 30.3 | + 12.8 | Revenues  |  |  | 386.3            | 295.6 | + 30.7 | 1,408.0           | 1,238.9 | + 13.6 |
| Fertilizer specialities | + 35.1 | + 18.9 | Earnings before interest, taxes, depreciation and amortisation (EBITDA) |  |  | 25.4             | 56.0  | (54.6) | 255.1             | 235.7   | + 8.2  |
| Industrial products     | + 21.6 | + 3.6  | Operating earnings (EBIT I)   |  |  | 4.2              | 35.6  | (88.2) | 177.9             | 158.6   | + 12.2 |
|                         |        |        | Operating EBIT margin in %  |  |  | 1.1              | 12.0  |        | 12.6              | 12.8    |        |
|                         |        |        | Earnings after market value changes (EBIT II)                           |  |  | (111.8)          | 15.6  | -      | (140.0)           | 240.8   | -      |
|                         |        |        | Capital expenditure   |  |  | 30.8             | 29.8  | + 3.4  | 79.7              | 83.8    | (4.9)  |
|                         |        |        | Employees as of 31 December (number)                                    |  |  | -                | -     | -      | 7,626             | 7,550   | + 1.0  |

| Change in revenues in %              | Q4/07  | 12M/07 | COMPO   |  |  | Oct. - Dec. (Q4) |       |       | Jan. - Dec. (12M) |       |        |
|--------------------------------------|--------|--------|---|--|--|------------------|-------|-------|-------------------|-------|--------|
|                                      |        |        | € million   |  |  | 2007             | 2006  | %     | 2007              | 2006  | %      |
| Consumer business                    | (9.1)  | + 5.5  | Revenues  |  |  | 127.5            | 116.9 | + 9.1 | 617.4             | 552.4 | + 11.8 |
| Professional/<br>industrial business | + 15.0 | + 15.2 | Earnings before interest, taxes, depreciation and amortisation (EBITDA) |  |  | 6.5              | 6.6   | (1.5) | 42.2              | 39.4  | + 7.1  |
|                                      |        |        | Operating earnings (EBIT I)   |  |  | 3.8              | 3.6   | + 5.6 | 32.0              | 29.2  | + 9.6  |
|                                      |        |        | Operating EBIT margin in %  |  |  | 3.0              | 3.1   |       | 5.2               | 5.3   |        |
|                                      |        |        | Earnings after market value changes (EBIT II)                           |  |  | 2.7              | 2.6   | + 3.8 | 28.1              | 29.1  | (3.4)  |
|                                      |        |        | Capital expenditure   |  |  | 4.5              | 4.9   | (8.2) | 12.6              | 11.4  | + 10.5 |
|                                      |        |        | Employees as of 31 December (number)                                    |  |  | -                | -     | -     | 1,252             | 1,260 | (0.6)  |

| Change in revenues in %       | Q4/07  | 12M/07 | FERTIVA   |  |  | Oct. - Dec. (Q4) |       |         | Jan. - Dec. (12M) |       |         |
|-------------------------------|--------|--------|---|--|--|------------------|-------|---------|-------------------|-------|---------|
|                               |        |        | € million   |  |  | 2007             | 2006  | %       | 2007              | 2006  | %       |
| Complex fertilizers           | + 27,0 | + 13,4 | Revenues  |  |  | 179.6            | 142.6 | + 25.9  | 648.1             | 556.2 | + 16.5  |
| Straight nitrogen fertilizers | + 21,4 | + 12,4 | Earnings before interest, taxes, depreciation and amortisation (EBITDA) |  |  | 10.6             | 2.2   | > 100.0 | 26.0              | 17.1  | + 52.0  |
| Ammonium sulphate             | + 32,8 | + 30,6 | Operating earnings (EBIT I)   |  |  | 10.2             | 2.1   | > 100.0 | 25.3              | 16.7  | + 51.5  |
|                               |        |        | Operating EBIT margin in %  |  |  | 5.7              | 1.5   |         | 3.9               | 3.0   |         |
|                               |        |        | Earnings after market value changes (EBIT II)                           |  |  | 10.0             | 2.1   | > 100.0 | 25.3              | 16.7  | + 51.5  |
|                               |        |        | Capital expenditure   |  |  | 0.4              | 0.7   | (42.9)  | 4.2               | 0.7   | > 100.0 |
|                               |        |        | Employees as of 31 December (number)                                    |  |  | -                | -     | -       | 59                | 61    | (3.3)   |

## Business Segments of the K+S Group

| Change in revenues in % | Q4/07  | 12M/07 | SALT  | Oct. - Dec. (Q4) |       |         | Jan. - Dec. (12M) |       |         |
|-------------------------|--------|--------|---|------------------|-------|---------|-------------------|-------|---------|
|                         |        |        |   | 2007             | 2006  | %       | 2007              | 2006  | %       |
| Food grade salt         | (4.3)  | + 10.8 | € million   | 168.9            | 144.9 | + 16.6  | 545.1             | 485.8 | + 12.2  |
| Industrial salt         | + 4.1  | + 10.7 | Revenues  |                  |       |         |                   |       |         |
| Salt for chemical use   | + 2.2  | + 37.0 | Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 25.5             | 19.2  | + 32.8  | 76.5              | 92.0  | (16.8)  |
| De-icing salt           | + 35.3 | (1.2)  | Operating earnings (EBIT I)   | 17.9             | 12.0  | + 49.2  | 47.8              | 67.6  | (29.3)  |
| Other                   | + 27.4 | + 63.5 | Operating EBIT margin in %  | 10.6             | 8.3   |         | 8.8               | 13.9  |         |
|                         |        |        | Earnings after market value changes (EBIT II)                           | 7.1              | 11.5  | (38.3)  | 20.0              | 69.2  | (71.1)  |
|                         |        |        | Capital expenditure   | 27.9             | 9.5   | > 100.0 | 47.9              | 21.2  | > 100.0 |
|                         |        |        | Employees as of 31 December (number)                                    | –                | –     | –       | 2,294             | 2,194 | + 4.6   |

| Change in revenues in % | Q4/07  | 12M/07 | WASTE MANAGEMENT AND RECYCLING  | Oct. - Dec. (Q4) |      |        | Jan. - Dec. (12M) |      |        |
|-------------------------|--------|--------|---|------------------|------|--------|-------------------|------|--------|
|                         |        |        |   | 2007             | 2006 | %      | 2007              | 2006 | %      |
| Disposal                | (5.6)  | (5.9)  | € million   | 17.6             | 18.1 | (2.8)  | 70.5              | 69.4 | + 1.6  |
| Reutilisation           | + 13.2 | + 10.6 | Revenues  |                  |      |        |                   |      |        |
| Recycling               | (18.8) | (5.5)  | Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 3.6              | 4.5  | (20.0) | 14.5              | 16.7 | (13.2) |
|                         |        |        | Operating earnings (EBIT I)   | 2.8              | 3.6  | (22.2) | 11.5              | 13.8 | (16.7) |
|                         |        |        | Operating EBIT margin in %  | 15.9             | 19.9 |        | 16.3              | 19.9 |        |
|                         |        |        | Earnings after market value changes (EBIT II)                           | 2.8              | 3.6  | (22.2) | 11.5              | 13.8 | (16.7) |
|                         |        |        | Capital expenditure   | 2.9              | 2.1  | + 38.1 | 6.9               | 4.3  | + 60.5 |
|                         |        |        | Employees as of 31 December (number)                                    | –                | –    | –      | 34                | 34   | –      |

| Change in revenues in % | Q4/07  | 12M/07 | SERVICES AND TRADING  | Oct. - Dec. (Q4) |      |       | Jan. - Dec. (12M) |      |        |
|-------------------------|--------|--------|---|------------------|------|-------|-------------------|------|--------|
|                         |        |        |   | 2007             | 2006 | %     | 2007              | 2006 | %      |
| Logistics               | (27.0) | (1.1)  | € million   | 13.8             | 13.9 | (0.7) | 55.0              | 55.0 | –      |
| Granulation             | + 15.8 | + 4.7  | Revenues  |                  |      |       |                   |      |        |
| Trading                 | + 14.4 | (5.7)  | Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 6.7              | 6.4  | + 4.7 | 34.6              | 31.3 | + 10.5 |
| IT, analytical services | (11.6) | (19.4) | Operating earnings (EBIT I)   | 4.9              | 5.0  | (2.0) | 27.7              | 25.4 | + 9.1  |
|                         |        |        | Operating EBIT margin in %  | 35.5             | 36.0 |       | 50.4              | 46.2 |        |
|                         |        |        | Earnings after market value changes (EBIT II)                           | 4.9              | 5.0  | (2.0) | 27.7              | 25.4 | + 9.1  |
|                         |        |        | Capital expenditure   | 4.3              | 4.0  | + 7.5 | 15.0              | 8.2  | + 82.9 |
|                         |        |        | Employees as of 31 December (number)                                    | –                | –    | –     | 387               | 407  | (4.9)  |

## Financial Section

| INCOME STATEMENT   | Oct. - Dec. (Q4) |              | Jan. - Dec. (12M) |                |
|--|------------------|--------------|-------------------|----------------|
|  | 2007             | 2006         | 2007              | 2006           |
| € million  |                  |              |                   |                |
| <b>Revenues</b>  | <b>893.7</b>     | <b>732.0</b> | <b>3,344.1</b>    | <b>2,957.7</b> |
| Cost of sales  | 582.1            | 474.1        | 2,212.0           | 1,928.0        |
| <b>Gross profit</b>                                      | <b>311.6</b>     | <b>257.9</b> | <b>1,132.1</b>    | <b>1,029.7</b> |
| Gross margin in %  | 34.9             | 35.2         | 33.9              | 34.8           |
| Selling expenses   | 204.1            | 193.1        | 752.3             | 714.3          |
| General and administrative expenses                      | 24.8             | 23.1         | 89.4              | 81.8           |
| Research and development costs                           | 4.1              | 3.7          | 15.5              | 13.8           |
| Other operating income/expenses                          | (45.3)           | 15.7         | 6.2               | 56.4           |
| Income from investments, net                             | 0.3              | 0.1          | 4.6               | 1.8            |
| <b>Operating earnings (EBIT I)</b>                       | <b>33.6</b>      | <b>53.8</b>  | <b>285.7</b>      | <b>278.0</b>   |
| Operating EBIT margin in %                               | 3.8              | 7.3          | 8.5               | 9.4            |
| Market value changes from hedging transactions           | (171.1)          | (21.6)       | (392.6)           | 83.6           |
| Earnings after market value changes (EBIT II)            | (137.5)          | 32.2         | (106.9)           | 361.6          |
| Interest income, net                                     | (11.4)           | (10.9)       | (35.6)            | (27.5)         |
| Other financial result                                   | 0.2              | 2.1          | (0.1)             | 7.4            |
| <b>Financial result</b>                                  | <b>(11.2)</b>    | <b>(8.8)</b> | <b>(35.7)</b>     | <b>(20.1)</b>  |
| Earnings before income taxes                             | (148.7)          | 23.4         | (142.6)           | 341.5          |
| <b>Earnings before income taxes, adjusted*</b>           | <b>22.4</b>      | <b>45.0</b>  | <b>250.0</b>      | <b>257.9</b>   |
| Taxes on income  | (51.5)           | (39.8)       | (49.5)            | 70.3           |
| - of which deferred taxes                                | (37.8)           | (39.1)       | (68.9)            | 20.4           |
| Earnings after taxes                                     | (97.2)           | 63.2         | (93.1)            | 271.2          |
| Minority interests in earnings                           | 0.1              | 0.4          | 0.2               | 0.4            |
| Group earnings after taxes and minority interests        | (97.3)           | 62.8         | (93.3)            | 270.8          |
| Elimination of market value changes after taxes          | 120.2            | 13.6         | 268.6             | (52.7)         |
| <b>Group earnings after taxes, adjusted*</b>             | <b>22.9</b>      | <b>76.4</b>  | <b>175.3</b>      | <b>218.1</b>   |
| Earnings per share in € (undiluted $\triangleq$ diluted) | (2.36)           | 1.52         | (2.26)            | 6.57           |
| <b>Earnings per share in €, adjusted*</b>                | <b>0.56</b>      | <b>1.85</b>  | <b>4.25</b>       | <b>5.29</b>    |
| Average number of shares (million)                       | 41.25            | 41.25        | 41.24             | 41.24          |

\* ADJUSTED FOR THE EFFECT OF MARKET VALUE CHANGES IN HEDGING TRANSACTIONS; FOR ADJUSTED GROUP EARNINGS, THE RESULTING TAX EFFECTS ARE ALSO ELIMINATED.

### STATEMENT OF CHANGES IN EQUITY

| € million                             | Subscribed capital | Additional paid-in capital | Profit retained/revenue reserves | Differences from foreign currency translation | Fair value reserve | Minority interests | Equity         |
|---------------------------------------|--------------------|----------------------------|----------------------------------|---|--------------------|--------------------|----------------|
| Balance as of 1 January 2007          | 108.8              | 7.9                        | 997.4                            | (15.7)  | 25.3               | 0.6                | 1,124.3        |
| Market valuation of securities        | –                  | –                          | –                                | –   | (5.2)              | –                  | (5.2)          |
| Consolidation-related effects         | –                  | (0.1)                      | (0.1)                            | –   | –                  | –                  | (0.2)          |
| Other neutral changes                 | –                  | –                          | 8.3                              | (19.7)  | 0.1                | –                  | (11.3)         |
| Total                                 | –                  | (0.1)                      | 8.2                              | (19.7)  | (5.1)              | –                  | (16.7)         |
| Earnings after taxes for the period   | –                  | –                          | (93.3)                           | –   | –                  | 0.2                | (93.1)         |
| Dividend for previous year            | –                  | –                          | (82.5)                           | –   | –                  | –                  | (82.5)         |
| Subscription of employee shares       | –                  | (0.2)                      | –                                | –   | –                  | –                  | (0.2)          |
| <b>Balance as of 31 December 2007</b> | <b>108.8</b>       | <b>7.6</b>                 | <b>829.8</b>                     | <b>(35.4)</b>                                 | <b>20.2</b>        | <b>0.8</b>         | <b>931.8</b>   |
| Balance as of 1 January 2006          | 108.8              | 8.7                        | 804.6                            | (0.2)   | 20.2               | –                  | 942.1          |
| Market valuation of securities        | –                  | –                          | –                                | –   | 8.1                | –                  | 8.1            |
| Consolidation-related effects         | –                  | 0.1                        | (1.7)                            | (15.4)  | (0.1)              | 0.2                | (16.9)         |
| Other neutral changes                 | –                  | –                          | (2.0)                            | (0.1)   | (2.9)              | –                  | (5.0)          |
| Total                                 | –                  | 0.1                        | (3.7)                            | (15.5)  | 5.1                | 0.2                | (13.8)         |
| Earnings after taxes for the period   | –                  | –                          | 270.8                            | –   | –                  | 0.4                | 271.2          |
| Dividend for previous year            | –                  | –                          | (74.3)                           | –   | –                  | –                  | (74.3)         |
| Subscription of employee shares       | –                  | (0.9)                      | –                                | –   | –                  | –                  | (0.9)          |
| <b>Balance as of 31 December 2006</b> | <b>108.8</b>       | <b>7.9</b>                 | <b>997.4</b>                     | <b>(15.7)</b>                                 | <b>25.3</b>        | <b>0.6</b>         | <b>1,124.3</b> |

**BALANCE SHEET - ASSETS**

| € million                                   | 31.12.2007     | 31.12.2006     |
|---|----------------|----------------|
| Intangible assets                           | 172.5          | 189.0          |
| - of which goodwill from acquisitions       | 99.7           | 102.9          |
| Property, plant and equipment               | 1,124.8        | 1,082.7        |
| Investment properties                       | 7.9            | 8.3            |
| Financial assets                            | 17.8           | 19.4           |
| Receivables and other assets                | 9.5            | 2.5            |
| Securities                                  | 37.1           | 42.1           |
| Deferred taxes                              | 70.1           | 52.0           |
| Recoverable income taxes                    | 0.5            | 0.6            |
| <b>Non-current assets</b>                   | <b>1,440.2</b> | <b>1,396.6</b> |
| Inventories                                 | 368.6          | 370.2          |
| Accounts receivable – trade                 | 757.2          | 628.8          |
| Other receivables and assets                | 308.7          | 345.1          |
| - of which derivative financial instruments | 205.3          | 242.7          |
| Recoverable income taxes                    | 37.0           | 10.6           |
| Securities                                  | 3.7            | 15.2           |
| Cash on hand and balances with banks        | 49.4           | 64.4           |
| <b>Current assets</b>                       | <b>1,524.6</b> | <b>1,434.3</b> |
| <b>ASSETS</b>                               | <b>2,964.8</b> | <b>2,830.9</b> |

**BALANCE SHEET - EQUITY AND LIABILITIES**

| € million                                       | 31.12.2007     | 31.12.2006     |
|---|----------------|----------------|
| Subscribed capital                              | 108.8          | 108.8          |
| Additional paid-in capital                      | 7.7            | 7.9            |
| Other revenue reserves and profit retained      | 814.5          | 1,007.0        |
| Minority interests                              | 0.8            | 0.6            |
| <b>Equity</b>                                   | <b>931.8</b>   | <b>1,124.3</b> |
| Bank loans and overdrafts                       | 360.2          | 136.8          |
| Other liabilities                               | 15.1           | 14.0           |
| Provisions for pensions and similar obligations | 125.7          | 128.2          |
| Provisions for mining obligations               | 357.6          | 338.2          |
| Other provisions                                | 123.9          | 125.4          |
| Deferred taxes                                  | 21.7           | 79.5           |
| <b>Non-current debt</b>                         | <b>1,004.2</b> | <b>822.1</b>   |
| Bank loans and overdrafts                       | 328.1          | 234.0          |
| Accounts payable – trade                        | 409.1          | 360.8          |
| Other liabilities                               | 85.4           | 77.8           |
| - of which derivative financial instruments     | 16.9           | 39.3           |
| Income tax liabilities                          | 6.2            | 16.6           |
| Provisions                                      | 200.0          | 195.3          |
| <b>Current debt</b>                             | <b>1,028.8</b> | <b>884.5</b>   |
| <b>EQUITY AND LIABILITIES</b>                   | <b>2,964.8</b> | <b>2,830.9</b> |

**NET DEBT**

| € million  | Jan. – Dec. (12M) |                |
|--|-------------------|----------------|
|  | 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                   | 49.4              | 64.4           |
| Liabilities due to banks < 3 months                    | (195.7)           | (45.2)         |
| Cash invested with affiliated companies*               | –                 | 0.7            |
| Cash received from affiliated companies*               | (5.1)             | (3.5)          |
| <b>Net cash and cash equivalents as of 31 December</b> | <b>(151.4)</b>    | <b>16.4</b>    |
| Securities   | 40.8              | 57.3           |
| Liabilities due to banks > 3 months                    | (492.6)           | (325.5)        |
| Provisions for pensions and similar obligations        | (125.7)           | (128.2)        |
| Provisions for mining obligations                      | (357.6)           | (338.2)        |
| <b>Net debt as of 31 December</b>                      | <b>(1,086.5)</b>  | <b>(718.2)</b> |

\* COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

| CASH FLOW STATEMENT   | Oct. - Dec. (Q4) |               | Jan. – Dec. (12M) |                |
|---|------------------|---------------|-------------------|----------------|
|   | 2007             | 2006          | 2007              | 2006           |
| € million   |                  |               |                   |                |
| <b>Operating earnings (EBIT I)</b>  | <b>33.6</b>      | <b>53.8</b>   | <b>285.7</b>      | <b>278.0</b>   |
| Depreciation on fixed assets*   | 35.0             | 33.7          | 128.2             | 123.3          |
| Increase(+)/decrease(-) in non-current provisions (without interest rate effects) | 8.3              | 4.2           | (5.2)             | (15.3)         |
| Interest, dividends and similar income received                                   | 1.4              | 2.4           | 6.7               | 9.9            |
| Realised gains(+)/losses(-) on the disposal of financial assets and securities    | 0.4              | (4.9)         | 0.6               | 12.5           |
| Interest paid   | (8.3)            | (7.3)         | (24.3)            | (15.3)         |
| Other financing income(+)/expenses(-)   | –                | 5.5           | –                 | (3.1)          |
| Income tax received(+)/paid(-)  | 13.6             | 0.8           | (19.4)            | (49.9)         |
| Other non-cash expenses(+)/income(-)  | 0.4              | 2.6           | (0.2)             | 2.6            |
| <b>Gross cash flow</b>  | <b>84.4</b>      | <b>90.8</b>   | <b>372.1</b>      | <b>342.7</b>   |
| Gains(-)/losses(+) on the disposal of fixed assets and securities                 | (0.5)            | 6.4           | (4.9)             | (12.2)         |
| Increase(-)/decrease(+) in inventories  | (16.0)           | (46.5)        | 1.7               | (33.7)         |
| Increase(-)/decrease(+) in receivables and other assets from operating activities | (158.2)          | (125.8)       | (501.1)           | (75.2)         |
| - of which: premium volume for derivatives  | (54.0)           | (45.4)        | (338.6)           | (41.6)         |
| Increase(+)/decrease(-) in liabilities from operating activities                  | (87.5)           | 80.8          | 27.2              | (4.0)          |
| - of which: premium volume for derivatives  | (110.2)          | 24.7          | (28.4)            | 16.4           |
| Increase(+)/decrease(-) of current provisions                                     | (5.5)            | (1.7)         | 6.1               | (8.7)          |
| Out-financing of provisions   | (1.7)            | (1.7)         | (9.4)             | (6.5)          |
| <b>Cash flow from(+)/for(-) operating activities</b>                              | <b>(185.0)</b>   | <b>2.3</b>    | <b>(108.3)</b>    | <b>202.4</b>   |
| Proceeds from disposals of fixed assets   | 3.3              | (6.1)         | 6.9               | 15.4           |
| Disbursements for intangible assets   | 0.5              | (3.3)         | (9.3)             | (6.4)          |
| Disbursements for property, plant and equipment                                   | (62.0)           | (48.4)        | (148.9)           | (124.2)        |
| Disbursements for financial assets  | 0.1              | (1.8)         | (1.5)             | (1.9)          |
| Proceeds from the sale of consolidated companies                                  | –                | –             | 3.6               | –              |
| Disbursements for acquisition of consolidated companies                           | (0.4)            | 0.1           | (0.9)             | (357.7)        |
| Proceeds from sale(+)/disbursements(-) for acquisition of securities              | 9.4              | 8.5           | 9.4               | 45.0           |
| <b>Cash flow for investing activities</b>   | <b>(49.1)</b>    | <b>(51.0)</b> | <b>(140.7)</b>    | <b>(429.8)</b> |
| <b>Free cash flow</b>   | <b>(234.1)</b>   | <b>(48.7)</b> | <b>(249.0)</b>    | <b>(227.4)</b> |
| Payment of dividend   | –                | –             | (82.5)            | (74.3)         |
| Payments from allocations to equity   | –                | –             | 2.8               | 4.1            |
| Purchase of own shares  | (0.9)            | (0.9)         | (6.2)             | (8.4)          |
| Sale of own shares  | 0.3              | –             | 0.3               | –              |
| Increase(+)/decrease(-) in liabilities from finance leases                        | 1.0              | –             | 1.0               | –              |
| Taking out(+)/repayment (-) of loans  | 157.8            | 51.0          | 166.3             | 249.5          |
| <b>Cash flow from(+)/for(-) financing activities</b>                              | <b>158.2</b>     | <b>50.1</b>   | <b>81.7</b>       | <b>170.9</b>   |
| <b>Change in cash and cash equivalents affecting cash flow</b>                    | <b>(75.9)</b>    | <b>1.4</b>    | <b>(167.3)</b>    | <b>(56.5)</b>  |
| Change in value of cash and cash equivalents                                      | 0.5              | –             | (0.4)             | –              |
| Consolidation-related changes   | 0.2              | (0.1)         | (0.1)             | 3.1            |
| <b>Change in cash and cash equivalents</b>  | <b>(75.2)</b>    | <b>1.3</b>    | <b>(167.8)</b>    | <b>(53.4)</b>  |

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

## Notes

### Explanatory notes; changes in the legal Group and organisational structure

The interim reports of the K+S Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) since 2005. The valuation principles applied in these quarterly financial statements correspond to those applied to the corresponding period. There has been no change in the number of consolidated companies compared with the previous year; two have been removed and two newly added: A corporate structural optimisation carried out in the wake of the acquisition of SPL resulted in two companies being included in the scope of consolidation and one company being dissolved. After we sold biodata ANALYTIK GmbH in September 2007, this company too is no longer a consolidated part of the K+S Group.

Changes in the composition and responsibilities of the Board of Executive Directors and the Supervisory Board as described in the Annual Report 2006 that took effect on 1 July 2007 have already been shown in the half-year financial report. There have been no other changes.

### Material changes in individual balance sheet items

The balance sheet total as of 31 December 2007 increased by € 133.9 million compared with the annual financial statements for 2006. On the asset side, non-current assets rose by € 43.6 million and current assets by € 90.3 million. The increase in non-current assets was mainly attributable to increased investment in property, plant and equipment while the increase in current assets was largely due to higher trade accounts receivable prompted by higher revenues. On the equity and liabilities side, equity declined by € 192.5 million; this was mainly due to the dividend payment of € 82.5 million made in May 2007 as well as negative Group earnings for the period of € (93.1) million on account of write-downs on derivative financial instruments. Debt rose by € 326.4 million. In addition to an increase in financial liabilities arising from higher premium payments for US dollar options, the main reason for the increase was a rise in trade accounts payable prompted by both volume and price factors.

### Material changes in equity

Equity is influenced by transactions and events whether recognised in profit or loss or not as well as by capital transactions with shareholders. Compared with the annual financial statements for 2006, profit retained and other revenue reserves declined by € 167.6 million. The reduction was mainly attributable to the dividend payment to shareholders as well as the negative Group earnings for the period prompted by write-downs on derivative financial instruments. Changes in equity not recognised in profit or loss mainly arise from the currency translation of subsidiaries in functional currency as well as from the market valuation of securities that belong to the "available for sale" category. Differences from currency translation are recorded in a separate currency translation reserve which declined by € 19.7 million in financial year 2007 because of exchange rate fluctuations. As a result of the lower market value of securities belonging to the "available for sale" category, there was also a decrease of € 5.2 million in the corresponding fair value reserve.

### Seasonal factors

There are seasonal differences over the course of the year that affect sales of fertilizers and salt products. In the case of fertilizers, we generally attain our highest revenues in the first half of the year because of the 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 are generally greatest during the first half of the year.

**Notes on non-comparable figures for the previous year period**

The following table shows how the Salt business segment would have developed in financial year 2007 without the inclusion of the SPL activities.

| SALT (WITHOUT SPL)  | Jan. – Dec. (12M) |       |
|---|-------------------|-------|
|   | 2007              | 2006  |
| € million   |                   |       |
| Revenues  | 307.6             | 404.5 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 37.1              | 84.0  |
| Operating earnings (EBIT I)   | 15.0              | 62.1  |
| Operating EBIT margin in %  | 4.9               | 15.4  |
| Earnings after market value changes (EBIT II)                           | 14.7              | 63.7  |
| Capital expenditure   | 19.2              | 17.8  |
| Employees as of 31 December (number)                                    | 1,383             | 1,423 |

**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 | Q2/07 | Q3/07 | Q4/07 | 2007    |
|------------------|-------------------|-------|-------|-------|-------|---------|-------|-------|-------|-------|---------|
| Revenues*        | € million         | 336.0 | 319.0 | 288.3 | 295.6 | 1,238.9 | 368.5 | 339.7 | 313.5 | 386.3 | 1,408.0 |
| - Europe         | € million         | 226.2 | 189.2 | 160.5 | 166.0 | 741.9   | 231.6 | 194.7 | 191.0 | 237.2 | 854.5   |
| - Overseas       | US\$ million      | 131.7 | 163.4 | 162.7 | 167.5 | 625.3   | 179.4 | 195.4 | 169.1 | 215.1 | 759.0   |
| Volumes          | million tonnes    | 2.11  | 2.08  | 1.87  | 1.93  | 7.99    | 2.30  | 2.08  | 1.78  | 2.06  | 8.22    |
| - Europe         | million tonnes    | 1.45  | 1.25  | 1.05  | 1.08  | 4.83    | 1.41  | 1.21  | 1.11  | 1.30  | 5.03    |
| - Overseas       | million tonnes    | 0.66  | 0.83  | 0.82  | 0.85  | 3.16    | 0.89  | 0.88  | 0.67  | 0.76  | 3.19    |
| Average prices   | per tonne in €    | 159.4 | 153.2 | 153.8 | 153.4 | 155.0   | 160.6 | 163.1 | 175.9 | 187.7 | 171.3   |
| - Europe         | per tonne in €    | 156.0 | 151.1 | 152.7 | 154.0 | 153.6   | 164.4 | 161.6 | 171.8 | 182.1 | 170.0   |
| - Overseas       | per tonne in US\$ | 200.1 | 196.9 | 197.9 | 197.0 | 197.9   | 202.5 | 222.7 | 252.0 | 284.6 | 237.9   |

\* REVENUES INCLUDE PRICES BOTH INCLUSIVE AND EXCLUSIVE OF FREIGHT COST 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 THESE REVENUES, ENABLING US TO ACHIEVE MORE ATTRACTIVE EUR REVENUES THAN INDICATED HERE. THESE EFFECTS ARE INCLUDED IN OTHER OPERATING INCOME. THE INFORMATION ON PRICES IS TO BE UNDERSTOOD SOLELY AS PROVIDING A ROUGH INDICATION.

**Foreign currency result in EBIT I**

Exchange rates were largely hedged using double-barrier options until the end of 2007. The terms of the derivatives still outstanding vary and extend until the end of 2010. It had to be noted that the hedging transactions concluded are only effective as long as the USD/EUR spot rate remains within agreed barriers: As required, we have adjusted them by paying additional premiums. For 2007, we hedged USD 475 million for the Potash and Magnesium Products business segment (2006: USD 500 million). Average hedged rates per quarter for the Potash and Magnesium Products business segment were as follows:

**POTASH AND MAGNESIUM PRODUCTS**

| BUSINESS SEGMENT                   | Q1/06 | Q2/06 | Q3/06 | Q4/06 | 2006 | Q1/07 | Q2/07 | Q3/07 | Q4/07 | 2007 |
|------------------------------------|-------|-------|-------|-------|------|-------|-------|-------|-------|------|
| USD/EUR hedged rate after premiums | 1.13  | 1.09  | 1.06  | 1.09  | 1.09 | 1.08  | 1.00  | 1.13  | 2.61  | 1.33 |
| Average USD/EUR spot rate          | 1.20  | 1.26  | 1.27  | 1.29  | 1.26 | 1.31  | 1.35  | 1.37  | 1.45  | 1.37 |

**OTHER OPERATING INCOME/EXPENSES**

| € million  | Q4/07         | Q4/06       | 12M/07     | 12M/06      |
|--|---------------|-------------|------------|-------------|
| Foreign currency result (from measurement and hedging) | (57.5)        | 14.7        | (9.5)      | 47.9        |
| Change in provisions                                   | 8.1           | 3.4         | 3.7        | 10.4        |
| Other  | 4.1           | (2.4)       | 12.0       | (1.9)       |
| <b>Other operating income/expenses</b>                 | <b>(45.3)</b> | <b>15.7</b> | <b>6.2</b> | <b>56.4</b> |

**FINANCIAL RESULT**

| € million   | Q4/07         | Q4/06         | 12M/07        | 12M/06        |
|---|---------------|---------------|---------------|---------------|
| Interest income   | 1.4           | 2.4           | 6.7           | 9.9           |
| Interest expense  | (12.8)        | (13.3)        | (42.3)        | (37.4)        |
| - of which interest expense for pension provisions                | (0.8)         | (1.9)         | (4.0)         | (7.4)         |
| - of which interest expense for provisions for mining obligations | (3.7)         | (3.2)         | (13.9)        | (13.6)        |
| <b>Interest income, net</b>                                       | <b>(11.4)</b> | <b>(10.9)</b> | <b>(35.6)</b> | <b>(27.5)</b> |
| Other financing income/costs                                      | (0.3)         | 1.1           | (0.3)         | (7.6)         |
| Income from the disposal of financial assets                      | 0.4           | (0.4)         | 0.6           | 17.0          |
| Income from the measuring of financial assets                     | 0.1           | 1.4           | (0.4)         | (2.0)         |
| <b>Other financial result</b>                                     | <b>0.2</b>    | <b>2.1</b>    | <b>(0.1)</b>  | <b>7.4</b>    |
| <b>Financial result</b>   | <b>(11.2)</b> | <b>(8.8)</b>  | <b>(35.7)</b> | <b>(20.1)</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: 1.8%
- Trend in pension increases: 1.8%
- 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              | Q4/07         | Q4/06         | 12M/07        | 12M/06      |
|------------------------|---------------|---------------|---------------|-------------|
| Corporate income tax   | (8.8)         | (0.2)         | 0.3           | 16.4        |
| Trade tax on income    | (8.2)         | (0.8)         | 2.9           | 27.5        |
| Foreign income taxes   | 3.3           | 0.3           | 16.2          | 6.0         |
| Deferred taxes         | (37.8)        | (39.1)        | (68.9)        | 20.4        |
| <b>Taxes on income</b> | <b>(51.5)</b> | <b>(39.8)</b> | <b>(49.5)</b> | <b>70.3</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.

#### **Measurement of deferred taxes following the tax law amendment**

As a result of the corporate taxation reform, new rates of corporate income tax and trade tax will apply in Germany from 2008. For the purposes of measuring deferred taxes, these new rates of taxation had to be taken into account in interim reporting for the period in which the tax law amendment was approved by the Bundesrat (6 July 2007). A tax rate of 27.6% has been applied for the re-measurement of domestic deferred taxes.

#### **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. In addition, transactions are engaged in with non-consolidated subsidiaries as well as companies over which the K+S Group can exercise a significant influence (associated companies). Such relationships do not have a material influence on the consolidated financial statements of the K+S Group. In the case of the K+S Group, related persons are mainly the Board of Executive Directors and the Supervisory Board. The remuneration received by this group of persons is disclosed annually in the remuneration report. There were no other material transactions with related parties.

#### **Auditors' review**

The quarterly financial statements and the interim management report were not reviewed by the auditors. (Section 37w, paragraph 5, sentence 1 of the German Securities Trading Act)

## Summary by Quarter

| REVENUES & OPERATING EARNINGS (IFRSs)                           | 2006         |              |              |              |                | 2007         |              |              |              |                |
|---|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|
|   | Q1           | Q2           | Q3           | Q4           | 2006           | Q1           | Q2           | Q3           | Q4           | 2007           |
| € million   |              |              |              |              |                |              |              |              |              |                |
| Potash and Magnesium Products                                   | 336.0        | 319.0        | 288.3        | 295.6        | 1,238.9        | 368.5        | 339.7        | 313.5        | 386.3        | 1,408.0        |
| COMPO   | 197.7        | 145.6        | 92.2         | 116.9        | 552.4          | 217.1        | 156.9        | 115.9        | 127.5        | 617.4          |
| fertiva   | 132.2        | 137.6        | 143.8        | 142.6        | 556.2          | 150.5        | 154.0        | 164.0        | 179.6        | 648.1          |
| Salt  | 157.7        | 67.7         | 115.5        | 144.9        | 485.8          | 176.6        | 98.6         | 101.0        | 168.9        | 545.1          |
| Waste Management and Recycling                                  | 17.0         | 17.7         | 16.6         | 18.1         | 69.4           | 17.6         | 17.5         | 17.8         | 17.6         | 70.5           |
| Services and Trading  | 14.9         | 12.5         | 13.7         | 13.9         | 55.0           | 14.4         | 11.9         | 14.9         | 13.8         | 55.0           |
| <b>K+S Group revenues</b>                                       | <b>855.5</b> | <b>700.1</b> | <b>670.1</b> | <b>732.0</b> | <b>2,957.7</b> | <b>944.7</b> | <b>778.6</b> | <b>727.1</b> | <b>893.7</b> | <b>3,344.1</b> |
| Potash and Magnesium Products                                   | 42.1         | 41.7         | 39.2         | 35.6         | 158.6          | 52.8         | 55.9         | 65.0         | 4.2          | 177.9          |
| COMPO   | 16.3         | 9.7          | (0.4)        | 3.6          | 29.2           | 19.2         | 9.0          | 0.0          | 3.8          | 32.0           |
| fertiva   | 3.8          | 5.0          | 5.8          | 2.1          | 16.7           | 4.4          | 5.5          | 5.2          | 10.2         | 25.3           |
| Salt  | 47.5         | 0.4          | 7.7          | 12.0         | 67.6           | 25.0         | 1.7          | 3.2          | 17.9         | 47.8           |
| Waste Management and Recycling                                  | 3.6          | 3.7          | 2.9          | 3.6          | 13.8           | 3.2          | 3.1          | 2.4          | 2.8          | 11.5           |
| Services and Trading  | 7.3          | 6.3          | 6.8          | 5.0          | 25.4           | 7.1          | 5.7          | 10.0         | 4.9          | 27.7           |
| Reconciliation  | (7.5)        | (7.4)        | (10.3)       | (8.1)        | (33.3)         | (8.4)        | (11.5)       | (6.4)        | (10.2)       | (36.5)         |
| <b>K+S Group EBIT I</b>   | <b>113.1</b> | <b>59.4</b>  | <b>51.7</b>  | <b>53.8</b>  | <b>278.0</b>   | <b>103.3</b> | <b>69.4</b>  | <b>79.4</b>  | <b>33.6</b>  | <b>285.7</b>   |
|   |              |              |              |              |                |              |              |              |              |                |
| INCOME STATEMENTS (IFRSs)                                       | 2006         |              |              |              |                | 2007         |              |              |              |                |
| € million   | Q1           | Q2           | Q3           | Q4           | 2006           | Q1           | Q2           | Q3           | Q4           | 2007           |
| Revenues  | 855.5        | 700.1        | 670.1        | 732.0        | 2,957.7        | 944.7        | 778.6        | 727.1        | 893.7        | 3,344.1        |
| Cost of sales   | 519.6        | 478.5        | 455.8        | 474.1        | 1,928.0        | 624.6        | 533.1        | 472.2        | 582.1        | 2,212.0        |
| Gross profit  | 335.9        | 221.6        | 214.3        | 257.9        | 1,029.7        | 320.1        | 245.5        | 254.9        | 311.6        | 1,132.1        |
| Selling expenses  | 201.2        | 163.5        | 156.5        | 193.1        | 714.3          | 203.7        | 181.8        | 162.7        | 204.1        | 752.3          |
| General and administrative expenses                             | 17.6         | 20.1         | 21.0         | 23.1         | 81.8           | 20.1         | 25.4         | 19.1         | 24.8         | 89.4           |
| Research and development costs                                  | 3.1          | 3.8          | 3.2          | 3.7          | 13.8           | 4.0          | 3.5          | 3.9          | 4.1          | 15.5           |
| Other operating income/expenses                                 | (1.2)        | 24.4         | 17.5         | 15.7         | 56.4           | 10.8         | 34.4         | 6.3          | (45.3)       | 6.2            |
| Income from investments, net                                    | 0.3          | 0.8          | 0.6          | 0.1          | 1.8            | 0.2          | 0.2          | 3.9          | 0.3          | 4.6            |
| <b>Operating earnings (EBIT I)</b>                              | <b>113.1</b> | <b>59.4</b>  | <b>51.7</b>  | <b>53.8</b>  | <b>278.0</b>   | <b>103.3</b> | <b>69.4</b>  | <b>79.4</b>  | <b>33.6</b>  | <b>285.7</b>   |
| Market value changes from hedging transactions                  | 51.7         | 8.2          | 45.3         | (21.6)       | 83.6           | 3.0          | 9.0          | (233.5)      | (171.1)      | (392.6)        |
| Earnings after market value changes (EBIT II)                   | 164.8        | 67.6         | 97.0         | 32.2         | 361.6          | 106.3        | 78.4         | (154.1)      | (137.5)      | (106.9)        |
| Financial result  | (5.9)        | (0.2)        | (5.2)        | (8.8)        | (20.1)         | (9.8)        | (6.3)        | (8.4)        | (11.2)       | (35.7)         |
| Earnings before income taxes                                    | 158.9        | 67.4         | 91.8         | 23.4         | 341.5          | 96.5         | 72.1         | (162.5)      | (148.7)      | (142.6)        |
| <b>Earnings before income taxes, adjusted<sup>1)</sup></b>      | <b>107.2</b> | <b>59.2</b>  | <b>46.5</b>  | <b>45.0</b>  | <b>257.9</b>   | <b>93.5</b>  | <b>63.1</b>  | <b>71.0</b>  | <b>22.4</b>  | <b>250.0</b>   |
| Taxes on income   | 55.1         | 23.3         | 31.7         | (39.8)       | 70.3           | 31.9         | 24.2         | (54.1)       | (51.5)       | (49.5)         |
| - of which deferred taxes                                       | 30.2         | 10.5         | 18.8         | (39.1)       | 20.4           | 4.6          | 6.5          | (42.2)       | (37.8)       | (68.9)         |
| Minority interests in earnings                                  | -            | -            | -            | 0.4          | 0.4            | 0.1          | -            | -            | 0.1          | 0.2            |
| Group earnings after taxes and minority interests <sup>2)</sup> | 103.8        | 44.1         | 60.1         | 62.8         | 270.8          | 64.5         | 47.9         | (108.4)      | (97.3)       | (93.3)         |
| <b>Group earnings after taxes, adjusted<sup>1,2)</sup></b>      | <b>71.2</b>  | <b>39.0</b>  | <b>31.5</b>  | <b>76.4</b>  | <b>218.1</b>   | <b>62.6</b>  | <b>42.2</b>  | <b>47.6</b>  | <b>22.9</b>  | <b>175.3</b>   |
|   |              |              |              |              |                |              |              |              |              |                |
| OTHER KEY DATA (IFRSs)  | 2006         |              |              |              |                | 2007         |              |              |              |                |
|   | Q1           | Q2           | Q3           | Q4           | 2006           | Q1           | Q2           | Q3           | Q4           | 2007           |
| Capital expenditure (€ million) <sup>3)</sup>                   | 15.8         | 30.0         | 33.2         | 51.5         | 130.5          | 25.2         | 25.6         | 45.4         | 75.4         | 171.6          |
| Depreciation and amortisation (€ million) <sup>3)</sup>         | 30.0         | 29.8         | 29.8         | 33.5         | 123.1          | 31.0         | 31.0         | 31.2         | 35.0         | 128.2          |
| Gross cash flow (€ million)                                     | 114.0        | 74.8         | 63.1         | 90.8         | 342.7          | 104.1        | 67.1         | 116.5        | 84.4         | 372.1          |
| Net debt (€ million)  | 308.2        | 739.2        | 648.7        | -            | 718.2          | 713.1        | 741.6        | 830.3        | -            | 1,086.5        |
| Earnings per share, adjusted (€) <sup>1,2)</sup>                | 1.73         | 0.95         | 0.76         | 1.85         | 5.29           | 1.52         | 1.02         | 1.15         | 0.56         | 4.25           |
| Gross cash flow per share (€)                                   | 2.77         | 1.81         | 1.53         | 2.20         | 8.31           | 2.53         | 1.63         | 2.82         | 2.05         | 9.02           |
| Book value per share, adjusted (€) <sup>3)</sup>                | 24.51        | 23.28        | 24.16        | -            | 25.71          | 26.96        | 26.08        | 26.62        | -            | 27.24          |
| Total number of shares (million)                                | 41.25        | 41.25        | 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        | 41.25        | -            | 41.25          |
| Average number of shares (million) <sup>5)</sup>                | 41.20        | 41.21        | 41.23        | 41.25        | 41.23          | 41.21        | 41.23        | 41.25        | 41.25        | 41.24          |
| Closing price (XETRA, €)  | 66.60        | 63.07        | 63.20        | -            | 82.20          | 82.34        | 114.06       | 128.56       | -            | 162.75         |
| Employees as of the reporting date (number)                     | 10,979       | 10,959       | 11,843       | -            | 11,873         | 11,956       | 11,912       | 11,980       | -            | 12,033         |

<sup>1)</sup> ADJUSTED FOR THE EFFECT OF MARKET VALUE CHANGES IN HEDGING TRANSACTIONS; IN THE CASE OF ADJUSTED GROUP EARNINGS, THE RESULTING TAX EFFECTS WERE ALSO ELIMINATED

<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

|   | 2008/2009        |
|---|------------------|
| 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 |
| Report on business in 2008                      | 12 March 2009    |
| Press and analyst conference, Frankfurt am Main | 12 March 2009    |
| Annual General Meeting, Kassel                  | 13 May 2009      |
| Interim report 31 March 2009                    | 13 May 2009      |
| Dividend payment                                | 14 May 2009      |

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