

**K+S Group - 10 August 2006**

**Conference Call for Analysts**  
**Q2/2006 Results**  
**3:00 p.m. CEST**



**Experience growth.**



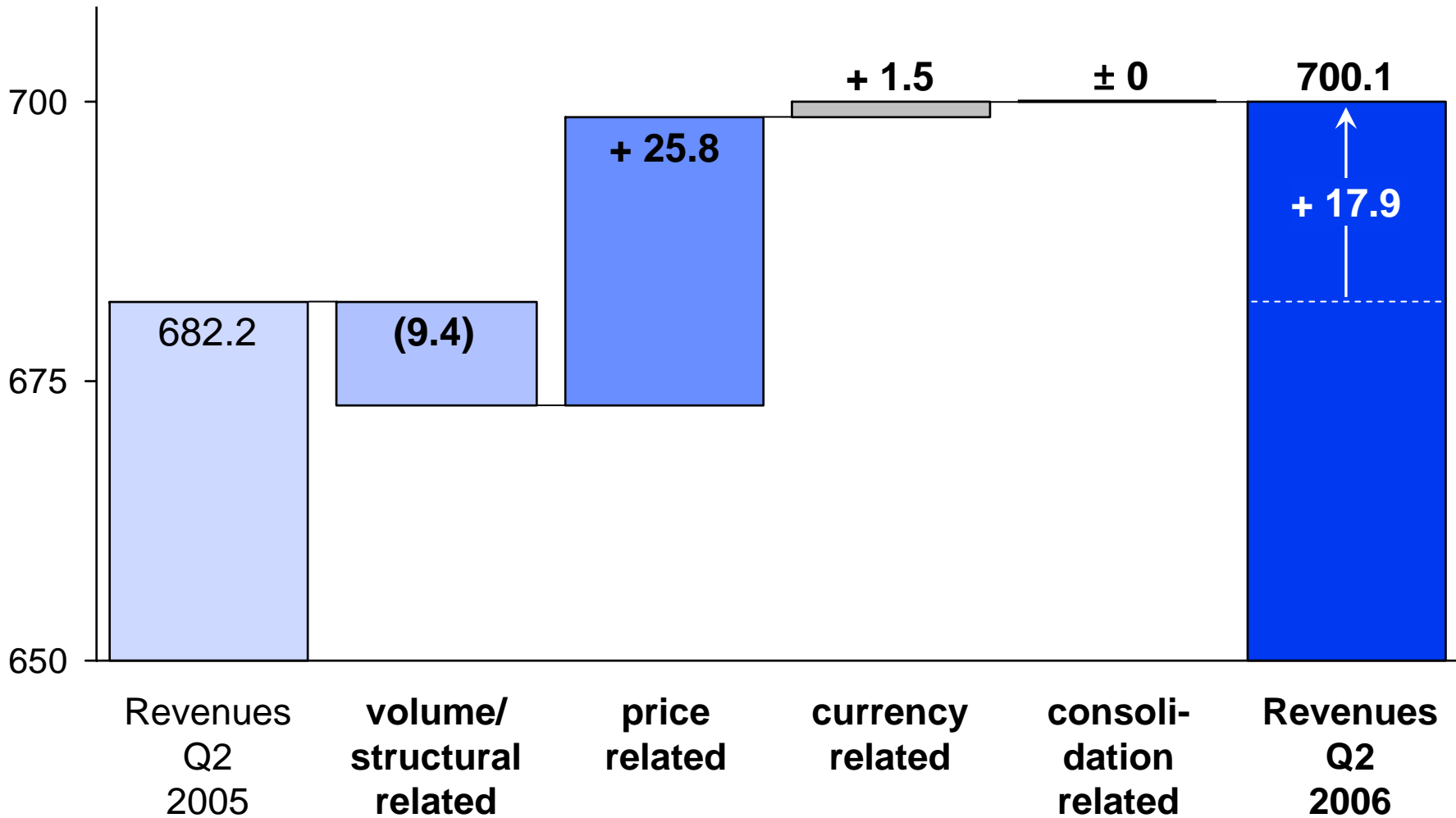
- Overseas demand for potash fertilizers restrained by protracted price negotiations with China not completed until July; adverse weather conditions during April/May caused fertilizer sales to decline in Europe
- With the exception of Brazil, production cuts implemented by producers helped to stabilise price level for potash fertilizers in most overseas markets; Brazilian demand was weak compared to H1/05 followed by a temporary price decline which was immediately reversed after the Chinese settlement
- Despite adverse weather conditions in Europe, COMPO could make up for the weak start in Q1 by higher demand in May as well as higher export business. fertiva on the other hand saw muted demand for agricultural fertilizers as a result of high trade sector inventories
- The European salt market was in good shape and allowed in many countries to partially offset higher costs. Strong competition in specialities and de-icing salt
- Energy and freight costs increased significantly. Though the price for ammonia dropped tangibly in June, the average price for the quarter remained on high level

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## Changes in Revenues in Q2/2006



€ million



# Potash and Magnesium Products Business Segment

## Volumes and Average Prices in Q2/2006



	Year on Year			Quarter on Quarter		
	Q2/2006	Q2/2005	%	Q2/2006	Q1/2006	%
Volume (million tons)	2.08	2.06	1.0	2.08	2.11	(1.4)
- Europe	1.25	1.42	(12.0)	1.25	1.45	(13.8)
- Overseas	0.83	0.64	29.7	0.83	0.66	25.8
Average price (€ per ton)	153.2	148.7	3.0	153.2	159.4	(3.9)
- Europe	151.1	143.7	5.1	151.1	156.0	(3.1)
- Overseas	156.4	159.8	(2.1)	156.4	166.9	(6.3)

- Y-o-Y: 5% European price increase is attributable to higher prices in all sub-segments; 2% reduction in overseas prices mainly because of different sales mix. Adverse weather conditions in Europe took their toll in Q2 with regard to sales volumes
- Q-o-Q: 3% reduction in European price level compared to Q1/06 caused by different product mix and associated change in freight conditions (higher proportion sold excluding freight); 6% reduction in overseas price level is attributable to lower prices mainly in Brazil, different sales mix and change in freight conditions

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## Key Figures of Q2/2006



€ million	2006	2005	%
Revenues	700.1	682.2	2.6
Operating earnings (EBIT I)	59.4	64.1	(7.3)
Earnings before taxes (EBT), adjusted*	59.2	63.0	(6.0)
Group earnings after taxes, adjusted*	39.0	41.1	(5.1)
Effective tax rate (%)	34.1	34.8	
Capital expenditure	30.0	24.2	24.0
Free cash flow before acquisitions	66.2	146.2	(54.7)
Earnings per share, adjusted*	0.95	0.97	(2.1)
Average number of shares (million)	41.25	42.50	(2.9)

\* adjusted for the effect of market value changes in exchange rate hedging transactions; 37.0% tax rate assumed

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## Financial Result of Q2/2006



€ million	2006	2005	+ / -
Interest income	4.2	3.0	1.2
Interest expense	(7.7)	(6.6)	(1.1)
of which: for provisions for pensions	(2.3)	(2.4)	0.1
of which: for provisions for mining obligations	(3.4)	(3.3)	(0.1)
Interest income, net	(3.5)	(3.6)	0.1
Other financial result	3.3	2.5	0.8
<b>Financial result</b>	<b>(0.2)</b>	<b>(1.1)</b>	<b>0.9</b>

- Financial result includes extraordinary income deriving from a property sale not required for operating purposes (€ 10.8 million). This was, however, partially offset by non-recurring ancillary expenses related to the acquisition of SPL (€ 8.3 million)

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## Key Figures of H1/2006

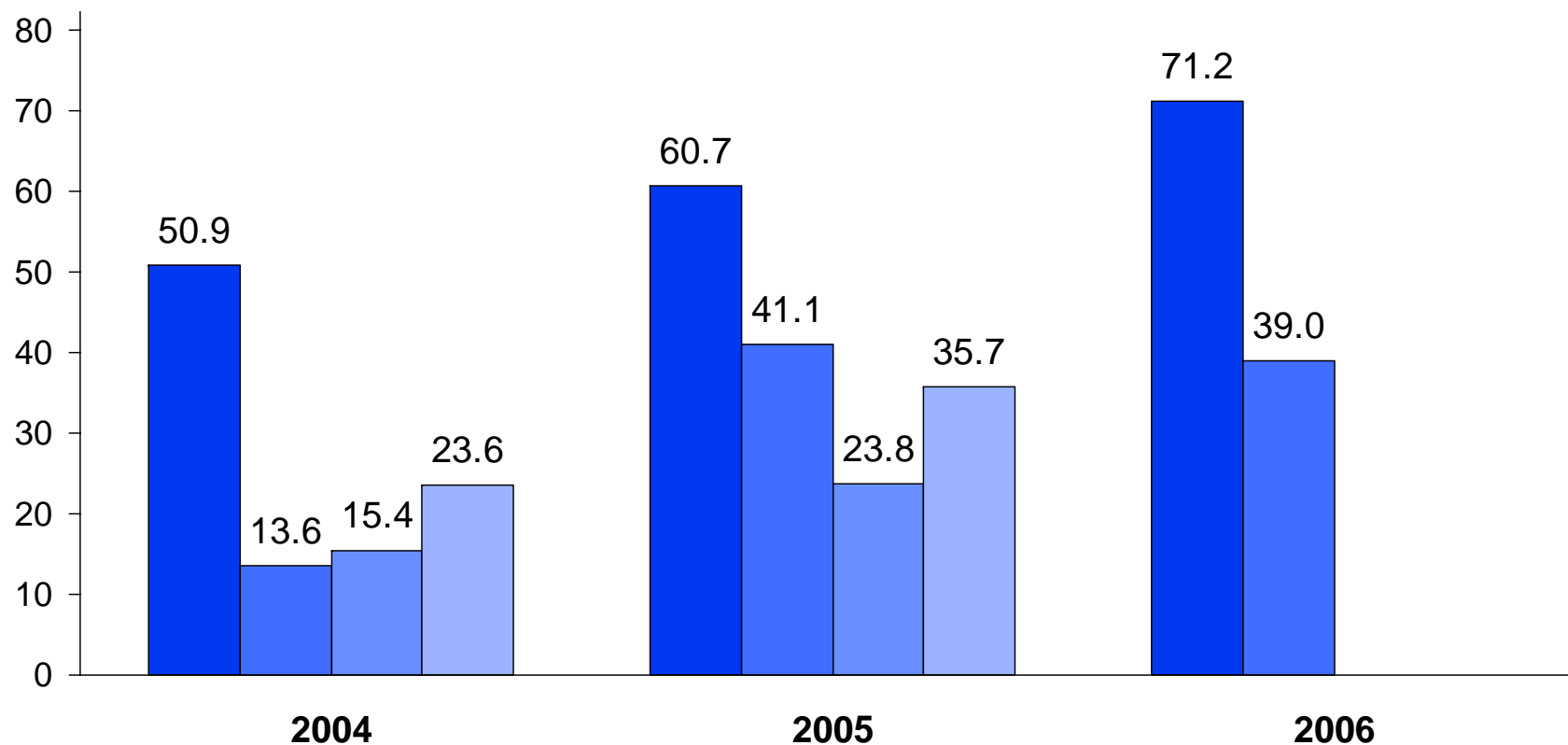


€ million	2006	2005	%
Revenues	1,555.6	1,477.3	5.3
Operating earnings (EBIT I)	172.5	163.5	5.5
Earnings before taxes (EBT), adjusted*	166.4	158.4	5.1
Group earnings after taxes, adjusted*	110.2	101.8	8.3
Effective tax rate (%)	33.8	35.7	
Capital expenditure	45.8	37.5	22.1
Free cash flow before acquisitions	105.7	75.6	39.8
Net debt (incl. pension and mining provisions)	(739.2)	(314.9)	>100
Earnings per share, adjusted*	2.67	2.40	11.3
Average number of shares (million)	41.22	42.50	(3.0)

\* adjusted for the effect of market value changes in exchange rate hedging transactions; 37.0% tax rate assumed

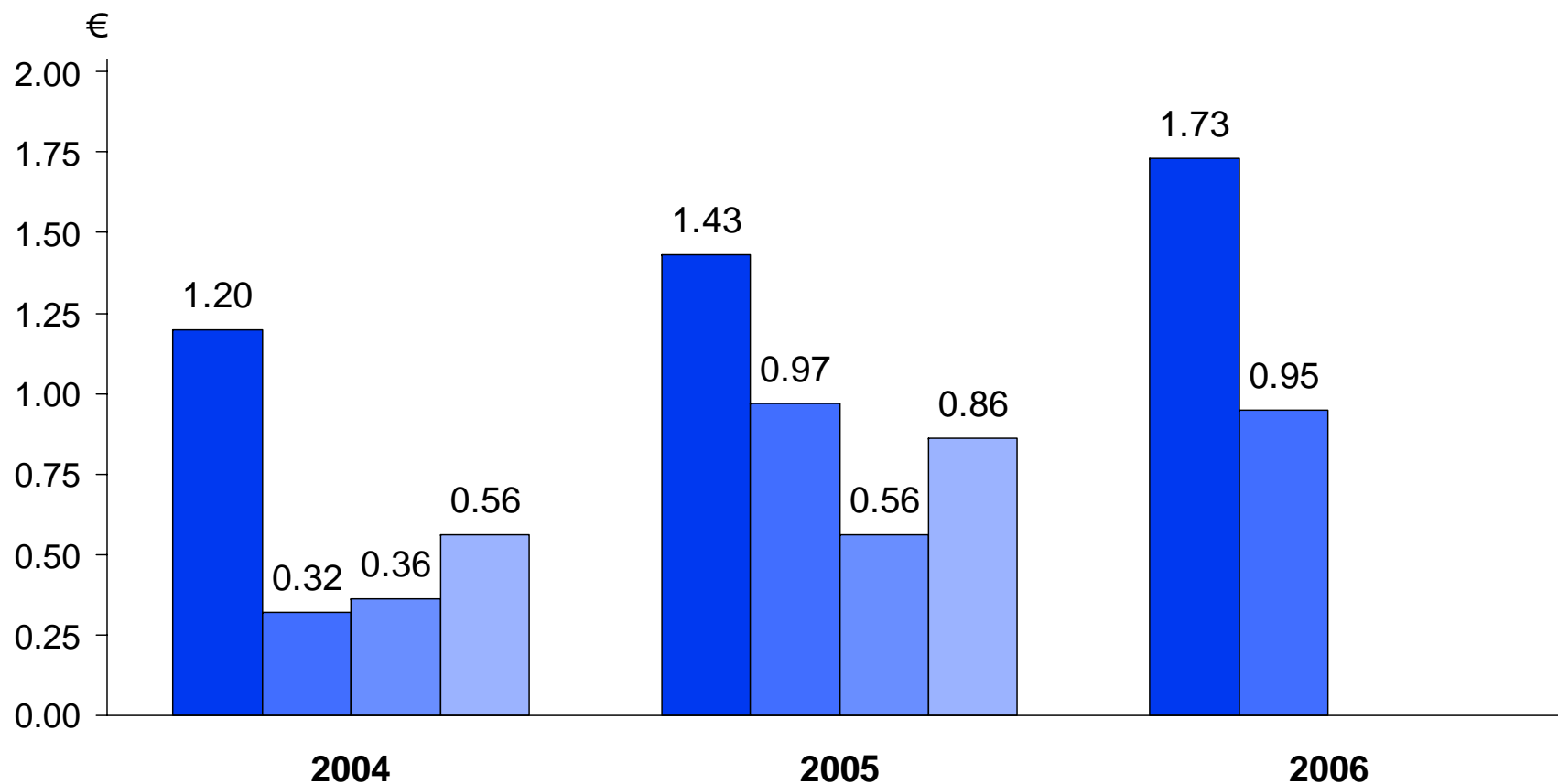


€ million



H1*	€ 64.5 million	€ 101.8 million	€ 110.2 million
FY*	€ 103.5 million	€ 161.3 million	-

\* adjusted for the effect of market value changes in exchange rate hedging transactions (37.0% tax rate assumed)



EPS H1*	€ 1.52	€ 2.40	€ 2.67
EPS FY*	€ 2.43	€ 3.81	-

\* adjusted for the effect of market value changes in exchange rate hedging transactions (37.0% tax rate assumed)



- Global potash demand to revive in the second half of 2006 after Chinese contract negotiations settled; positive effect on global potash prices
- Financial consolidation of SPL from Q3 onwards; for the second half of 2006, we expect SPL to contribute to revenues a good € 100 million and to EBIT I between € 12 million and € 15 million. Normal de-icing business at esco and SPL for Q4 assumed
- Energy costs to reach approx. € 200 million this year (+ € 45 million). At € 420 million, also freight costs to rise significantly (+ € 40 million). Personnel expenses as a result of efficiency gains only moderately higher
- Attractive US dollar hedging rate for 2006 at 1.07 USD/EUR to offer additional earnings potential of at least € 30 million compared to last year. Precondition: US dollar remains within a corridor of 1.12 USD/EUR and 1.35 USD/EUR

→ Outlook for the entire year for K+S Group (including SPL):

- Revenues:	about €	3.0 billion	(2005: €	2.8 bn )
- Operating earnings (EBIT I):	€	265 - 280 million	(2005: €	251 m )
- Group earnings, adjusted:	€	160 - 170 million	(2005: €	161 m )
- Earnings per share, adjusted:	€	3.90 - 4.10	(2005: €	3.81 )

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# Experience growth.



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# K+S Group

## Forward-Looking Statements

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This presentation 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 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 expectations as set forth at the present time.