

# Quarterly Report 04/04

October – December

Historic **highs** for revenues and earnings

At € 2.6 billion, revenues for 2004 **rise 13 %**

EBIT rises even more – **44 %** to **€ 167.1 million**

Despite higher taxation, earnings per share

are up 37 % year-on-year **at € 3.31**

Proposed dividend raised **by 30 cents** to **€ 1.30**

Outlook **for 2005 favourable, too**



Experience growth.

## Key Data Business Development

Figures	Oct. - Dec. (Q4)			Jan. - Dec. (12M)		
€ million	2004	2003	%	2004	2003	%
(2004: 100% esco; 2003: 62% esco)						
Revenues	643.3	551.2	+ 16.7	2,581.5	2,287.8	+ 12.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	64.7	44.7	+ 44.7	282.2	223.7	+ 26.2
EBITDA margin in %	10.1	8.1		10.9	9.8	
EBIT	35.0	19.1	+ 83.2	167.1	115.7	+ 44.4
EBIT margin in %	5.4	3.5		6.5	5.1	
Earnings before income taxes	34.7	18.8	+ 84.6	163.1	111.6	+ 46.1
Pre-tax return on revenues in %	5.4	3.4		6.3	4.9	
Earnings after taxes	28.8	18.2	+ 58.2	140.5	101.3	+ 38.7
Return on revenues in %	4.5	3.3		5.4	4.4	
DVFA earnings	22.5	13.7	+ 64.2	92.0	64.1	+ 43.5
Gross cash flow	59.0	51.2	+ 15.2	268.9	209.1	+ 28.6
Cash and cash equivalents as of 31 Dec.	–	–	–	152.7	212.8	- 28.2
Capital expenditure <sup>1)</sup>	43.6	37.3	+ 16.9	125.0	126.6	- 1.3
Depreciation and amortization <sup>1)</sup>	29.7	25.6	+ 16.0	115.1	108.0	+ 6.6
Earnings after taxes per share (€)	0.68	0.43	+ 58.1	3.31	2.42	+ 36.8
DVFA earnings per share (€)	0.53	0.32	+ 65.6	2.16	1.53	+ 41.2
Gross cash flow per share (€)	1.39	1.21	+ 14.9	6.33	5.00	+ 26.6
Book value per share as of 31 Dec. (€)	–	–	–	14.48	13.76	+ 5.2
Total number of shares as of 31 Dec. (million)	–	–	–	42.5	42.5	–
Outstanding shares as of 31 Dec. (million) <sup>2)</sup>	–	–	–	42.5	42.5	–
Average number of shares (million) <sup>3)</sup>	42.5	42.4	+ 0.2	42.5	41.8	+ 1.7
Employees as of 31 Dec. (number) <sup>4) 5)</sup>	–	–	–	10,988	10,554	+ 4.1
Average number of employees (number) <sup>4) 5)</sup>	11,004	10,545	+ 4.4	11,068	10,541	+ 5.0
Personnel expenses <sup>6)</sup>	159.3	146.2	+ 9.0	606.2	562.7	+ 7.7
Closing price (XETRA) as of 31 Dec. (€)	–	–	–	39.10	21.76	+ 79.7
Market capitalization as of 31 Dec.	–	–	–	1,661.8	924.8	+ 79.7
Enterprise value as of 31 Dec.	–	–	–	1,681.7	884.9	+ 90.0

1) For or in connection with tangible fixed and intangible assets.

2) Total number of shares less the own shares held by K+S on the reporting date.

3) Total number of shares less the average number of shares held by K+S over the period.

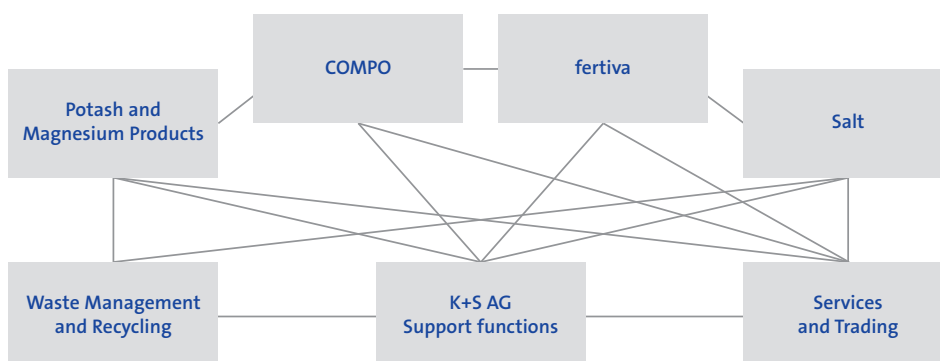
4) Total workforce including temporary employees (without students and interns), measured on full-time equivalent basis (FTE).

5) 2003 includes a prorated number of esco employees commensurate with the 62 % equity share.

6) Personnel expenses now also include expenditures connected with semi-retirement and early retirement (previous year adjusted).

### Interlinking of K+S business segments pays off

Our business segments are closely interconnected in terms of their strategic, technical and economic aspects. In this way, we are able to offer our customers an attractive product range as well as additional advisory and other services. At the same time, this deliberate form of interlinking also yields significant cost savings for our business processes, serving to improve our earnings.



## Management's Analysis

### Fourth quarter revenues show clear rise

At € 643.3 million, fourth quarter revenues were up € 92.1 million or 17 % year-on-year. The strongest gains were achieved by the Salt and the Potash and Magnesium Products business segments. The inclusion of all of esco in the K+S consolidated financial statements resulted in a consolidation-related effect of € 37.3 million. Revenues for the year as a whole rose by € 293.7 million or 13 % to € 2,581.5 million. This increase included € 136.0 million attributable to the acquisition of the remaining 38 % of esco.

The Salt business segment's share of total K+S Group revenues has risen to just under 14 %. At € 1,988.3 million in total, more than three quarters of revenues were generated in Europe, where we are able to leverage the logistics advantages that we enjoy over our competitors in the fertilizer business in particular.

### Fourth quarter earnings improve by 83 %

We achieved a clear increase in fourth quarter EBIT, too, boosting it by € 15.9 million or 83 % to € 35.0 million. All the business segments succeeded in improving their EBIT year-on-year. The biggest increase once again came from the Potash and Magnesium Products business segment, which profited from strong demand for potash and magnesium fertilizers.

At € 167.1 million, EBIT for the year as a whole was up € 51.4 million or 44 % on last year's figure (2003: € 115.7 million). In this case too, the greatest increase was posted by the Potash and Magnesium Products business segment. In addition to the good course of business, the successes of our efficiency-enhancement programmes also had an impact in this regard. With the exception of the COMPO business segment, which suffered from high ammonia costs during the year under review, all the business segments posted earnings increases. In addition, the Salt business segment profited from the acquisition of the 38 % esco stake.

### Financial result unchanged

The financial result amounted to € -0.3 million for the fourth quarter and to € -4.0 million for the year as a whole; both figures were thus on the same levels as last year. Lower net interest income could be offset by a higher result from investments.

### Strong rise in earnings before and after income taxes

As a result of higher EBIT, earnings before income taxes for the fourth quarter rose by € 15.9 million or 85 % to € 34.7 million. While taxes on income were significantly higher, earnings after taxes improved pleasingly year-on-year, increasing by € 10.6 million or 58 % to € 28.8 million.

Earnings before income taxes for the year as a whole rose by € 51.5 million or 46 % to € 163.1 million. In addition to the German minimum tax introduced in 2004, the increase in the trade income tax for esco resulting from the acquisition of the 38 % stake in esco caused the income tax burden to more than double to a total of € 22.6 million (2003: € 10.3 million): Nevertheless, net income rose by € 39.2 million or 39 % to € 140.5 million.

### Fourth quarter earnings per share up 58 %

At 68 cents per share for shares entitled to a dividend, earnings per share for the quarter under review were up 25 cents year-on-year. This figure has been arrived at on the basis of 42.5 million no-par value shares (Q3 2003: 42.4 million). For 2004 as a whole, earnings per share amounted to € 3.31, up 89 cents or 37 % year-on-year.

DVFA fourth quarter earnings amounted to 53 cents per share, up 21 cents on the figure for the same period last year. Cumulative DVFA earnings amounted to € 2.16 per share, compared with € 1.53 per share for 2003. We held no shares of our own as of 31 December 2004.

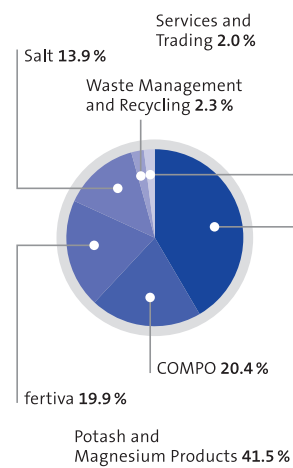
### Gross cash flow for 2004 rises by just under 30 %

At € 59.0 million, fourth quarter gross cash flow was up € 7.8 million year-on-year, with gross cash flow for the year as a whole climbing by € 59.8 million or 29 %. Cash flow from operating activities for the fourth quarter and for the year as a whole declined by € 12.3 million and € 52.5 million respectively; essentially, a significant increase in receivables resulted in higher working capital. Sharp price increases in the overseas business were the main factor in this regard. With disbursements related to investment almost unchanged, fourth quarter free cash flow amounted to € -72.9 million, down € 15.7 million on the same period last year. Cumulative free cash flow amounted to € -20.5 million, compared with € 124.8 million for 2003. This decrease was attributable to the acquisition of the remaining 38 % esco stake as well as the lower cash flow from operating activities already referred to.

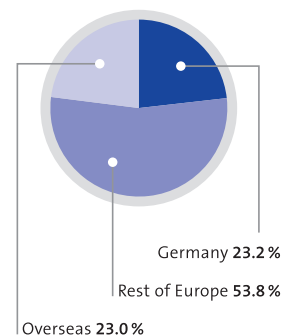
Net cash and cash equivalents as of 31 December 2004 amounted to € 152.7 million, down € 60.1 million on 31 December 2003.

Variance analysis	2004	
	Q4	12M
Revenues (€ million)	643.3	2,581.5
<b>Change in revenues (€ million)</b>	<b>+ 92.1</b>	<b>+ 293.7</b>
- resulting from volume/structural factors	+ 22.9	+ 69.7
- resulting from prices	+ 36.0	+ 144.5
- resulting from exchange rates	- 2.6	- 52.7
- resulting from consolidation	+ 35.8	+ 132.2

Revenues by business segment  
Jan. - Dec. 2004



Revenues by region  
Jan. - Dec. 2004



## Management's Analysis

### Fourth quarter capital expenditure rises

Fourth quarter capital expenditure amounted to € 43.6 million and was thus € 6.3 million up year-on-year. Most of it related to the Potash and Magnesium Products business segment, which saw investment in work connected with completing the opening up of the rich sylvinite deposits on the Werra as well as in expanding granulation capacity at two other sites. K+S Group capital expenditure for 2004 amounted to € 125.0 million and was down € 1.6 million on 2003. This figure also includes larger-scale projects, such as the development of the new potash deposit (Sylvinitic Project) and the expansion of a brine field in the Salt business segment.

At € 3.5 million for the fourth quarter and € 12.8 million for the year as whole, research costs were approximately on the same levels as a year ago.

### Consolidation-related increase in personnel

Since the fourth quarter of 2004, the number of employees is reported on a full-time equivalent (FTE) basis, i.e. part-time positions will be weighted in accordance with their respective share of working hours. The figures for the previous year have been adjusted.

As of 31 December 2004, the K+S Group employed a total of 10,988 people. Compared with 31 December 2003 (10,554 employees), the number increased by 4.1 %. Following the acquisition of the remaining share of esco by K+S in 2004, the entire esco workforce of 1,352 people has been included now rather than 62 %, as was the case in the past (2003: 841 employees). The inclusion of 100 % of esco produced a consolidation-related increase of 514 persons, with the acquisition of Meiners AG resulting in an additional increase of 101 persons. Without these two structural effects, the workforce would have been 2 % lower as of 31 December 2004.

Personnel expenses were also redefined in the year under review: They now include expenditures connected with semi-retirement and early retirement. They amounted to € 159.3 million for the fourth quarter, up € 13.1 million. Personnel expenses also rose for the year as a whole, increasing from € 562.7 million in 2003 to € 606.2 million in 2004. In addition to the full inclusion of esco as well as higher variable remuneration components, higher allocations to early retirement arrangements were key factors in this regard.

### Dividend to increase to € 1.30 per share

Given the higher result and the positive outlook for the K+S Group's business, the Board of Executive Directors and the Supervisory Board will propose to the Annual General Meeting an increase in the dividend of 30 cents to € 1.30 per share. Thus, just under 40 % of the net income for the year will be distributed.

### Good prospects

We expect our business to continue to develop positively. Therefore, despite the need to measure U.S. dollar revenues at the spot rate rather than the hedging rate in connection with the IFRS changeover, revenues should see a further increase.

With respect to EBIT, we anticipate an improvement as well. Our largest business segment, Potash and Magnesium Products, should post a tangible increase in earnings unless the trend in the U.S. dollar exchange rate will require substantial follow-up hedging. Our outlook is particularly based on there being continued strong demand for potash fertilizers, the full implementation of greater flexibility on working hours in the Potash and Magnesium Products business segment and the efficiency-enhancing measures in the COMPO business segments already introduced.

It is our acknowledged strategy to continue to grow in our traditional areas of business, and this includes acquisitions and cooperation arrangements. However, it is our constant concern to ensure the financial strength and independence of the K+S Group in this regard.

The Board of Executive Directors, 25 February 2005

#### 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

Potash and Magnesium Products	Oct. - Dec. (Q4)			Jan. - Dec. (12M)		
	2004	2003	%	2004	2003	%
€ million						
Revenues	271.6	236.1	+ 15.0	1,073.4	1,004.7	+ 6.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	35.7	21.8	+ 63.8	134.3	104.1	+ 29.0
EBITDA margin in %	13.1	9.2		12.5	10.4	
EBIT	14.2	4.9	> 100	59.5	31.6	+ 88.3
EBIT margin in %	5.2	2.1		5.5	3.1	
Capital expenditure	26.8	25.2	+ 6.3	76.3	81.6	- 6.5
Employees as of 31 Dec. (number)	-	-	-	7,352	7,550	- 2.6

Global demand for potash fertilizers remained high in the fourth quarter. Although output increased, the inventories maintained by potash producers were at historically low levels. These developments led to potash prices that were significantly higher than at the beginning of 2004.

Revenues for the fourth quarter rose by 15 % to € 271.6 million, which was mainly attributable to price factors but also to volume factors. As a result of our hedging of the U.S. dollar, it was possible to avoid decreases in revenues connected with exchange rate factors. In the case of potassium chloride, price factors produced revenues of € 133.3 million, representing an increase of 24 %. At € 92.3 million, revenues for fertilizer specialities were up by 7 % year-on-year. The good trend in potassium sulphate made the main contribution in this regard. The industrial products business (€ 46.0 million) was also up, by 8 %, on the same quarter last year as a result of volume factors. For 2004 as a whole, the business segment revenues rose by 7 % to € 1,073.4 million.

It was possible to increase EBIT by € 9.3 million to € 14.2 million in the fourth quarter. This increase was attributable to the satisfactory way in which demand evolved, higher prices as well as successes stemming from the measures we have taken to enhance efficiency. For the year as a whole, EBIT rose to € 59.5 million (+88 %) for the same reasons.

For 2005, we expect to achieve an increase in revenues compared with the preceding year. With regard to the current review of existing anti-dumping measures, we are confident that any new rules will also prevent unfair competition. The negative effect on revenues of the changeover to IFRSs (U.S. dollar revenues will be measured at the spot rate instead of the rate at which they are hedged) should be compensated for by effects attributable to price factors as well as more volume resulting from the new sylvinitic capacity. Despite rising energy and freight costs, earnings should see an increase as long as the U.S. dollar exchange rate does not require any major follow-up hedging.

COMPO	Oct. - Dec. (Q4)			Jan. - Dec. (12M)		
	2004	2003	%	2004	2003	%
€ million						
Revenues	102.4	94.0	+ 8.9	526.0	490.4	+ 7.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3.6	- 0.1	-	33.4	35.9	- 7.0
EBITDA margin in %	3.5	-		6.3	7.3	
EBIT	0.7	- 1.8	-	21.7	25.4	- 14.6
EBIT margin in %	0.7	-		4.1	5.2	
Capital expenditure	6.6	6.7	- 1.5	13.4	16.8	- 20.2
Employees as of 31 Dec. (number)	-	-	-	1,309	1,183	+ 10.7

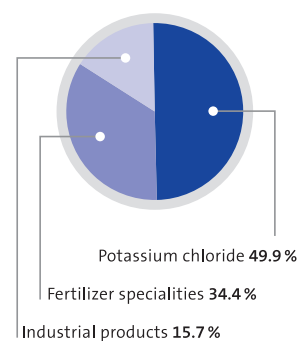
As in the preceding quarters, the pace of the consumer business was moderate: It was, however, possible to make up some of the shortfalls. The professional area continued to development positively, especially in the Mediterranean markets.

As a result of volume and price factors, the business segment posted revenues of € 102.4 million for the fourth quarter of 2004, up € 8.4 million or 9 % year-on-year. Consumer area revenues rose by just under 3 % to € 29.5 million: Revenue increases in France and Spain in particular could more than make up for decreases in Germany. The professional business also grew, by 12 % to € 72.9 million, as a result of robust business in Europe and continued strong demand for speciality fertilizers in particular. The revenues generated by the COMPO business segment for 2004 as a whole amounted to € 526.0 million (up € 35.6 million or 7 %). Of this increase, € 3.0 million was attributable to the acquisition of Meiners AG. EBIT for the quarter under review amounted to € 0.7 million, up € 2.5 million year-on-year despite high ammonia costs. Viewed cumulatively over the year, EBIT fell by € 3.7 million to € 21.7 million. In addition to the moderate pace of business in the consumer area, this was also due to the exceptionally high world market price of ammonia.

We plan a slight rise in revenues for 2005. In the case of the consumer segment, we expect a slight increase in the core markets of Europe following a slack 2004 in economic terms. Revenue growth in the professional area is mainly due to stabilised fertilizers and speciality mineral fertilizers. In the case of stabilised fertilizers, our innovative ENTEC® products merit particular mention. Assuming that the price of ammonia will be lower than in 2004, EBIT should once again show an increase in relation to the preceding year. The efficiency-enhancement measures that have already been introduced should also provide support in this regard.

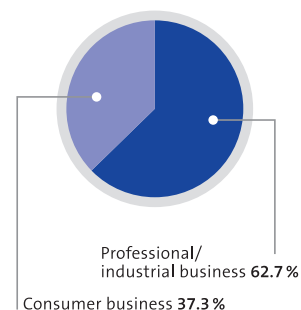
Variance analysis	2004	
	Q4	12M
Revenues (€ million)	271.6	1,073.4
<b>Change in revenues (€ million)</b>	<b>+ 35.5</b>	<b>+ 68.7</b>
- Potassium chloride	+ 26.0	+ 52.1
- Fertilizer specialities	+ 6.2	+ 14.5
- Industrial products	+ 3.3	+ 2.1

Revenues by product group  
Jan. - Dec. 2004



Variance analysis	2004	
	Q4	12M
Revenues (€ million)	102.4	526.0
<b>Change in revenues (€ million)</b>	<b>+ 8.4</b>	<b>+ 35.6</b>
- Consumer business	+ 0.8	- 5.9
- Professional/industrial business	+ 7.6	+ 41.5

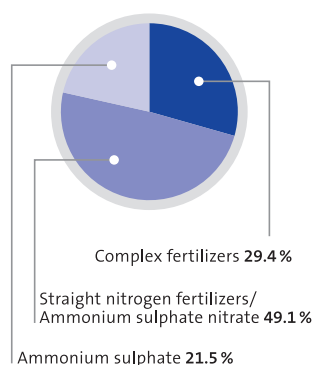
Revenues by product group  
Jan. - Dec. 2004



## Business Segments of the K+S Group

Variance analysis	2004	
	Q4	12M
Revenues (€ million)	143.2	513.6
<b>Change in revenues (€ million)</b>	<b>+ 1.7</b>	<b>+ 39.5</b>
- Complex fertilizers	- 10.4	- 4.2
- Straight nitrogen fertilizers/ Ammonium sulphate nitrate	+ 0.7	+ 8.0
- Ammonium sulphate	+ 11.4	+ 35.7

Revenues by product group  
Jan. - Dec. 2004



fertiva	Oct. - Dec. (Q4)			Jan. - Dec. (12M)		
	2004	2003	%	2004	2003	%
€ million						
Revenues	143.2	141.5	+ 1.2	513.6	474.1	+ 8.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3.5	0.9	> 100	10.7	6.9	+ 55.1
EBITDA margin in %	2.4	0.6		2.1	1.5	
EBIT	3.4	0.9	> 100	10.3	6.6	+ 56.1
EBIT margin in %	2.4	0.6		2.0	1.4	
Capital expenditure	0.2	-	-	1.0	-	-
Employees as of 31 Dec. (number)	-	-	-	57	55	+ 3.6

Prices for nitrogenous fertilizers continued to increase in the fourth quarter. This trend was triggered by the sharp rise of the world market price for the important raw material ammonia.

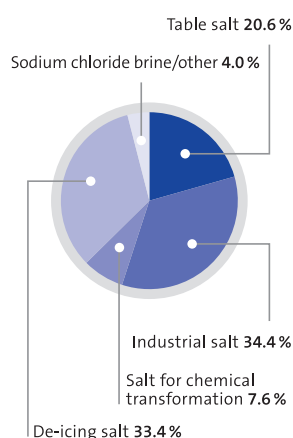
For the fourth quarter of 2004, fertiva achieved an increase in revenues of € 1.7 million or 1% to € 143.2 million. Significantly higher prices could more than make up for the lower volume available compared with the very strong fourth quarter of 2003. Revenues for complex fertilizers fell by 24% to € 33.7 million as a result of volume factors. Lower availability in the case of straight nitrogen fertilizers could be completely made up for by price increases: Revenues therefore remained constant at € 76.5 million. The rise in ammonium sulphate revenues, which grew by 53% to € 33.0 million, resulted from both price and volume improvements. At € 513.6 million, fertiva business segment revenues for the year as a whole were up about € 40 million or 8% year-on-year, with the growth due solely to price factors.

Fourth quarter EBIT rose significantly to € 3.4 million. We were also able to achieve an improvement for 2004 as a whole compared with the preceding year (€ +3.7 million). This was mainly due to a change in the way in which earnings are computed with BASF: Since the beginning of the year, this has provided K+S with a further earnings incentive in excess of the hitherto ceiling on earnings.

We expect 2005 revenues and earnings to be of a similar size as in the year before.

Variance analysis	2004	
	Q4	12M
Revenues (€ million)	98.2	357.8
<b>Change in revenues (€ million)</b>	<b>+ 45.1</b>	<b>+ 151.6</b>
- Table salt	+ 7.8	+ 29.9
- Industrial salt	+ 12.3	+ 49.2
- Salt for chemical transformation	+ 1.8	+ 10.5
- De-icing salt	+ 20.7	+ 55.5
- Sodium chloride brine/other	+ 2.5	+ 6.5

Revenues by product group  
Jan. - Dec. 2004



Salt (2004: 100% esco, 2003: 62% esco)	Oct. - Dec. (Q4)			Jan. - Dec. (12M)		
	2004	2003	%	2004	2003	%
€ million						
Revenues	98.2	53.1	+ 84.9	357.8	206.2	+ 73.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	16.1	10.6	+ 51.9	71.2	38.5	+ 84.9
EBITDA margin in %	16.4	20.0		19.9	18.7	
EBIT	11.5	7.1	+ 62.0	52.4	27.2	+ 92.6
EBIT margin in %	11.7	13.4		14.6	13.2	
Capital expenditure	5.6	3.7	+ 51.4	24.6	18.7	+ 31.6
Employees as of 31 Dec. (number)	-	-	-	1,352	841	+ 60.8

Following the acquisition of the remaining 38% stake in esco from Solvay S.A., esco has been fully consolidated with retroactive effect from 1 January 2004. The previous year's figures correspond to our 62% stake in esco and are therefore only comparable to a limited extent.

The rise in revenues by € 45.1 million to € 98.2 million for the quarter under review was largely attributable to the first-time full consolidation of esco. After adjustment for this consolidation effect, the increase in revenues amounted to € 7.8 million or 15%. In the case of table salt, revenues amounted to € 18.6 million: In addition to consolidation, the increase was also achieved as a result of new business. Revenues for industrial salts rose to € 30.7 million as a result of consolidation and price factors. Salts for chemical transformation rose by € 1.8 million to € 6.4 million. The de-icing salt business profited from favourable weather conditions in the fourth quarter: Revenues rose by 119% to € 38.1 million as a result of both consolidation and volume factors. Business segment revenues for the period from January to December 2004 rose by € 151.6 million to € 357.8 million. Without the effects of consolidation, the increase would have amounted to € 15.6 million.

Higher revenues, especially in the case of the de-icing salt business, caused earnings for the fourth quarter to improve and amount to € 11.5 million. For the year as a whole, the increase from business operations amounted to € 5.3 million. In addition, the full inclusion of esco contributed a further € 19.9 million to earnings. EBIT for 2004 thus amounted to € 52.4 million (up € 25.2 million).

We expect the market trend to remain unchanged in 2005. After a very good start for de-icing salt given weather conditions, esco has created the basis for making 2005 another good year. Viewed from the perspective of today, revenues and EBIT should therefore be able to attain last year's very good level.

Waste Management and Recycling	Oct. - Dec. (Q4)			Jan. - Dec. (12M)		
	2004	2003	%	2004	2003	%
€ million						
Revenues	14.6	14.0	+ 4.3	59.2	54.6	+ 8.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	2.0	1.7	+ 17.6	11.3	8.4	+ 34.5
EBITDA margin in %	13.7	12.1		19.1	15.4	
EBIT	1.3	0.7	+ 85.7	8.1	4.2	+ 92.9
EBIT margin in %	8.9	5.0		13.7	7.7	
Capital expenditure	0.4	0.4	–	1.0	1.5	- 33.3
Employees as of 31 Dec. (number)	–	–	–	231	235	- 1.7

The fourth quarter saw no significant change in conditions for the waste management business. Over-capacity and a slight decline in quantities of waste because of economic factors caused prices to remain on a low level.

At € 14.6 million, revenues for the quarter under review were 4 % up year-on-year: The increase was mainly due to volume factors. The completion of special projects involving the clean-up of pre-existing environmental contamination caused revenues for underground waste disposal to decline by € 1.5 million to € 3.0 million. We saw underground waste re-utilisation rise to € 6.5 million. With prices stabilising again for the first time after having declined for a number of years, higher volume contributed to this increase above all. The recycling business (€ 5.1 million) also increased in the fourth quarter, rising by € 0.5 million: There were improvements in both the recycling of salt slag and building materials. For 2004 as a whole, the Waste Management and Recycling business segment was able to increase revenues by 8 % to a total of € 59.2 million, mainly as a result of volume factors. Despite the completion of special projects involving the clean-up of pre-existing environmental contamination in the fourth quarter, the earnings position of the business segment improved in the fourth quarter. EBIT rose by € 0.6 million to € 1.3 million for the fourth quarter and by € 3.9 million to € 8.1 million for the year as a whole.

We expect revenues for 2005 to be down slightly on the preceding year, which benefited from special projects involving the clean-up of pre-existing environmental contamination. No comparable projects are scheduled for 2005 at the present time. We want to at least partially compensate for this by stepping up our marketing activities elsewhere in Europe. In line with the trend in revenues, we expect a slight decline in EBIT in 2005.

Services and Trading	Oct. - Dec. (Q4)			Jan. - Dec. (12M)		
	2004	2003	%	2004	2003	%
€ million						
Revenues	13.3	12.0	+ 10.8	51.5	56.4	- 8.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	4.3	3.1	+ 38.7	27.6	23.9	+ 15.5
EBITDA margin in %	32.3	25.8		53.6	42.4	
EBIT	2.7	1.4	+ 92.9	21.6	17.0	+ 27.1
EBIT margin in %	20.3	11.7		41.9	30.1	
Capital expenditure	3.6	1.7	> 100	7.8	7.2	+ 8.3
Employees as of 31 Dec. (number)	–	–	–	386	383	+ 0.8

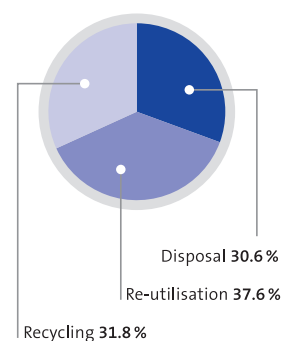
The Services and Trading business segment increased revenues by € 1.3 million to € 13.3 million in the fourth quarter of 2004. Logistics area revenues rose by € 0.3 million, with an increase in the container business more than making up for the decline in third-party loading volume. With regard to CATSAN® production (granulation), higher prices and volume caused revenues to rise by about 16 % year-on-year to € 5.0 million. The trading business as well as IT and analytical services were also able to achieve a slight increase in revenues. For 2004 as a whole, Services and Trading business segment revenues generated by third-party business amounted to € 51.5 million and were down 9 % on the preceding year. The higher intercompany revenues deriving from services supplied to K+S Group companies, especially in the case of logistics, are not included in this figure.

Despite the decline in third-party business revenues, the business segment posted significantly higher EBIT for both the fourth quarter (up € 1.3 million to € 2.7 million) and the year as a whole (up € 4.6 million to € 21.7 million). The main cause of this was the increased contribution to earnings deriving from additional logistics services for the Potash and Magnesium Products business segment.

We expect the course of business in the Services and Trading business segment to remain stable. Both revenues and earnings for 2005 should be able to attain the good levels of the preceding year.

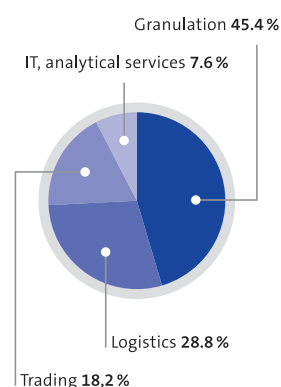
Variance analysis	2004	
	Q4	12M
Revenues (€ million)	14.6	59.2
<b>Change in revenues (€ million)</b>	<b>+ 0.6</b>	<b>+ 4.6</b>
- Disposal	- 1.5	+ 3.1
- Re-utilisation	+ 1.6	+ 2.6
- Recycling	+ 0.5	- 1.1

Revenues by segment  
Jan. - Dec. 2004



Variance analysis	2004	
	Q4	12M
Revenues (€ million)	13.3	51.5
<b>Change in revenues (€ million)</b>	<b>+ 1.3</b>	<b>- 4.9</b>
- Granulation	+ 0.7	+ 0.4
- Logistics	+ 0.3	- 1.9
- Trading	+ 0.2	- 0.8
- IT, analytical services	+ 0.1	- 2.6

Revenues by segment  
Jan. - Dec. 2004



## Financial Section

### Explanatory notes; structural changes

This interim report has been prepared in accordance with Accounting Standard No. 6 (DRS 6) of the German Accounting Standards Committee (DRSC). The interim financial statements and the consolidated financial statements of the K+S Group have been prepared in accordance with the regulations contained in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The accounting and valuation principles used were the same as those employed for the consolidated financial statements of the K+S Group as of 31 December 2003 as well as the corresponding interim report for the fourth quarter of 2003. As of 1 January 2004, five companies are no longer consolidated on the grounds of immateriality while one company acquired in the first quarter of 2004 is consolidated. The esco holding is fully consolidated with retroactive effect from 1 January 2004; consolidation was prorated at 62 % in the preceding year.

Profit and Loss Account	Oct. - Dec. (Q4)		Jan. - Dec. (12M)	
	2004	2003	2004	2003
€ million				
<b>Revenues</b>	<b>643.3</b>	551.2	<b>2,581.5</b>	2,287.8
Cost of sales	450.5	380.5	1,705.0	1,539.7
<b>Gross profit</b>	<b>192.8</b>	170.7	<b>876.5</b>	748.1
Gross margin in %	30.0	31.0	34.0	32.7
Selling expenses	154.8	134.0	623.7	554.9
including: freight costs	87.8	76.3	339.5	301.8
General and administrative expenses	18.6	15.1	64.1	56.4
Research costs	3.5	3.3	12.8	13.2
Other operating income	45.8	32.6	92.4	102.3
Other operating expenses	26.7	31.8	101.2	110.2
<b>EBIT</b>	<b>35.0</b>	19.1	<b>167.1</b>	115.7
EBIT margin in %	5.4	3.5	6.5	5.1
Result from investments, net	0.6	0.1	1.9	0.9
Write-downs on financial assets and short-term securities	–	0.5	0.2	1.1
Interest income, net	-0.9	0.1	-5.7	-3.9
<b>Financial result</b>	<b>- 0.3</b>	- 0.3	<b>- 4.0</b>	- 4.1
<b>Result from ordinary operations/ earnings before income taxes</b>	<b>34.7</b>	18.8	<b>163.1</b>	111.6
Pre-tax return on revenues in %	5.4	3.4	6.3	4.9
Taxes on income	5.9	0.6	22.6	10.3
<b>Earnings after taxes</b>	<b>28.8</b>	18.2	<b>140.5</b>	101.3
Return on revenues in %	4.5	3.3	5.4	4.4

Statement of Changes in Equity	Subscribed capital	Additional paid-in capital	Reserve for own shares	Profit retained/ other revenue reserves	Equity
€ million					
Balance as of 1 January 2004	108.8	4.6	–	442.0	555.4
Surplus for the period	–	–	–	140.5	140.5
Dividend for previous year	–	–	–	- 42.5	- 42.5
Consolidation effects	–	- 4.6	–	- 47.4	- 52.0
<b>Balance as of 31 December 2004</b>	<b>108.8</b>	<b>–</b>	<b>–</b>	<b>492.6</b>	<b>601.4</b>
Balance as of 1 January 2003	115.2	–	60.4	337.8	513.4
Surplus for the period	–	–	–	101.3	101.3
Dividend for previous year	–	–	–	- 41.5	- 41.5
Repurchase/withdrawal of own shares	- 6.4	6.4	- 60.4	17.0	- 43.4
Consolidation effects	–	- 1.8	–	27.4	25.6
Balance as of 31 December 2003	108.8	4.6	–	442.0	555.4

<b>Balance Sheet - Assets</b>		
€ million	31.12.2004	31.12.2003
Intangible assets	37.0	33.9
Tangible fixed assets	686.0	625.9
Financial assets	69.8	76.0
<b>Fixed assets</b>	<b>792.8</b>	<b>735.8</b>
Inventories	248.7	237.3
Receivables and other assets	645.3	543.4
Own shares	–	–
Other securities	106.1	104.3
Cash in hand, bank balances, cheques	96.9	130.5
<b>Current assets</b>	<b>1,097.0</b>	<b>1,015.5</b>
Deferred taxes	–	–
Deferred income	3.0	3.2
<b>ASSETS</b>	<b>1,892.8</b>	<b>1,754.5</b>

<b>Balance Sheet - Equity and Liabilities</b>		
€ million	31.12.2004	31.12.2003
Subscribed capital	108.8	108.8
Additional paid-in capital	–	4.6
Reserve for own shares	–	–
Other revenue reserves and profit retained	492.6	442.0
<b>Equity</b>	<b>601.4</b>	<b>555.4</b>
<b>Balance on capital consolidation</b>	<b>13.9</b>	<b>29.5</b>
Provisions for pensions and similar obligations	172.6	172.9
Provisions for mining obligations	369.5	311.6
Provisions for taxes	28.7	21.1
Other provisions	262.2	247.6
<b>Provisions</b>	<b>833.0</b>	<b>753.2</b>
Accounts payable – trade	325.9	306.6
Bank loans and overdrafts	57.8	19.4
Other liabilities	60.6	90.0
<b>Liabilities</b>	<b>444.3</b>	<b>416.0</b>
Deferred income	0.2	0.4
<b>EQUITY AND LIABILITIES</b>	<b>1,892.8</b>	<b>1,754.5</b>

## Financial Section

<b>Cash Flow Statement</b>	<b>Oct. - Dec. (Q4)</b>		<b>Jan. - Dec. (12M)</b>	
€ million	2004	2003	2004	2003
<b>Earnings after taxes</b>	<b>28.8</b>	<b>18.2</b>	<b>140.5</b>	<b>101.3</b>
Depreciation on fixed assets	29.8	26.0	115.2	108.8
Increase (+)/decrease (-) in long-term provisions	4.6	12.9	29.0	18.8
Release of liabilities-side consolidation difference	- 3.5	- 3.7	- 14.0	- 15.0
Write-downs (+)/write-ups (-) on short-term securities	- 0.7	- 2.2	- 2.7	- 4.8
Other non-cash items	–	–	0.9	–
<b>Gross Cash Flow</b>	<b>59.0</b>	<b>51.2</b>	<b>268.9</b>	<b>209.1</b>
Gain (-)/loss (+) on disposal of fixed assets	- 0.5	- 2.2	- 1.1	1.7
Increase (-)/decrease (+) in inventories	- 27.5	- 26.4	0.3	1.3
Increase (-)/decrease (+) in receivables from operating activities	- 120.2	- 63.4	- 65.1	- 18.7
Increase (+)/decrease (-) in short-term provisions	- 0.3	- 21.6	29.0	7.9
Increase (+)/decrease (-) in liabilities from operating activities	61.9	47.1	- 35.4	47.8
<b>Cash flow used in/provided by operating activities</b>	<b>- 27.6</b>	<b>- 15.3</b>	<b>196.6</b>	<b>249.1</b>
Proceeds from disposals of fixed assets	6.8	9.3	13.1	40.1
Disbursements for intangible assets	- 6.2	- 4.5	- 8.9	- 7.0
Disbursements for tangible fixed assets	- 37.0	- 40.2	- 115.7	- 127.1
Disbursements for financial assets	- 9.3	- 4.8	- 12.6	- 28.5
Disbursements for acquisition of consolidated companies	0.4	- 1.8	- 93.0	- 1.8
<b>Cash flow used in investing activities</b>	<b>- 45.3</b>	<b>- 42.0</b>	<b>- 217.1</b>	<b>- 124.3</b>
<b>Free cash flow</b>	<b>- 72.9</b>	<b>- 57.3</b>	<b>- 20.5</b>	<b>124.8</b>
Cancellation of own shares	–	–	–	- 43.4
Payment of dividends	–	–	- 42.5	- 41.5
<b>Cash flow used in financing activities</b>	<b>–</b>	<b>–</b>	<b>- 42.5</b>	<b>- 84.9</b>
<b>Change in cash and cash equivalents affecting cash flow</b>	<b>- 72.9</b>	<b>- 57.2</b>	<b>- 63.0</b>	<b>40.0</b>
Change in cash and cash equivalents	0.7	2.1	2.7	4.8
Change in scope of consolidation	- 2.6	0.1	0.2	0.1
<b>Change in cash and cash equivalents</b>	<b>- 74.8</b>	<b>- 55.0</b>	<b>- 60.1</b>	<b>44.9</b>

<b>Net Cash and Cash Equivalents</b>	<b>Oct. - Dec. (Q4)</b>		<b>Jan. - Dec. (12M)</b>	
€ million	2004	2003	2004	2003
Opening balance	227.5	267.8	212.8	167.9
Own shares	–	–	–	–
Other short-term securities	106.1	104.3	106.1	104.3
Cash in hand, bank balances, cheques	96.9	130.5	96.9	130.5
Cash invested with affiliated companies*	10.8	–	10.8	–
Cash received from affiliated companies*	- 3.3	- 2.6	- 3.3	- 2.6
Short-term financial liabilities	- 57.8	- 19.4	- 57.8	- 19.4
<b>Balance as of 31 December</b>	<b>152.7</b>	<b>212.8</b>	<b>152.7</b>	<b>212.8</b>

\* companies not included in the scope of consolidation

## Summary by Quarter

Revenues and Earnings	2003				2004				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	%
€ million									
Potash and Magnesium Products	295.3	247.0	226.3	236.1	286.7	276.2	238.9	271.6	+ 15.0
COMPO	192.3	129.9	74.2	94.0	209.1	135.8	78.7	102.4	+ 8.9
fertiva	125.1	86.3	121.2	141.5	115.6	122.0	132.8	143.2	+ 1.2
Salt	73.7	37.0	42.4	53.1	121.1	65.4	73.1	98.2	+ 84.9
Waste Management and Recycling	13.6	14.1	12.9	14.0	14.6	15.2	14.8	14.6	+ 4.3
Services and Trading	15.8	14.0	14.6	12.0	13.5	11.8	12.9	13.3	+ 10.8
Reconciliation	0.4	0.2	0.3	0.5	–	–	–	–	–
<b>K+S Group revenues</b>	<b>716.2</b>	<b>528.5</b>	<b>491.9</b>	<b>551.2</b>	<b>760.6</b>	<b>626.4</b>	<b>551.2</b>	<b>643.3</b>	<b>+ 16.7</b>
Potash and Magnesium Products	20.2	2.8	3.7	4.9	18.3	13.3	13.7	14.2	> 100
COMPO	21.3	7.6	- 1.7	- 1.8	17.3	6.1	- 2.4	0.7	–
fertiva	4.0	1.3	0.4	0.9	3.2	3.2	0.5	3.4	> 100
Salt	20.1	- 2.3	2.3	7.1	34.4	1.4	5.1	11.5	+ 62.0
Waste Management and Recycling	1.4	1.7	0.4	0.7	2.3	2.2	2.3	1.3	+ 85.7
Services and Trading	6.5	3.9	5.2	1.4	6.5	7.0	5.4	2.7	+ 92.9
Reconciliation	- 5.7	3.3	0.2	5.9	- 3.9	- 2.5	- 1.3	1.2	–
<b>K+S Group EBIT</b>	<b>67.8</b>	<b>18.3</b>	<b>10.5</b>	<b>19.1</b>	<b>78.1</b>	<b>30.7</b>	<b>23.3</b>	<b>35.0</b>	<b>+ 83.2</b>

Profit and Loss Account	2003				2004				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	%
€ million									
<b>Revenues</b>	<b>716.2</b>	<b>528.5</b>	<b>491.9</b>	<b>551.2</b>	<b>760.6</b>	<b>626.4</b>	<b>551.2</b>	<b>643.3</b>	<b>+ 16.7</b>
Cost of sales	466.7	344.3	348.2	380.5	471.3	412.0	371.2	450.5	+ 18.4
<b>Gross profit</b>	<b>249.5</b>	<b>184.2</b>	<b>143.7</b>	<b>170.7</b>	<b>289.3</b>	<b>214.4</b>	<b>180.0</b>	<b>192.8</b>	<b>+ 12.9</b>
Selling expenses	157.9	145.2	117.8	134.0	179.1	158.4	131.4	154.8	+ 15.5
General and administrative expenses	15.0	14.6	11.7	15.1	15.8	16.9	12.8	18.6	+ 23.2
Research costs	3.3	3.6	3.0	3.3	2.9	3.4	3.0	3.5	+ 6.1
Balance of other operating income/expenses	- 5.5	- 2.5	- 0.7	0.8	- 13.4	- 5.0	- 9.5	19.1	> 100
<b>EBIT</b>	<b>67.8</b>	<b>18.3</b>	<b>10.5</b>	<b>19.1</b>	<b>78.1</b>	<b>30.7</b>	<b>23.3</b>	<b>35.0</b>	<b>+ 83.2</b>
Financial result	- 6.4	+ 4.4	- 1.8	- 0.3	- 1.3	- 1.3	- 1.1	- 0.3	–
<b>Earnings before income taxes</b>	<b>61.4</b>	<b>22.7</b>	<b>8.7</b>	<b>18.8</b>	<b>76.8</b>	<b>29.4</b>	<b>22.2</b>	<b>34.7</b>	<b>+ 84.6</b>
Taxes on income	6.8	2.6	0.3	0.6	11.3	3.9	1.5	5.9	> 100
<b>Earnings after taxes</b>	<b>54.6</b>	<b>20.1</b>	<b>8.4</b>	<b>18.2</b>	<b>65.5</b>	<b>25.5</b>	<b>20.7</b>	<b>28.8</b>	<b>+ 58.2</b>

Other Key Data	2003				2004				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	%
Capital expenditure (€ million) <sup>1)</sup>	20.1	23.4	45.8	37.3	18.0	27.4	36.0	43.6	+ 16.9
Depreciation and amortization (€ million) <sup>1)</sup>	27.8	26.6	28.0	25.6	28.4	29.6	27.4	29.7	+ 16.0
Gross cash flow (€ million)	86.1	35.7	36.1	51.2	95.7	51.6	62.6	59.0	+ 15.2
Earnings after taxes per share (€)	1.32	0.48	0.20	0.43	1.54	0.60	0.49	0.68	+ 58.1
DVFA earnings per share (€)	0.85	0.28	0.08	0.32	1.02	0.36	0.26	0.53	+ 65.6
Gross cash flow per share (€)	2.07	0.86	0.87	1.21	2.25	1.21	1.47	1.39	+ 14.9
Book value per share (€)	13.91	13.90	13.95	13.76	13.98	13.49	13.94	14.48	+ 5.2
Total number of shares (million)	42.5	42.5	42.5	42.5	42.5	42.5	42.5	42.5	–
Number of shares outstanding (million) <sup>2)</sup>	41.5	41.5	42.3	42.5	42.5	42.5	42.5	42.5	–
Average number of shares (million) <sup>3)</sup>	41.5	41.5	41.7	42.4	42.5	42.5	42.5	42.5	+ 0.2
Employees (number)	10,586	10,495	10,568	10,554	11,120	11,058	11,080	10,988	+ 4.1
Closing price (XETRA, €)	17.01	17.71	18.60	21.76	25.95	27.91	34.64	39.10	+ 79.7

1) Tangible fixed and intangible assets.

2) Total number of shares less the own shares held by K+S on the reporting date.

3) Total number of shares less the average number of shares held by K+S over the period.

Dates	2005/06
Annual General Meeting, Kassel	11 May 2005
Interim report 31 March 2005	11 May 2005
Dividend payment for 2004	12 May 2005
Interim report 30 June 2005	10 August 2005
Interim report 30 September 2005	14 November 2005
Analyst conference, Frankfurt am Main	14 November 2005
Report on business in 2005	16 March 2006
Press and analyst conference, Frankfurt am Main	16 March 2006
Annual General Meeting, Kassel	10 May 2006
Interim report 31 March 2006	10 May 2006
Dividend payment for 2005	11 May 2006

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