

Growth Creates Prospects.

Annual Report 2004



Experience growth.

Growth Lies at the Heart of Our Vision.

K+S is one of the world's leading suppliers of speciality and standard fertilizers, plant care and salt products. Achieving healthy and sustained growth is our goal as a company and a challenge at the same time.

We offer agriculture, industry and private consumers a range of goods that meet needs and serve as the basis for growth in almost all areas of day-to-day life in the form of tailor-made and branded products.

In doing so, we assume active responsibility for the sustained growth of our world. Our approximately 11,000 employees display their commitment towards this goal day in day out by applying their knowledge and experience.

K+S

Experience growth.

Revenues, earnings, cash flow

		2004	2003	2002	2001	2000
Revenues	€ million	2,581.5	2,287.8	2,258.5	2,179.4	2,087.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	282.2	223.7	240.1	248.4	252.2
EBIT	€ million	167.1	115.7	132.8	120.6	126.8
Profit before income taxes	€ million	163.1	111.6	113.9	121.1	130.4
Net income	€ million	140.5	101.3	103.8	118.3	119.8
DVFA earnings	€ million	92.0	64.1	69.4	70.2	87.2
Gross cash flow	€ million	268.9	209.1	216.9	224.6	241.4
Capital expenditure ¹⁾	€ million	125.0	126.6	129.0	157.9	141.7
Depreciation ¹⁾	€ million	115.1	108.0	107.3	127.8	125.4

Balance sheet

		2004	2003	2002	2001	2000
Equity ²⁾	€ million	615.3	584.9	558.8	516.8	530.9
Tangible and intangible assets	€ million	722.9	659.8	598.6	592.4	557.6
Cash and cash equivalents, net	€ million	152.7	212.8	167.9	194.6	253.8
Balance sheet total	€ million	1,892.8	1,754.5	1,666.7	1,601.0	1,580.1

Employees

		2004	2003	2002	2001	2000
Average number of employees ^{3) 4)}	number	11,068	10,541	10,439	10,178	9,645
Employees as of 31 Dec. ^{3) 4)}	number	10,988	10,554	10,536	10,278	9,925
- of which trainees	number	591	550	542	533	479
Personnel expenses ⁵⁾	€ million	606.2	562.7	531.2	522.6	488.1

Ratios

		2004	2003	2002	2001	2000
Net income per share	€	3.31	2.42	2.43	2.73	2.72
DVFA earnings per share	€	2.16	1.53	1.62	1.62	1.98
Dividend per share ⁶⁾	€	1.30	1.00	1.00	1.00	0.85
Dividend yield ⁶⁾	%	3.3	4.6	5.8	4.6	4.8
EBITDA margin	%	10.9	9.8	10.6	11.4	12.1
EBIT margin	%	6.5	5.1	5.9	5.5	6.1
Return on revenues	%	5.4	4.4	4.6	5.4	5.7
Return on capital employed (ROCE)	%	15.9	12.7	14.7	14.1	15.7
Return on total investment	%	9.4	7.2	7.7	8.5	9.0
Return on equity	%	22.8	17.3	18.6	22.9	22.6
Book value per share	€	14.48	13.76	12.42	11.48	11.80
Gross cash flow per share	€	6.33	5.00	5.07	5.18	5.47

The share

		2004	2003	2002	2001	2000
Year-end closing price (31 Dec.)	XETRA, €	39.10	21.76	17.35	21.90	18.00
Market capitalisation	€ million	1,661.8	924.8	780.8	985.5	810.0
Enterprise value per 31 Dec.	€ million	1,681.7	884.9	788.1	970.4	732.9
Total number of shares as of 31 Dec.	million	42.5	42.5	45.0	45.0	45.0
Outstanding shares as of 31 Dec. ⁷⁾	million	42.5	42.5	41.5	43.3	42.8
Average number of shares ⁸⁾	million	42.5	41.8	42.8	43.4	44.1

¹⁾ on tangible fixed and intangible assets

²⁾ incl. 50 % special reserves and balance from capital consolidation

³⁾ workforce including all temporary employees (without students and interns), measured on full-time equivalent basis – previous years’ figures have been adjusted

⁴⁾ the number of employees for the years 2002/2003 includes a prorated number of esco employees commensurate with a 62 % equity share

⁵⁾ personnel expenses now also include expenditures connected with semi-retirement and early retirement (previous years adjusted)

⁶⁾ the figure for 2004 corresponds to the proposed dividend

⁷⁾ total number of shares less own shares held by K+S as of the reporting date

⁸⁾ total number of shares less average number of own shares held by K+S



Potash and Magnesium Products		2004	2003	%
Revenues	€ million	1,073.4	1,004.7	+ 6.8
EBIT	€ million	59.5	31.6	+ 88.3
Capital expenditure	€ million	76.3	81.6	- 6.5
Employees	number	7,352	7,550	- 2.6

Potash and magnesium crude salts are extracted at six mines. We use them to produce a large number of fertilizers. In addition, we process our raw materials for technical, industrial and pharmaceutical applications.



COMPO		2004	2003	%
Revenues	€ million	526.0	490.4	+ 7.3
EBIT	€ million	21.7	25.4	- 14.6
Capital expenditure	€ million	13.4	16.8	- 20.2
Employees	number	1,309	1,183	+ 10.7

In the consumer area, COMPO carries a premium assortment of potting soils, plant care products and pesticides. In the professional area, we offer complex fertilizers for special crops, horticulture, sports fields and public green areas.



fertifva		2004	2003	%
Revenues	€ million	513.6	474.1	+ 8.3
EBIT	€ million	10.3	6.6	+ 56.1
Capital expenditure	€ million	1.0	0.0	—
Employees	number	57	55	+ 3.6

fertifva manages the K+S Group's activities relating to nitrogenous agricultural fertilizers. We market agricultural fertilizers that are produced exclusively for us by BASF and trade in goods purchased from other leading European manufacturers.



Salt (2004: 100 % esco, 2003: 62 % esco)		2004	2003	%
Revenues	€ million	357.8	206.2	+ 73.5
EBIT	€ million	52.4	27.2	+ 92.6
Capital expenditure	€ million	24.6	18.7	+ 31.6
Employees	number	1,352	841	+ 60.8

Salt products of the highest purity and quality are used as table salt, industrial salt and salt for chemical transformation as well as de-icing salt applied by winter road clearance services to ensure road safety. Production takes place in Germany and in other Western European countries.



Waste Management and Recycling		2004	2003	%
Revenues	€ million	59.2	54.6	+ 8.4
EBIT	€ million	8.1	4.2	+ 92.9
Capital expenditure	€ million	1.0	1.5	- 33.3
Employees	number	231	235	- 1.7

The business segment uses caverns and infrastructure of active mines. K+S is Europe's leading provider of underground waste management ensuring safe disposal over long periods of time. In addition, we also offer special solutions that accommodate the recycling wishes of our customers.



Services and Trading		2004	2003	%
Revenues	€ million	51.5	56.4	- 8.7
EBIT	€ million	21.6	17.0	+ 27.1
Capital expenditure	€ million	7.8	7.2	+ 8.3
Employees	number	386	383	+ 0.8

Our service activities are pooled in this business segment: logistics connected with product handling and the loading of ships; CATSAN® granulation, our IT activities as well as consulting and analytical services. These services, which are important for the K+S Group, are made available in a very efficient manner.

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Dr. Ralf Bethke
Chairman of the Board of
Executive Directors

Dear Shareholders,

Your K+S Group achieved very strong growth in 2004: Revenues rose by 13 % to € 2.6 billion; EBIT grew by 44 % to € 167.1 million, and despite higher taxes, the group's after-tax earnings increased by 39 % to € 140.5 million.

Given the higher result and a favourable outlook, the Board of Executive Directors and the Supervisory Board will propose to the Annual General Meeting increasing the dividend by 30 cents to € 1.30 per share for financial year 2004.

As a supplier of speciality and standard fertilizers, industrial products as well as plant care and salt products, we occupy leading positions in expanding markets. Our business operations were mainly characterized by a positive trend in demand. Especially in the potash fertilizer business, it was possible to implement significant price increases as a result of high global demand. On the other hand, the K+S Group also had to contend with, for example, higher freight and raw material costs as well as the depreciation of the US dollar. However, we significantly reduced the resulting currency effect by means of the selective use of hedging measures.

We are constantly working on optimising structures and processes within the K+S Group. The use of the rich sylvinite deposits on the Werra for the first time will serve to considerably cut potash production costs and at the same time increase our capacity. We rapidly implemented our efficiency-enhancement programme, and in the Potash and Magnesium Products business segment, we were able to agree greater flexibility on working hours quickly while giving our employees a realistic chance of achieving a greater incentive-based share of profits. Projects aimed at process optimisation and cost cutting were also launched in the COMPO and Salt business segments. The new COMPO logistics platform in Spain has started operating as planned and in the Netherlands, the expansion of an esco evaporated salt facility was successfully completed.

We also succeeded in strengthening our business sectors in a long-term manner by means of acquisitions in 2004. Acquiring all of esco – european salt company was an important milestone in this regard. By doing so, we have once again enhanced our leading position in the European salt market. We also made acquisitions in Europe's most important agricultural market, France. By taking over distribution companies as well as additional granulation capacity from the French SCPA, we have opened up further growth opportunities for our potash business.

As a result of the good development trends on our markets, we are confident to continue to grow as long as there is no dramatic deterioration in global economic conditions. Our expectations are primarily based on a temporary lack of availability of the plant nutrient potash, the resulting increased room for manoeuvre with respect to price on the world market as well as the additional sylvinite capacity available to use from January 2005. During the next few months, the EU Commission will reach a new decision on prolonging protection against the unfair trading practices of Russian and Belarussian suppliers of potash fertilizers. We are confident that new regulations will also prevent unfair competition.

There will be no lessening of our efforts to further increase our international competitiveness. This will be done through constant improvements of production processes, innovations in our product assortment as well as searching for further acquisition and cooperation opportunities. We will, however, not lose sight of the basic goals that characterize our business model: the realization of further synergies for the K+S Group in our markets and, in particular, internally, in order to remain competitive with respect to costs. We see there being continued opportunities for healthy growth and attractive results. In this respect, our financial strength gives us opportunities to act that we will use prudently.

Also on behalf of my colleagues on the Board, I would like to convey particular thanks to all of our employees, who have enabled the K+S Group to achieve further progress as a result of their high degree of personal commitment, great creativity and, in particular, requisite flexibility. I would like to thank our customers, suppliers and all the partners of the K+S Group for their trusting cooperation in 2004. We promise you, dear shareholders, that all of us at K+S will continue to meet the mounting challenges that we face quickly in the future, too, and that we will work with all our energy to attain our ambitious goals for the long-term success of your K+S Group.



Dr. Ralf Bethke
Chairman of the Board of Executive Directors
of K+S Aktiengesellschaft

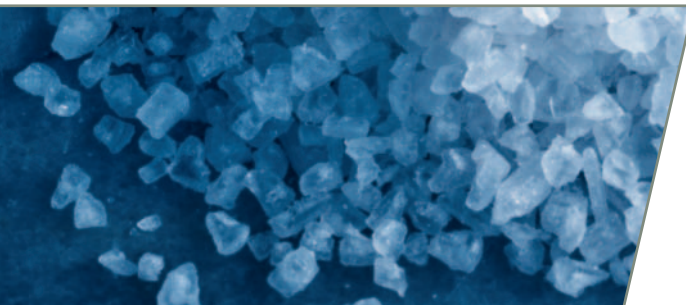


Dr. Thomas Nöcker, 46
Lawyer
Personnel Director

- Personnel
- Property Management
- Knowledge Management

Joachim Vogt, 52
Engineering graduate, MBA

- COMPO Business Segment
- Corporate Development
- Consumer Goods Coordination





Gerd Grimmig, 51
Engineering graduate

- Waste Management and Recycling Business Segment
- Mining and Geology
- Research and Development
- Environmental Protection/Industrial Safety/Quality Management
- Engineering Technology/Energy

Norbert Steiner, 50
Lawyer

- Salt Business Segment
- Services and Trading Business Segment
- Finance
- Purchasing, Logistics
- Legal Affairs/Insurance/Compliance
- Taxes, Audit

Dr. Ralf Bethke, 62
Business administration graduate
Chairman of the Board of Executive Directors

- Potash and Magnesium Products Business Segment
- fertiva Business Segment
- Investor Relations
- Communications
- Controlling and Capital Expenditure



Gerhard R. Wolf
Chairman of the Supervisory Board

Ladies and gentlemen,

The long-term nature of the K+S Group strategy and its consistent implementation by a competent team has paid off once again. In financial year 2004, revenues and earnings attained their highest levels in the history of our company. The planned acquisition of the remaining 38% stake held by Solvay S.A. in esco – european salt company, a process that has now been completed, contributed to this. That is why the Board of Executive Directors and the Supervisory Board propose increasing the dividend to € 1.30 per share.

With regard to operating business, the ability to achieve significantly higher prices for potash and magnesium fertilizers due to substantially increased demand had a very positive effect. Significant contributions to the current position of the company have also come from the fact that for several years now, work has been continually carried out on achieving cost savings in work processes at the business segment and group levels. In this regard, it was always our goal not to have to act under pressure. Employment levels, adjusted for the additional employees resulting from the latest acquisitions, could almost be maintained on their previous level.

On the capital market, the successful path pursued by us as well as the current dividend policy were followed very closely and rewarded with high prices for the K+S share.

The Supervisory Board was performing its task with great commitment and participated in managing the direction of the company in a consultative capacity. It was briefed by the Board of Executive Directors regularly and extensively. As chairman, I had been in contact with and exchanged views with the chairman of the Board of Executive Directors on an ongoing basis.

At four regular meetings, the Supervisory Board dealt in depth with written and oral reports presented by the Board of Executive Directors. The course of business, associated opportunities and risks, as well as the position of the company were examined in detail, verified and consulted with the Board of Executive Directors. In addition, strategic development as well as investment plans and acquisition projects were reviewed in terms of their long-term and operational value. Extensive consideration was given to the transition to International Financial Reporting Standards (IFRSs) and the resulting changes in relation to the HGB standards applied hitherto.

Regarding the German Corporate Governance Code, the Board of Executive Directors and Supervisory Board approved a joint declaration on conformity with two deviations from the recommendations.

The personnel committee met three times. According to its recommendation, the Supervisory Board extended agreements set to expire with board members Dr. Ralf Bethke, Gerd Grimmig and Norbert Steiner.

The Supervisory Board invited auditors Deloitte & Touche GmbH to comment on the 2004 annual financial statements. At the meeting held on 16 March 2005, all questions asked of the Board of Executive Directors and auditors were answered satisfactorily. Deloitte & Touche have issued an unqualified opinion. They also confirmed that the risk management system is suitable for the specific requirements of the K+S Group. As the findings of its own inspection provided no basis for raising any objections, the Supervisory Board approved the annual financial statements for K+S Aktiengesellschaft and the consolidated annual financial statements as well as the joint management report of financial year 2004. The annual financial statements of K+S Aktiengesellschaft were thus adopted.

Also on behalf of my colleagues, I would like to thank the Board of Executive Directors, the managers of the subsidiaries, employee representatives as well as all the approximately 11,000 employees for their great commitment to the K+S Group and their personal contribution to an outstanding result.

Kassel, 16 March 2005
On behalf of the Supervisory Board
of K+S Aktiengesellschaft



Gerhard R. Wolf
Chairman

Supervisory Board

Gerhard R. Wolf
Chairman
Former Member of the Board
of Executive Directors of BASF AG

Michael Vassiliadis
Vice Chairman
Member of the Managing
Main Board of the Mining,
Chemicals and Energy Trade Union

Jella S. Benner-Heinacher
Federal Manager of the
Deutsche Schutzvereinigung für
Wertpapierbesitz e.V.

Karl-Heinz Georgi
Principal of the Haltern am See
Education Centre of the Mining,
Chemicals and Energy Trade Union

Rainer Grohe
Executive Director of the Galileo
Joint Undertaking

Dr. Karl Heidenreich
Member of the Board of
Executive Directors of Landesbank
Baden-Württemberg

Rüdiger Kienitz
Member of the Works Council
of the Werra Plant of K+S KALI GmbH

Klaus Krüger
Chairman of the Group Works
Council of the K+S Group

Dieter Kuhn
Chairman of the Works Council of
the Bernburg Plant of esco – european
salt company GmbH & Co. KG

Heinz-Gerd Kunaschewski
Vice Chairman of the Group Works
Council of the K+S Group

Dr. Bernd Malmström
Chairman of the Board of Executive
Directors of Stinnes AG and
Member of the Board of Executive
Directors of Deutsche Bahn AG

Helmut Mamsch
Former Member of the Board of
Executive Directors of VEBA AG

Dr. Rudolf Müller
Member of the Board of Executive
Directors of Südzucker AG

Renato De Salvo
Deputy Chairman of the Works
Council of the Sigmundshall Plant
of K+S KALI GmbH

Dr. Eckart Sünner
Head of the Central Legal Affairs,
Tax and Insurance Department of
BASF AG

Dr. Helmut Zentgraf
Manager of the Werra Plant
of K+S KALI GmbH

As of 31 December 2004



Competence –

the Basis of Our Success.

Plant growth is something unique. As a supplier of speciality and standard fertilizers, K+S supports plant growth with a broad range of nutrients that meets needs, extending from potash, magnesium and sulphur to nitrogen and phosphate. In this way, we make an important contribution to guaranteeing food for the world's growing population. We make our knowledge and experience available to our customers in the form of specific product application advice, detailed soil analyses and needs-oriented fertilizer formulas. On the basis of such partnership, new growth prospects are opened up for us and our customers.

The background of the entire page is a close-up photograph of numerous salt crystals. The crystals are translucent and have various irregular, faceted shapes. They are densely packed in some areas and more sparse in others, creating a textured, crystalline appearance. The lighting highlights the edges and facets of the crystals, giving them a three-dimensional look. The overall color palette is a range of blues, from deep navy to light, almost white, highlights on the crystal surfaces.

Roots – the Basis for

We have been producing a broad range of salt products for almost 120 years. With the acquisition of all of esco – european salt company, we occupy the leading position on the European salt market. We will continue to grow in the future, too. Attractive markets, selective investments, proximity to customers and high standards of service and quality are the basis for such growth. And make our long-term success possible.

New Prospects.





Innovation – at the Centre



of Our Research.

New ideas enable us to foster enthusiasm for what we offer in our customers, making the innovative power of our company something that is experienced. That is true of COMPO. The transfer of new ways in which products function from the professional to the consumer segment, as in the case of the special fertilizer ENTEC®, for example, opens up potential for growth. We conduct research into new combinations of active substances, thus developing optimal application techniques that promote plentiful growth. In this way, we create further prospects for new market opportunities.



Employee Development – an



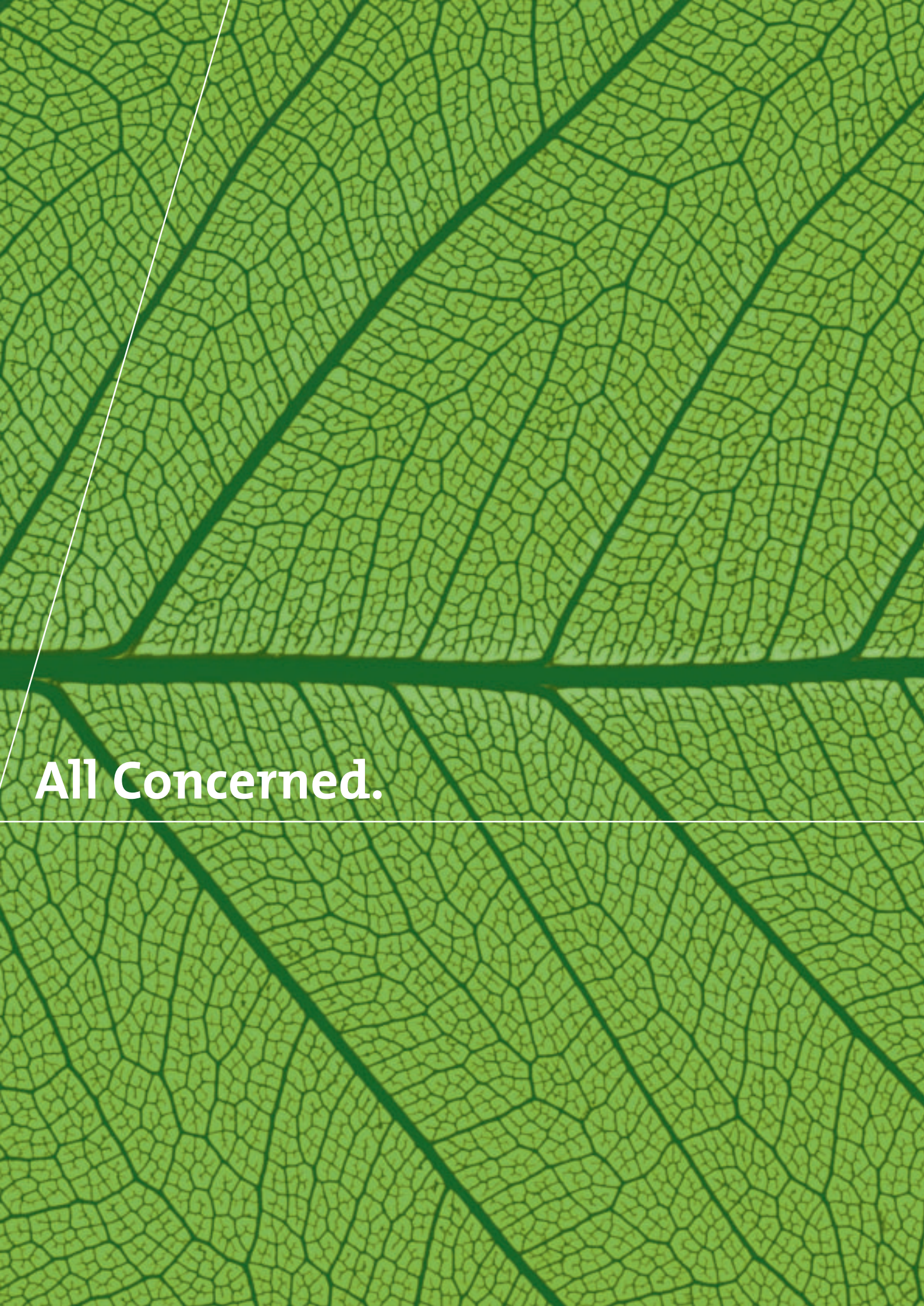
Individual Perspective.

About 11,000 people are employed by K+S all over the world. Thanks to their efforts and commitment, we have developed leading market positions for ourselves. Modern personnel management, employee profit-based bonus systems, flexible working hours as well as active knowledge management are core elements of our personnel policy. So is our commitment to training next generation employees in a way that is oriented towards the future. With a trainee ratio of over 5 %, we are in the top third of German industry. These are prospects that do not solely benefit our employees.

A close-up photograph of a green leaf, showing a dense network of veins. The veins are a darker green color, creating a complex, branching pattern against the lighter green background of the leaf. The lighting is even, highlighting the texture and structure of the leaf's surface.

Interlinking – Gains for

By means of the conscious, close interlinking of our business segments, we can use our know-how to achieve greater profitability in both the marketplace and in production. Sales and marketing profit from a common store of knowledge about markets and customer requirements. At the same time, the joint use of production capacity ensures the efficient utilisation of our plants. In addition, operative and strategic interaction is backed by our know-how management. These two elements are intertwined and open up new prospects.

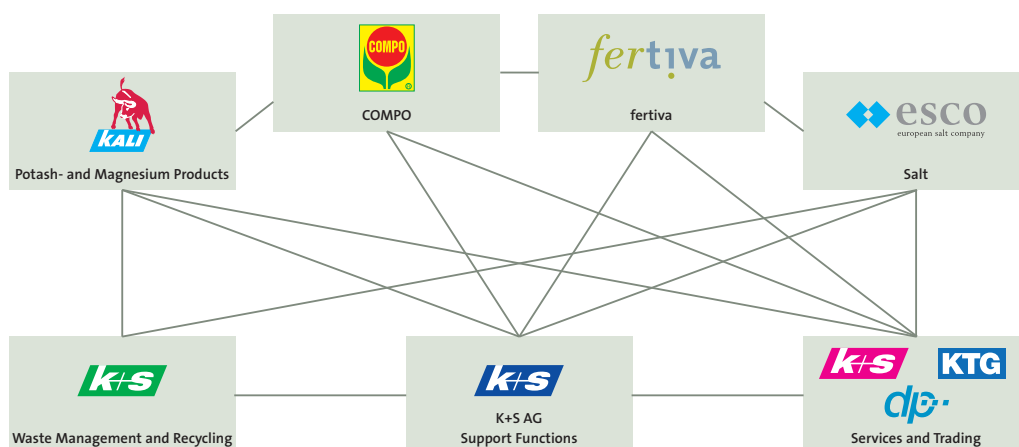


All Concerned.

The Particular Success of the K+S Business Model

- The K+S business model leverages market- and production-related synergies
- The focus is on fertilizers, plant care and salt
- Potash and Magnesium Products develops new, rich deposits:
250,000 tons of additional capacity as of 2005
- K+S becomes Europe's largest supplier of salt through esco – european salt company
- K+S agrees long-term partnership with BASF

Our business segments are closely interlinked in terms of their strategic, technical and economic aspects. They have the backing of the service units and support functions provided by group headquarters. This form of interlinking opens up various opportunities: We are able to offer our customers specialised services and a product range that is oriented towards needs; in addition, significant savings are achieved in many of our business processes. This business model enables us to create value for the shareholders of the K+S Group that amounts to more than simply the sum of the parts.



Technology and production

The mineral crude salt components used for the production of fertilizers and salts, such as potassium chloride, sodium chloride or magnesium sulphate, are the result of a common geological history extending over millions of years. The minerals are mined in K+S-own mines. The necessary know-how and the machines, equipment and processes used in underground production are to a large extent identical in the potash and salt mines. Given that professional requirements are the same, we can deploy employees and adjust capacity flexibly and thus achieve efficient organisation; the same applies to production-related innovation and capacity adjustments within the group. By centrally managing research and development activities, we attain the necessary group-wide transfer of knowledge.

The wealth of experience that has been gained by our employees in both the potash and salt sectors over decades helps in fulfilling requirements laid down by public agencies, implementing safety measures that have been proven over time as well as in meeting environmental requirements. The Waste Management and Recycling business segment also benefits from this knowledge, because the caverns created underground as a result of the extraction of crude salts are in part used for the safe disposal of waste over the long term and for waste recycling. A particular advantage in this regard is that waste management draws on the available infrastructure at active potash or salt mines.

The COMPO and fertiva business segments also work together closely. Both business segments have a substantial part of their products manufactured at the same plants, which makes it possible to exercise optimal control over production depending on the requirements of the given business segment. Joint use of capacity results in a higher, more balanced level of plant utilisation, thus yielding a reduction in unit costs.

Marketing and sales

There are many similarities in the know-how necessary for successful worldwide sales of the fertilizers offered by the Potash and Magnesium Products business segment, fertiva and the COMPO professional area. They are marketed through a similar distribution chain and common know-how with regard to markets and the needs of customers gives rise to numerous synergies. A common marketing forum for the three

business segments is one of the key factors in attaining the market success being sought for various product groups. An integral part of this coordinated approach is application research and advice for agriculture and for wholesalers that is constantly based on the latest findings. Furthermore, in the case of certain selected target markets outside Germany, distribution is organised through joint companies or distribution platforms, ensuring an individualized approach to attending to customers.

Logistics, IT and analysis

The Services and Trading business segment pools service activities that are particularly important for the K+S Group such as logistics, IT and analysis. They are needed across all business segments and are also offered to third parties. We deliberately expose these activities to competition to ensure quality of service that is efficient and meets market standards.

The Kali-Transport Gesellschaft mbH and its subsidiaries handle a large part of logistics for the K+S Group, which makes it possible to bundle shipping and other services for the different business segments and to optimise individual process chains. Taken together, both these elements yield significant savings on logistics costs.

All K+S Group IT activities are pooled in the subsidiary data process GmbH. The standardization of IT systems on the basis of SAP yields significant cost benefits in terms of operation and in the form of lower service and maintenance costs. In addition, it ensures a high level of quality and integrated information flows across the group.

The Consulting and Analysis business unit conducts specialized analyses that are not only of importance for the mining of crude salts, but also for the fields of environmental and food technology, for example. Ongoing inspections and analyses have also become indispensable in the Waste Management and Recycling business segment as well as in the case of all fertilizer products.

The Focus is on Fertilizers, Plant Care and Salt

Potash and Magnesium Products

The Potash and Magnesium Products business segment extracts potash and magnesium salts at six mines in Germany. The vital minerals contained in these natural raw materials, such as potassium, magnesium and sulphur, are then processed to produce high-grade mineral fertilizers as well as intermediate products for the manufacture of various industrial applications. K+S potash and magnesium fertilizers are used by farmers throughout the world to produce food more efficiently. In this way, we make an essential contribution to securing the world's supply of food. Our product range is more varied than that offered by any other potash producer in the world and it enables us to offer customers a broad spectrum of solutions that meets their needs.

The K+S Group is the fourth largest producer of potash products worldwide

With a potash segment share of about 12 %, the Potash and Magnesium Products business segment is the fourth-largest single producer in the world and the leader in Europe. Our specialities clearly distinguish us from the competition and with fertilizers containing potassium sulphate, we occupy a leading position in the world: Products containing magnesium and sulphur, such as ESTA® Kieserite and EPSO Top®, are also enjoying great popularity, given demand for agricultural fertilizers increasingly characterized by diversity.

In addition to speciality and standard fertilizers with a wide range of uses in agriculture, the Potash and Magnesium Products business segment offers a broad range of products for industrial applications. This is another segment in which we are among the leading suppliers worldwide, and by far the number one in Europe.

Potassium chloride – a universal single-nutrient fertilizer

Potassium chloride is the top-selling product of the business segment. It is a single-nutrient fertilizer with universal applications and is used for major crops, such as cereals, corn, rice and soya beans, and in almost all types of soil used worldwide for agricultural purposes. As a granulated single-nutrient fertilizer, potassium chloride possesses excellent spreading properties and is distributed evenly over fields using fertilizer sprinkling systems. Increasingly, granulate is also used by bulk blenders, who mix it with other single-



www.kali-gmbh.com

nutrient fertilizers in accordance with various formulas. The ready product is then also used as a complex fertilizer in agriculture. We supply potassium chloride as a fine-grain standard product for the complex fertilizer industry, which processes it along with other nutrients.

Fertilizer specialities are in demand

Our fertilizer specialities differ from classic potassium chloride, because they contain additional nutrients and undergo further processing. Tailor-made nutrient formulas with magnesium, sulphur, or with trace elements as well, give us attractive sales opportunities for these special products worldwide. Fertilizer specialities, such as Korn-Kali and Kieserite, are mainly used for soil and crops that have a greater need for magnesium and sulphur in addition to potash, such as rape or potatoes. Special fertilizers that contain sulphur, such as potassium sulphate and Patentkali® as well as Kieserite and EPSO Top®, are primarily used for special crops like citrus fruits, wine and vegetables that are sensitive to chloride. We offer a broad range of special fertilizers also for application in liquid form as well as for ecological farming.

Industrial products satisfy the highest quality requirements

Our industrial products stand out in terms of particular qualitative properties, such as their high degree of purity or special grain size. They have various possible applications: Potassium Chloride 99% is, for example, a product that is particularly suitable for chlorine-alkaline electrolysis in the chemical industry as well as for use in metallurgical processes. Potassium chloride is also used in the mineral oil industry, to make drilling fluids, for example. Our Epsom salt product possesses the broadest range of applications: It is employed in the paper and pulp industry to aid environmentally friendly oxygen bleaching, added to detergents to protect fibres and used in the production of synthetic materials for the purpose of separating the desired end products. In addition, our high-purity potassium and magnesium products make an important contribution to preserving our health in the pharmaceutical and foodstuff industries, by, for example, being used in dialysis and as a raw material in the production of pharmaceuticals.

Unique product mix and new deposits create good opportunities

We offer our customers a unique product range derived from potash and magnesium crude salts that is more comprehensive than that offered by any other producer of potash in the world. Thus, the consistent implementation of our processing strategy is one of our strategic goals. The latest exceptional project for enhancing productivity and expanding the potash business is the opening up of a new, very rich sector of the Werra deposits ("Sylvinite Project"). The use of this potash crude salt and the related additional capacity effect will result in a tangible, long-term reduction in production costs of the Werra deposits as of 2005.

COMPO



www.compo.de

In the consumer area, the COMPO business segment offers a broad range of high-quality special fertilizers and plant care products that turn a garden into a paradise. Patented slow-release lawn fertilizers, quality potting soils with root activators or 2-phase fertilizers for house plants are only a small selection of the great variety of top quality products that COMPO offers. In the professional area too, COMPO® products also stand for top quality and appropriate yields. This applies to the efficient supplying of fertilizers to special crops such as grapes, vegetables and fruits but also to public and sports turf. In Germany, COMPO® products are the fertilizers used to maintain the grass in three quarters of all Bundesliga soccer stadiums and a good one half of all golf courses.

COMPO premium products lead in Europe

Measured in terms of revenues, the COMPO business segment leads in continental Europe with a share of more than 20%. In the four segments of potting soil, plant care, lawn fertilizers and garden fertilizers, we are well ahead of the international competition. With respect to pesticides, we are among the three leading suppliers in Europe. In the professional segment too (agricultural and horticultural applications), the COMPO business segment is an innovative driving force in Europe. In the nitrogen-based special fertilizer area, COMPO occupies an unchallenged position of leadership.

Recipe for success in the consumer area: strong brands

In the consumer area, the business segment's brand portfolio includes the major brands COMPO® and ALGOFLASH®, which are complemented by the brands SEM®, GESAL® and GARDIFLOR® in individual countries. The most important product in the assortment is potting soil; in Germany, these high quality soils are sold under the COMPO SANA® brand. The various COMPO sites for the production and packaging of potting soil are located in Belgium, France, Germany, Italy and Latvia. High-quality substrata with volcanic rock aeration particles and the root stimulant Agrosil® especially offer a sound base for plants. Depending on the type of plant, quartz sand, humus, clay minerals as well as slow release fertilizers with all the important main and trace nutrients can be added. Thus, the formula for a rhododendron potting soil and those for a rose or orchid potting soil take account of plant-specific characteristics. Convenient potting soil mini packages have found a particularly high degree of acceptance among customers.

Our liquid and lawn fertilizers COMPO® and ALGOFLASH® stand at the forefront of the fertilizer assortment. In addition, we offer the well-known COMPO® universal, special and guano fertilizers for house, balcony and garden plants in Europe. Besides to being produced at our own sites in Germany and France, some of the products are made for us on an exclusive basis by BASF. We have recently begun to offer a full assortment of high-quality lawn seeds under the brand name COMPO SAAT.

In the plant care segment, COMPO is banking on innovative concepts in effects and packaging: Our particular attention is focussed not only on the effectiveness of products, but also on user-friendliness and safety.

Professional segment impresses with successful product innovations

Compared to the competition, the COMPO business segment's professional area possesses the broadest product portfolio for agricultural and horticultural applications. In addition to complex fertilizers for the cultivation of fruit, grapes and vegetables, the nitrogen-stabilized ENTEC® fertilizers that were introduced just a few years ago have gained great importance. They are characterized by a particularly high degree of nitrogen efficiency and by their related advantages for the customer with respect to use. Other important products include FLORANID® slow-release fertilizers for the professional lawn sector and BASACOTE®, which is used in the cultivation of ornamental plants. In the rapidly growing watering fertilizer segment, especially in southern Europe, we are well positioned with the products HAKAPHOS® and ENTEC® SOLUB. High-quality foliar and micronutrient fertilizers complete the assortment for this important customer segment.

We produce fertilizers for our professional customers by ourselves and at European BASF sites. They are mainly distributed through agricultural wholesale and retail channels as well as through cooperatives.

Top quality and customer satisfaction ensure the success of COMPO

The development of new products or the enhancement of existing ones in line with needs is a constant challenge for the COMPO business segment. The aim is to continue growing faster than the market. In this regard, customer satisfaction and excellent product quality are the key goals towards which our corporate actions are directed. The consistent expansion of international marketing activities, the ongoing transfer of product innovations from the professional to the consumer segment (e.g. in the case of ENTEC®), a range of services that is tailored to regional needs as well as the focussed enhancement of pesticide activities constitute the cornerstone of sustained growth for the COMPO business segment.

fertiva

The fertiva business segment pools worldwide marketing and sales activities relating to nitrogenous agricultural fertilizers. In addition to light, water, air and other nutrients such as potash and magnesium, nitrogen is a very important factor for plant growth; nitrogen is also referred to as the "motor of plant growth". As a global supplier of nitrogen single-nutrient and complex fertilizers, fertiva contributes to a healthy and improved world diet as a result of the products it supplies to important international markets.



www.fertiva.de

fertiva – an important supplier in the Western European market for nitrogen fertilizers

fertiva is one of Western Europe's major suppliers of nitrogenous fertilizers. We market the agricultural fertilizers produced exclusively for us by BASF. In addition, fertiva also trades products bought from other well-known manufacturers to a limited extent. Our primary goal is not to gain market share, but to optimise earnings in attractive markets. With respect to the trade in nitrogenous fertilizers, the fertiva business segment holds a market share of about 7% in Western Europe. We are one of the world's leading suppliers of the fertilizer ammonium sulphate.

Complex fertilizers – a balanced nutrient mix

Complex fertilizers that contain nitrogen are fertilizers that include other, additional nutrients as well, especially potash and phosphate. In addition to these primary nutrients, many of our complex fertilizers contain magnesium, sulphur as well as, in part, important trace elements. In the case of the complex fertilizers sold by fertiva under the Nitrophoska® brand, the raw materials are combined in a liquid state and then granulated together. As a result, each fertilizer grain contains precisely the same combination of nutrients, which is important for the farmer in the spreading process. The complex fertilizers offered are mainly used for major crops, such as cereals, corn, rape, sugar beet as well as grassland.

Straight nitrogen fertilizers facilitate selective application

Straight nitrogen fertilizers are used to supply nutrients to plants cultivated for agricultural. Calcium ammonium nitrate and ammonium nitrate are the main products in the segment. In addition, we also offer ammonium sulphate nitrate, which contains the nutrient sulphur as well, as part of this product group. To optimise plant absorption of the nutrients, the total quantity of fertilizer is divided up into several doses. Ammonium sulphate nitrate is generally used for crops that require substantial quantities of sulphur such as winter rape. As a result of the continued rise in the sulphur needs of agriculture, other crops, especially cereals, receive sulphur as a fertilizer. A speciality in this segment is ass® bor for crops that require boron.

Ammonium sulphate has various uses

Ammonium sulphate is a fine-crystalline product. It contains nitrogen as well as sulphur and is a by-product formed during the process of producing caprolactam in the chemical industry. Ammonium sulphate has two main applications. In Europe, it is mainly used by our customers as a raw material in the production of fertilizers. In this respect, it serves as a source of nitrogen and sulphur. Overseas, ammonium sulphate is also used directly as a fertilizer in agriculture.

fertiva impresses with efficiency and proximity to the market

fertiva activities are focussed on Western Europe and on regions overseas that hold out promise of success in the long term. The market and product portfolio is constantly analysed and optimised with respect to earnings targets. fertiva intends to further consolidate its strong position in ammonium sulphate and its market leadership in Europe. With the signing of a partnership declaration on 28 June 2004, K+S and BASF affirmed their intention of continuing their strategic partnership in the fertilizer business beyond 2014.

Salt



www.esco-salt.com

esco – european salt company makes K+S Europe's largest salt producer. The business segment possesses three rock salt mines, three brine plants as well as several evaporated salt facilities. At about 99%, the purity of the salt that we extract underground is very high and occupies leading place among the competition in Europe. Our deposits were formed in the period of primeval seas, more than 230 million years ago. Salt is part of our lives. It aids our health, is used for seasoning, dyeing and disinfecting and, last but not least, for road safety purposes. However, salt is also present in glass, paper and synthetic materials or is important for their production. Our lives are unimaginable without salt.

Table salts – an indispensable part of daily life

esco table salts cover table and pickling salts for private households and the food-processing industry. They enhance taste and are particularly essential in the production of foodstuffs such as meat, sausages, bread and cheese. In addition to various salt mixtures containing herbs, we offer table salt containing iodine and fluoride to also supply the body with these vital minerals and prevent deficiencies from arising.

Our table salt and herbal salt brands are very well established with customers. In Germany, the brand Sonnen-salz®, which has been known for decades, enjoys a high degree of recognition. In France, the brand Cérébos® is the number two and VATEL® is one of the leading table salts in Portugal. For the production of snacks, e.g. pretzels and pretzel sticks, our customers in Germany rely on the well-known pretzel brand Bäckerstolz®.

The base product for the broad range of table salts is mainly high-purity evaporated salt, but rock salt in its natural form is also used as table salt to some extent. At all stages in the process, our extensive quality management system ensures that our salts possess the purity we guarantee.

Industrial salt – a raw material with numerous applications

Industrial salts are used by dyeing works, in the production of foodstuffs for animals, to preserve fish, in the glazing of ceramic products, in drilling fluids used in the extraction of oil and natural gas and in many other industrial areas. As a key element of infusion solutions, it can save lives and also appears in a great many medicines as pharmaceutical salt.

Water softening salt in the form of tablets and dishwasher salt are used in water softening equipment. The leading European salt tablets axal® and axal® Pro as well as Regenit® tablet and compact salts meet the highest quality requirements set by Euronorm EN 973 Typ A and guarantee the user optimal application characteristics and soft water. For the disinfecting of swimming pools, we offer branded products such as AQASALIT®, Marina® and SOLEA® special salt tablets. Our factories produce about 60 million such tablets each day for these applications.

Lickstones used for livestock and non-domesticated animals complete the assortment. Our Solseil® salt lickstones in various formula mixtures were developed in cooperation with leading experts in the field of animal nutrition and meet the need for salt in modern livestock rearing.

esco – a reliable partner for customers requiring salts for chemical transformation

Salt for chemical transformation purposes is one of the most important raw materials used in the chemical industry. It is split into the by-products chlorine, caustic soda and hydrogen at electrolysis plants. Chlorine is an indispensable raw material for chemists, because it is one of the most reaction-friendly chemical elements available. It reaches the end-user in the form of polyvinylchloride (PVC), for example, a synthetic material with numerous application possibilities as flooring and packaging, in the construction and electrical sectors as well as in very many other technical fields.

De-icing salt – the safety product for winter road clearance services

Measured and used in a controlled manner, de-icing salt for winter road clearance services are environmentally friendly and indispensable products for ensuring road traffic safety, especially on motorways. A study commissioned by the Federal Department of the Environment from the Ökoinstitut Freiburg (Freiburg Institute of Ecology) in 2003 showed that there is neither an economic nor an ecological alternative to the safety product de-icing salt for road clearance services: De-icing salt – used efficiently – is the most effective and economical substance that can be employed to keep roads and motorways free of snow and ice. In a further study carried out by the institute at the end of 2004 and in which the municipal winter road clearance services in Munich and Nuremberg were examined, the institute concluded once again, when taking an overall view, that the use of de-icing salt on all roads with heavy traffic and in particularly dangerous areas is superior to other de-icing agents, such as grit, in terms of economy and environmental friendliness.

esco de-icing agent customers are mainly public road construction authorities and large commercial customers. In Germany, about 60 % of the de-icing salt products are used on federal roads and motorways. In addition we are offering private households for the winter the tried and tested de-icing salt anti-rutsch® in small packages, being on the market for decades.

Brine business complete the esco assortment

The brine segment comprises the supplying of sodium chloride brine, magnesium chloride solutions as well as certain other services provided by esco. In addition to captive use connected with the production of evaporated salt, sodium chloride brine is also used by the chemical industry as a raw material; magnesium chloride solutions are used in wet de-icing agents employed by winter road clearance services.

Complementary Business Sectors

Waste Management and Recycling as well as Services and Trading are important complementary business segments for the K+S Group. Thus, Waste Management and Recycling uses the infrastructure of our active mines, which yields considerable cost benefits. The Services and Trading business segment provides the group with important services at an attractive price. Over decades, we have developed unique know-how in this area. The outsourcing of such essential activities for the group would ultimately be more expensive, as regular comparisons with market terms show.

Waste Management and Recycling



www.ks-entsorgung.com

We offer reliable solutions that meet market needs using state-of-the-art waste management and recycling systems. The Waste Management and Recycling business segment is the technological leader in Europe for the provision of underground waste management ensuring the safe disposal of contaminated waste over long periods of time. We are active on the market through K+S Entsorgung GmbH, which is responsible for business segment marketing and distribution in selected European markets.

Strong market position in Germany and Europe

With regard to underground waste management, we are the largest service provider in Europe in terms of volume and revenues. On the German waste management market, we have a market share of almost 20% for all relevant forms of special waste. However, the market faces fierce competition of many other suppliers of disposal services for special waste both above and below ground level. In the case of recycling salt slag from the secondary aluminium industry, we hold relatively high market shares in Germany and in the rest of Europe.

Underground disposal is the most secure long-term waste disposal solution

Disposal removes waste that cannot be prevented or recycled. Such waste needs to be disposed that is safe over the long term. The Waste Management and Recycling business segment operates two underground storage sites using the caverns that are created in our active mines as a result of the mining of crude salt. We only use intact salt rock formations that are free of water and impermeable for gas. An excellent standard of safety is assured by a combination of geological and artificial barriers. The waste stored in these facilities is isolated from the biosphere that is safe over the long term – a service no land-fill facility can offer.

If required, the materials can be brought back up to the surface without much effort. This is currently the case with old transformers, now that the processing and recycling of the copper component has become commercially attractive due to the sharp rise in the price of copper.

Underground re-utilisation uses the K+S infrastructure

In contrast to disposal, making use of waste is the aim of recycling. We operate four underground reutilisation facilities in active K+S mines. Approved non-mining waste is exploited for the purpose of filling suitable caverns. Special techniques and special physical properties of waste are employed to produce a supporting effect that ensures the stability of the caverns over extremely long periods of times, i.e. thousands of years. As in the case of underground storage sites, use can be made of the infrastructure available, e.g. shafts and conveyor systems.

Recycling makes sense

The Waste Management and Recycling business segment supplies high quality smelting salts that optimise yields in secondary aluminium smelting. After taking back the salt slag produced during the process in the form of a waste product, we reprocess it in our REKAL facility. The aluminium granulate extracted from the salt slag can then be reintroduced into the substance cycle.

We operate a recycling plant for building materials in connection with the re-cultivation of a potash tailings pile. Uncontaminated and slightly contaminated soil and rubble are recycled and besides being re-cultivated serve as a secondary building material in road construction and similar civil engineering projects.

Services and Trading

Various activities of functional importance for the K+S Group are bundled in the Services and Trading business segment in addition to CATSAN® granulation. They primarily consist of services such as logistics, IT and analysis that are used by all business segments. These services are also offered to third parties to a limited extent. All the activities are exposed to competition with external alternatives, ensuring that market conditions prevail.

Over 30 million tons per year: efficient logistics is of central importance for K+S

The focus of K+S logistics is on optimising logistics chains and the best possible exploitation of the potential for synergies within the K+S Group. Alongside the central logistics unit, which coordinates the interlinking of the supply chain units in all business segments, we possess our own powerful logistics service provider in KTG, Hamburg, and its subsidiaries. The operation of the “Kalikai”, one of Europe’s most important transshipment facilities for exports of bulk goods, is KTG’s core business and of strategic importance for the Potash and Magnesium Products business segment in particular.

The K+S Group’s container business, which has grown strongly internationally, is directed from Hamburg, which is also responsible for shipment from our production sites to the loading terminals. We have developed cost-effective systems to make greater use of the environmentally friendly means of transport such as rail and internal waterways. These forms of transportation are also being used by third parties to a larger extent. The subsidiary GBC, which is also based in Hamburg, handles millions of tons in ship loading each year. In addition, KTG and its subsidiary UBT in Hamburg, Rostock, Wismar and elsewhere are active as seaport freight forwarders and shipping agents for more than 1,000 ships each year. Also transportation by road in Germany and abroad is organised by UBT’s heavy goods vehicle freight-forwarding department.

Thus, the logistics functions necessary for all segments and the related know-how is available to us at an attractive price.

Wide-ranging know-how bundled for new services


An exemplary means has been found of successfully using existing plants and a large part of the infrastructure of a disused potash plant in the case of the Salzdettfurth potash plant. Here, we granulate the animal hygiene product CATSAN® for Masterfoods GmbH.

Our subsidiary data process GmbH offers extensive IT services based on SAP. The range of services offered covers almost all areas of information technology: from a full-range IT service to the development of specific, individual applications. The main clients hitherto have been companies belonging to the K+S Group. Trading in chemicals and magnesium metals is another business segment unit. They include calcium chloride, an important component of wet application de-icing agents used by winter road clearance services.

Finally, we offer numerous consulting and analytical services that involve conducting investigations of relevance for the environment, such as analyses of soil and waters, raw materials and products, as well as mobile air monitoring. Experienced teams of analysts are available for these purposes at biodata Analytik GmbH, the K+S Research Institute and in plant laboratories.



www.biodata-analytik.com
www.dataprocess.de
www.kali-transport.com
www.ks-consult.com

A close-up photograph of several fresh carrots with their green tops still attached, lying in dark, rich soil. The carrots are a vibrant orange color and appear to be freshly harvested, with some soil still clinging to their surfaces. The green tops are bright and healthy-looking. The overall scene conveys a sense of freshness and natural growth.

Creating Value – an Attractive

A close-up photograph of a carrot with its green leafy top. The carrot is partially covered in dark, rich soil. The lighting is warm, highlighting the texture of the carrot's skin and the vibrant green of the leaves. A thin white diagonal line runs from the top left towards the bottom right, passing behind the text.

Prospect for the Capital Market.

Thanks to our earnings capacity and healthy financial structure, we are in a position to tackle our growth objectives from a solid base. This is confirmed by the performance of the K+S share: Its value has been increasing by an average 28 % per year over the past five years. In the interests of our shareholders, customers and employees, we are continuing to work on enhancing the value of our company. Thus we are paving the way to our future.

The K+S Share

- The K+S share gains 80 % in 2004
- MDAX gains 20 % in the year under review – small and mid caps remain in demand
- K+S performance (including reinvestment of dividends) over the past five years: 245 %
- K+S free float remains large
- Analyst recommendations for the K+S share very positive
- Dividend of € 1.30 results in attractive dividend yield of 3.3 %

K+S Share Key Indicators

ISIN: DE0007162000 / WKN: 716200 / Bloomberg: SDF

		2004	2003	2002	2001	2000
Net income per share	€/Share	3.31	2.42	2.43	2.73	2.72
DVFA earnings per share	€/Share	2.16	1.53	1.62	1.62	1.98
Dividend per share ¹⁾	€/Share	1.30	1.00	1.00	1.00	0.85
Gross cash flow per share	€/Share	6.33	5.00	5.07	5.18	5.47
Book value per share	€/Share	14.48	13.76	12.42	11.48	11.80
Year-end closing price (XETRA)	€	39.10	21.76	17.35	21.90	18.00
Highest price (XETRA)	€	39.43	21.76	24.51	22.30	18.55
Lowest price (XETRA)	€	21.19	15.81	16.83	15.69	12.25
Year-end market capitalisation	€ million	1,661.8	924.8	780.8	985.5	810.0
Total stock exchange turnover (Jan. to Dec.)	€ million	996.4	416.3	469.4	468.5	426.8
Average daily turnover	€ million	3.9	1.6	1.9	1.9	1.7
MDAX weighting	%	2.7	1.9	2.2	0.8	n.a.
Total number of shares as of 31 Dec.	million	42.5	42.5	45.0	45.0	45.0
Shares outstanding ²⁾	million	42.5	42.5	41.5	43.3	42.8
Average number of shares ³⁾	million	42.5	41.8	42.8	43.4	44.1
Total dividend payout ^{3) 4)}	€ million	55.3	42.5	41.5	43.4	37.6
Dividend yield (closing price) ¹⁾	%	3.3	4.6	5.8	4.6	4.7
Return on equity	%	22.8	17.3	18.6	22.9	22.6
Return on capital employed (ROCE)	%	15.9	12.7	14.7	14.1	15.7
Enterprise value (EV) on 31 Dec.	€ million	1,681.7	884.9	788.1	970.4	732.9
Enterprise value to revenues (EV/revenues)	x	0.7	0.4	0.3	0.4	0.4
Enterprise value to EBITDA (EV/EBITDA)	x	6.0	4.0	3.3	3.9	2.9
Enterprise value to EBIT (EV/EBIT)	x	10.1	7.6	5.9	8.0	5.8

¹⁾ the figure for 2004 corresponds to the proposed dividend

²⁾ total number of shares less the own shares held by K+S as of the reporting date

³⁾ total number of shares less the average number of own shares held by K+S

⁴⁾ in the case of 2004, contingent on the number of shares carrying a dividend entitlement on the day of the Annual General Meeting

2004: A stock exchange year marked by restraint overall

Although corporate profits were significantly better in the main, 2004 was a year of restraint for German stocks. This was attributable to lower risk acceptance on the part of investors; a tendency due to such factors as terrorist attacks, historical highs for the price of oil as well as the weak U.S. dollar. Following the bitter disappointments of preceding years, investors generally shifted their focus back again to more fundamental valuation criteria such as dividends, cash flow and P/E ratios.

Investors continue to focus on small and mid caps

The German stock index DAX closed on 31 December 2004 near to its high for the year of 4,256 points, up 7.3 % on the beginning of the year. However, there were considerable fluctuations during the course of the year, with the DAX hitting a low for the year of 3,647 points on 13 August. The MDAX, which consists of the fifty stocks from more classic industries that are most heavily traded after those included in the DAX and which is of more importance for K+S, also experienced greater swings initially but displayed a clear upward trend over the course of the year. The MDAX closed the year at 5,376 points, its highest point in 2004, and thus gained a good 20 % on the beginning of the year.

The DAX and MDAX have evolved very differently over the past five years. While the DAX has lost just under 40 %, the MDAX gained a good 30 % over the same period. The differences in fundamental valuation criteria that existed between the two indices earlier have evened out in the meantime.

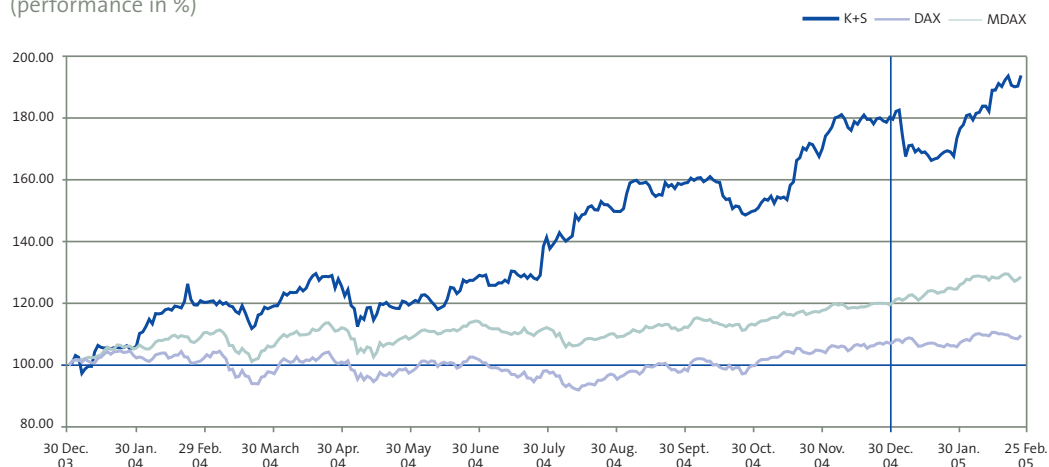
Performance in %	1 year 2004	5 years 2000-2004
K+S share (excluding dividends)	+ 79.7	+ 179.3
K+S share (including dividends)	+ 84.3	+ 210.9
DAX (performance index)	+ 7.3	- 38.8
MDAX (performance index)	+ 20.3	+ 31.0

Source: Bloomberg, 31 Dec. 2004

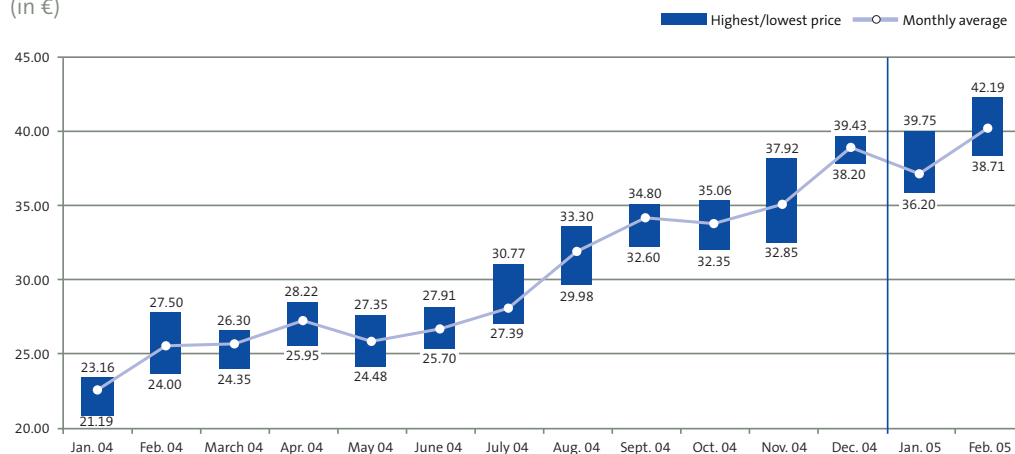
K+S share gains 80% during the year under review

The K+S share has significantly outperformed the DAX and MDAX since the end of January 2004. This trend was bolstered by K+S's quarterly results, which exceeded the expectations of the capital market, positive studies about K+S prepared by analysts as well as a general improvement in the image enjoyed by and assessment of the international fertilizer industry on the capital market. The ex-dividend mark-down in May had an adverse impact on performance temporarily, but was more than made up for shortly afterwards, in part buoyed by positive news from the fertilizer industry. In December, the K+S share hit € 39.43 (XETRA), its hitherto highest price. The K+S share rose 80% on the beginning of the year.

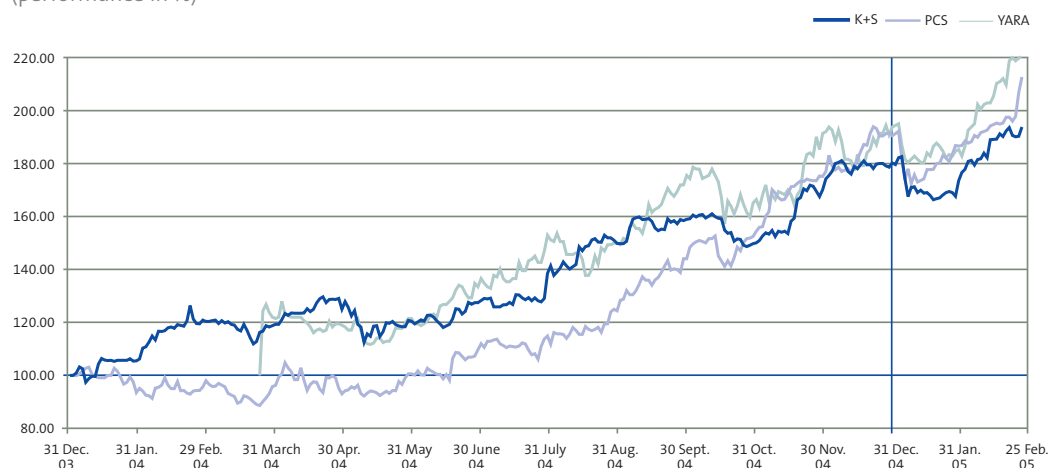
Performance of the K+S share in relation to the DAX and MDAX in 2004 (indexed)
(performance in %)



K+S share since 1 January 2004: Monthly highest, lowest and average price
(in €)



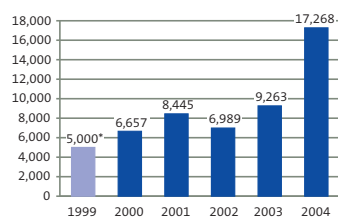
Performance of the K+S share in relation to competitors PCS and YARA in 2004 (indexed)
(performance in %)



Compared with the performance of the German stock market, the 80% increase in the price of the K+S share was exceptional, but was part of a trend also affecting other international suppliers of fertilizers. To provide an example, we have compared the trend in the price of the K+S share with that of Canadian potash producer Potash Corporation of Saskatchewan (PCS) and the largest supplier of nitrogenous fertilizers, Norway's Yara. All three shares performed more or less equally well. This shows that the overall positive trend for the international fertilizer industry has also impacted positively on the price of the K+S share.

On 25 February 2005, the K+S share was quoted at € 42.19. This means that the price of our share was up by 8% on the end of the preceding year.

Performance of portfolio
of K+S shares
(in €, as of 31 Dec.)



*investment
Including reinvestment of dividends on the day after
the Annual General Meeting and cash remaining

An investment in K+S shares has grown 28% per year over the past five years

Although the trend in share prices on global exchanges during the years 2000 to 2002 was a declining one, an investment in K+S shares over a five-year period has brought very good returns. A K+S shareholder who acquired K+S shares for € 5,000 on 30 December 1999 and reinvested dividend payments made over the following five years in K+S shares found his portfolio worth about € 17,268 on 31 December 2004. The value of the portfolio rose on average by 28.1% p.a. over these five years.

Over the same period, the DAX and MDAX provided annual yields of -9.4% and +5.5% respectively.

Sixth share repurchase programme approved

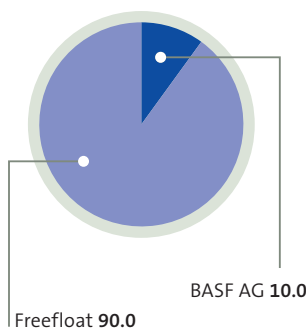
Under a resolution adopted by the Annual General Meeting on 5 May 2004, we have been authorized to acquire up to 10% of our shares once again. After having used this instrument on several occasions in the past, we have not made any new repurchases for some time. The authorization to purchase own shares runs until 31 October 2005. We will propose to the Annual General Meeting to be held on 11 May 2005 to authorise us once again to acquire own shares for another 18 months.

We held no shares of our own as of 31 December 2004.

Shareholder structure characterized by high free float

BASF AG holds about 10% of our shares. In addition, the investment company AMR, which belongs to the US investment fund company Fidelity, informed us on 25 November 2004 in compliance with the Securities Trading Act (WpHG) that it holds 5.45% of the outstanding shares of K+S Aktiengesellschaft. Under the free float definition applied by Deutsche Börse AG, these shares are treated as part of the free float, which thus remains at about 90%. The shares are mainly held by German and foreign institutional investors, by a large number of private investors and many K+S employees.

Shareholder structure
(in %, as of 31 Dec. 2004)



Section 15a of the Securities Trading Act requires the reporting by members of the boards of executive directors and of supervisory boards of public listed companies and by members of their families of transactions involving shares in those companies with which they are connected (directors' dealings) that exceed a certain threshold. Such reports are carried on our website immediately. No relevant reports needed to be disclosed during the period until 31 December 2004.

Proposed dividend increased by 30 cents

Also in this year, we will pursue an earnings-based dividend policy. Given the higher result and the positive outlook, the Board of Executive Directors and Supervisory Board will propose to the Annual General Meeting increasing the dividend by 30 cents to 1.30 per share for financial year 2004. The K+S share will thus remain an investment offering a high yield. All shares carry a dividend entitlement.

On the basis of the year-end closing price of € 39.10, the proposed dividend will result in a dividend yield of 3.3%. Despite the higher distribution, the yield will be lower than in preceding years, because at year-end 2004, the share was quoted at almost twice the level of 2003. The capital market now views K+S as a growth stock, after having been previously seen solely as a value stock offering attractive dividends.

Listing in important stock market indices

According to the rankings for January 2004, we are currently placed 12th (previous year: 21st) in the MDAX in terms of market capitalisation and 19th (previous year: 26th) in terms of trading volume. An MDAX listing involves a whole series of duties, which include the use of international accounting standards in reporting. We have already implemented extensive measures connected with the changeover and will present IFRS figures for the first time in the quarterly report as of 31 March 2005.

In 2004, we were also included for the first time in the index of Europe's 600 largest companies, the DJ STOXX 600; an index that attracts considerable attention.

Indices including the K+S share:

- MDAX
- DJ STOXX 600 (new)
- STOXX Total Market Index
- MSCI World Small Cap
- MSCI Europe Small Cap
- MSCI Germany Small Cap
- HDAX
- CDAX Overall Index
- Prime Allshare Index
- Classic Allshare Index
- Mid Cap Market Index
- Prime Sector Chemicals
- Industry Group Chemicals/Commodity

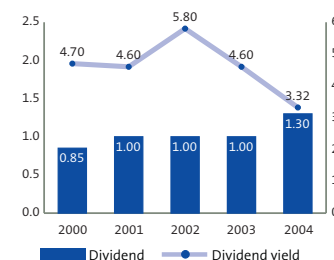
Financial analysts take positive view of K+S

In the last six months, 7 banks gave us a buy/accumulate recommendation and 4 a hold/neutral recommendation; no study gave us a reduce/sell investment recommendation. The "Investors Relations" section of our homepage carries a constantly updated overview of current research recommendations as well as consensus forecasts for revenues and earnings.

Regular research coverage of K+S:

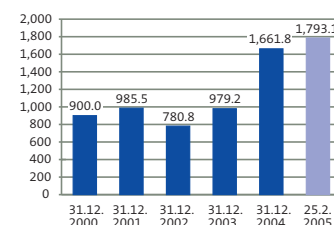
- Bankhaus Lampe
- Berenberg Bank
- Cazenove
- Commerzbank Securities
- DZ Bank
- Deutsche Bank
- Dresdner Kleinwort Wasserstein (new)
- HVB Equity Research
- Helaba Trust
- HSBC Trinkaus & Burkhardt
- Kepler Securities
- LBBW
- M.M. Warburg & Co.
- Sal. Oppenheim (new)
- SEB
- Solventis Research (new)
- UBS
- WestLB
- WGZ-Bank

Dividends per share in € and dividend yields* in %



* without inclusion of corporate income tax; based on XETRA year-end closing prices

Market capitalisation of K+S Aktiengesellschaft (€ million, Basis: XETRA)



Investor relations continues to gain in importance

For us, investor relations means transparent financial communications in order to create confidence on the capital market. Our goal is to provide information that is as comprehensive, timely and objective as possible on our strategy and on all events connected with the K+S Group. We have intensified our contacts with domestic and foreign financial analysts, institutional investors, private investors and business journalists, pursuing this end through the press and analysts conferences that we hold in the spring and autumn of each year, too. In 2004, we staged almost 30 roadshows and conferences in Austria, England, France, Germany, Switzerland, the United States, and, for the first time, in the Netherlands, Luxembourg and in Scandinavia. In addition to conference calls, we also organised a special workshop on the IFRS change-over together with our analysts. These varied efforts have had a positive impact on the perception and valuation of our share. We will communicate just as intensively with the capital market in the future, too.

We publish all our annual and interim reports simultaneously on the Internet at www.k-plus-s.com. Anyone who wishes to find out more about us by accessing the site will also find a special investor relations page carrying answers to frequently asked questions as well as the latest company presentations, recordings of conference calls and video webcasts. A special newsletter can be subscribed to on our homepage ensuring the automatic provision of current press releases and company news by e-mail.

K+S Aktiengesellschaft

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Corporate Governance Report

- K+S attaches great importance to corporate governance
- Compliance with Code recommendations to the greatest possible extent
- Few exceptions to Code suggestions

The term “Corporate Governance” denotes responsible and transparent management and control oriented toward the creation of long-term value. These principles have formed the basis of our decision-making and control processes for a long time. For K+S, German law, especially the legislation that governs stock corporations, co-determination and the capital markets, our articles of association and, with a few exceptions, the German Corporate Governance Code, has formed the legal basis on which management and control within the company has been shaped. A compliance unit was established during the year under review to perform coordination and oversight functions as well as to ensure the changes in the law are responded to organizationally in a timely manner.

Declaration on conformity and explanatory comments

The Board of Executive Directors and the Supervisory Board have resolved the following declaration on conformity in relation to the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act.

The recommendations made by the Government Commission on the German Corporate Governance Code have been complied with in 2004 and will be complied with in 2005 with the following exceptions:

- Those figures contained in the notes to the consolidated financial statements that relate to the remuneration received by members of the Board of Executive Directors and the Supervisory Board are not individualized.
(Code items 4.2.4 and 5.4.5, paragraph 3)
- Chairmanship and membership of Supervisory Board committees have not attracted separate remuneration so far.
(Code item 5.4.5, paragraph 1, sentence 3)

The consolidated financial statements and interim reports will be prepared under observance of internationally recognised accounting principles (IFRSs) for the first time in relation to financial year 2005 (Code item 7.1.1, sentence 2). In the light of the legal uncertainty that still surrounds the treatment of certain company peculiarities, an earlier date was not advisable.

In March 2005, the Supervisory Board has appointed an audit committee. (Code item 5.3.2)

This declaration on conformity is also carried on the Internet at www.k-plus-s.com.

The two exceptions to the 72 **recommendations** contained in the German Corporate Governance Code are as follows:

- The total remuneration received by the Board of Executive Directors and the Supervisory Board is in each case already broken down into fixed and variable components, with details provided of option rights for the Board of Executive Directors. Given the structure and reasonable character of the total amount of remuneration, its individualization would not yield any additional information.
- The Board of Executive Directors and the Supervisory Board will propose to the Annual General Meeting on 11 May 2005 that the Articles of Association should provide for separate remuneration for the chairmanship and membership of Supervisory Board committees.

With regard to the non-obligatory **suggestions** contained in the Code, the following are the only ones not to have been implemented by K+S.

- The Annual General Meeting will not be carried on the Internet (Code item 2.3.4). We have not established such interest thus far, but will review this decision once again for next year.
- There are no committees other than the mediation, personnel and audit committees (Code item 5.3.3). We have not formed any other committees so far; it had been possible to deal with all issues at plenary sessions without any loss of quality.

- The suggestion of electing or re-electing Supervisory Board members at different times and for different terms of office (Code item 5.4.4) could not be implemented, because the election of the shareholder and employee representatives serving on our Supervisory Board took place shortly before the appearance of the revised version of the German Corporate Governance Code of 21 May 2003.
- The remuneration received by the Supervisory Board does not include any components that are based on the long-term success of the company (Code item 5.4.5, paragraph 2, sentence 2). Pursuant to a resolution of the 2001 Annual General Meeting, the variable component of the Supervisory Board remuneration is linked to the level of the dividend. Any action in this regard will depend on how the law develops.

Shareholders and the Annual General Meeting

Shareholders decide about fundamental matters affecting K+S Aktiengesellschaft by exercising their voting rights. Each share carries one vote (one share, one vote principle). All documents of decision-making importance are made available to the shareholders on the company's website as well. Shareholders also have the possibility of having their voting rights exercised by an authorized representative of their choice or by a proxy designated by the company and to whom instructions can be issued.

Board of Executive Directors and Supervisory Board cooperation

The Board of Executive Directors briefs the Supervisory Board at regular intervals in a timely and comprehensive manner about all issues that are of relevance to the company as a whole and concern company strategy, planning, the development of business and the financial and earnings position of the company as well as about any particular risks and opportunities. Important decisions – e.g. larger acquisitions, investment programmes and special financial measures – must be approved by the Supervisory Board.

The company has taken out D&O insurance, which provides for an adequate excess on the part of members of the Board of Executive Directors and of the Supervisory Board.

The Board of Executive Directors

Cooperation among the five-member board and the distribution of business responsibilities are regulated by bylaws. The Board of Executive Directors is particularly responsible for the strategic direction of the company as well as for the internal control and risk management system operated within the K+S Group. The system is being continually developed and adjusted to take account of changed conditions. Please see the "Risk Management" section of the Management Report (page 56 of the annual report) for details.

The remuneration received by the Board of Executive Directors comprises fixed and variable, performance-related salary components. In addition, it is possible to obtain income by exercising stock options as a variable component of remuneration with a long-term incentive and risk character. This takes the form of a virtual option model with demanding comparative parameters that cannot be subsequently changed. In addition, the possible benefit is subject to a cap. The basic features of the remuneration system and the concrete form of the stock option programme are set out in the Notes to the consolidated financial statements (page 86 of the annual report) as well as on the company's website.

The Supervisory Board

The Supervisory Board has sixteen members comprising an equal number of representatives of the shareholders and of the employees as required by the German Co-Determination Act (Mitbestimmungsgesetz). The term of office of the Supervisory Board members lasts five years. The Supervisory Board oversees and advises the Board of Executive Directors in connection with the carrying on of business. Details concerning the activities of the Supervisory Board during the year under review are set out in the Supervisory Board report (page 6 of the annual report).

The Supervisory Board has also adopted bylaws and formed three committees from among its members. The personnel committee is responsible for making preparations connected with the appointment of members of the Board of Executive Directors as well as the determination of the terms and conditions of their contracts of employment. The mediation committee performs the tasks set forth in Section 31, paragraph 3, sentence 1 of the Co-Determination Act. The chairman of the Supervisory Board is simultaneously the chairman of both committees. The audit committee deals in particular with issues relating to accounting policies and risk management as well as with such consultations as need to be held with auditors.

In accordance with Article 12 of the Articles of Association, Supervisory Board members receive, in addition to the reimbursement of expenses, fixed remuneration of € 10,000.00 and a variable component based on the level of dividend payment. A member of the Supervisory Board receives € 250.00 for each cent by which the dividend exceeds the amount of € 0.20.

No consultancy or other service and specific task agreements between members of the Supervisory Board and the company were in force during the period under review.

Transparency

K+S regards the principle of equal treatment as a matter of high priority. Information about the position of the company and about all significant changes in business affecting it is provided to our shareholders, all capital market participants, financial analysts, shareholders associations, the media and the interested general public by means of regular, open and current communications at the same time and in an equal manner. All important information is simultaneously published on the Internet. The financial calendar, which provides details of important financial reporting dates, can be found in our annual and quarterly reports as well as on the Internet at www.k-plus-s.com.

The figures required by item 6.6 of the Code concerning transactions engaged in by members of the Board of Executive Directors and of the Supervisory Board with shares of the company and their respective holdings in K+S shares are set out in the Notes to the consolidated annual financial statements (page 87 of the annual report).

Accounting and audit policies

The accounting standards applied by K+S Aktiengesellschaft and the K+S Group conformed to the principles set forth in the German Commercial Code until 2004. International Financial Reporting Standards (IFRSs) will be applied as of 2005. The financial statements are audited by Deloitte & Touche GmbH, Hanover. The auditors are appointed by the Supervisory Board, which also determines fees and the main points to be covered by the audit process in consultation with the auditors.

It has been agreed with the auditors that the chairman of the Supervisory Board is to be immediately advised of any grounds giving rise to exclusions or objections such as may arise during the audit if they cannot be eliminated immediately. Furthermore, the auditors should immediately advise of all findings and developments of relevance to the tasks of the Supervisory Board that may arise during the audit. In addition, the auditor is required to advise the Supervisory Board or make an appropriate note in the audit report if, during the course of the audit, the auditor ascertains any facts suggesting any incorrectness in the declaration issued by the Board of Executive Directors and Supervisory Board in accordance with Section 161 of the German Stock Corporation Act.



Growth –

We will forge ahead and continue to grow. Our strategic path therefore consists in: The expansion of our leading market positions, especially with regard to specialities, as well the further development of our business sectors through acquisitions and cooperations. Internally, we are focusing on continuous increases in efficiency, competitive cost structures and an intelligent use of synergies. Thus, by consolidating our international competitiveness, we are gaining new, promising prospects for the future.



It's Within Reach.

Economic Report

The management reports for the K+S Group and for K+S Aktiengesellschaft are combined in this report. The information contained mainly refers to the consolidated financial statements, as the economic development of K+S Aktiengesellschaft as a holding company is to a large extent affected by the situation within the K+S Group.

Economic environment in 2004



German GDP rose by 1.6% in real terms in 2004. The FRG thus ended a three-year period of stagnation. Economic growth in the past year benefited markedly from a positive effect related to the calendar. There were about five more working days in 2004 than in the preceding year. Without this positive effect, GDP would have only grown by 1%. Economic growth was fuelled by exports to a large extent. Because of considerable consumer restraint, the domestic economic situation was weak once again. This caused the rate of savings to reach its highest level since 1995. While a start was made on reforming the German labour market and health care system, reforms will have to continue in order to improve the international competitiveness of the German economy in a sustainable manner.

	2004	2003	2002	2001	2000
Percentage change in German GDP	+ 1.6	- 0.1	+ 0.2	+ 0.6	+ 3.0

Source: Federal Statistical Office

At 2.0%, the rate of growth attained within the European Union in 2004 was slightly higher than in Germany. Nevertheless, against the backdrop of historically low interest rates the pace of expansion has to be considered modest.

In the United States, the Federal Reserve Bank (Fed) raised its key interest rate to above the euro zone level for the first time since the spring of 2001. The Fed raised its key rate a total of five times over the past year, increasing it by 25 basis points on each occasion, to reach 2.25% (there was a further increase to 2.5% at the beginning of 2005). Within the euro zone, the European Central Bank kept its key interest rate unchanged at 2.0%.

The US dollar continued to fall against the euro over the course of the year. The US budget and balance of payments deficits caused an increase in the mood of uncertainty among market participants worldwide. This was reflected in, for example, a weaker average exchange rate for the US dollar against the euro that was almost 10% down on the preceding, once again reducing export opportunities for suppliers that produce within the euro zone.

Markets, competition, industries

Potash and Magnesium Products

The K+S Group is one of the largest suppliers of potash and magnesium products. As the fourth-largest producer of potash, we consolidated our position on the global market with a share of about 12%. In Europe, we are the leader by a wide margin. In the field of potassium sulphate and magnesium sulphate speciality fertilizers, we even occupy the leading position worldwide.

Last year, demand on the global potash market showed an increase that was well above average once again; it rose by 4.9 million tons or about 10%, to 53.8 million tons. The main reason for this was continued robust demand in Asia as well as North and South America, while sales in Western Europe only grew marginally. In Eastern Europe, especially those states that have been members of the EU since May 2004, a demand pick-up is becoming apparent, but at a level of consumption that is still insufficient for balanced fertilizer use. In the constituent states of the former Soviet Union, consumption continued to stagnate on a very low level.

At the EU level, proposals have been aired aimed at reorganising the European sugar market, but it is at present still difficult to estimate what impact this will have on the cultivation of sugar beet in Europe over the medium term. The attractive subsidies that continue to be available for the cultivation of renewable raw materials are resulting in investment in biodiesel and biogas facilities. This has caused an increase in the amount of land under cultivation for especially suitable plants such as rape and silage corn.

The competitive situation in 2004 was mainly shaped by the following events:

The acquisition of the fertilizer distribution and production activities of French SCPA (Société Commerciale des Potasses et de l'Azote), Mulhouse, by K+S was finally completed on 13 December 2004. It involved four sites where speciality and complex fertilizers are produced and marketed on a regional basis. In addition, the potash granulation operations of CCW (Compagnie de Compactage de Wittenheim), Alsace, have also been taken over. The French cartel authority approved the acquisition on 29 November of this year; German Federal Cartel Office approval was already received at the end of October.

IMC Global, Inc. and Cargill, Inc., which are both based in the United States, pooled their fertilizer activities in a joint listed company called the "Mosaic Company". The new company, in which Cargill holds about two thirds of the shares, is one of the world's largest suppliers of phosphate and potash fertilizers, with estimated annual revenues in excess of USD 4.5 billion.

Mississippi Chemicals, Inc., United States, sold its potash activities to Intrepid Mining, LLC, United States. Intrepid intends to expand its potash output over the coming years, especially in the field of regional speciality fertilizer needs.

The two Russian producers, Uralkali and Silvinit, are continuing to modernize their technical facilities. Uralkali has announced that it intends to increase output by 2008 to about 7 million tons.

Belaruskali, Belarus, continued work on the construction of a shaft installation with two new shafts. From 2009 onwards, 6 million tons of crude salt is to be extracted annually and supplied to already existing factories, which means that there will be no additional capacity. The investment volume amounts to a total of USD 180 million.

Rio Tinto plc., Great Britain, is currently working on a profitability study for a new potash project in Argentina with a capacity of 1.5 – 2.0 million tons. The study aims to analyse whether production can be launched in 2009.

In connection with EU eastward expansion, the EU Commission has approved transitional arrangements relating to potash deliveries from Russia and Belarus that apply to the ten new members. Following the granting of free market status to Russia, the two Russian producers Uralkali and Silvinit have applied for a review of current anti-dumping regulations. We are confident that new regulations will also prevent unfair competition.

COMPO

In the consumer segment, the COMPO 2004 season was influenced by rainy weather as well as purchasing restraint that was experienced across sectors in Germany. Although market volume decreased, COMPO was successful in gaining market share in its main product groups. Traders' efforts to change the terms applicable to relations with producers to their advantage increased significantly.

By contrast, the professional business developed in a very satisfactory manner. Particularly high growth was attained in the Mediterranean region above all, but also in the young markets of South America.

With respect to agricultural crops, progress could be made in advancing the market penetration of ENTEC®, our nitrogen-stabilised speciality fertilizer, thanks to the successful completion of the assortment. Although an increasing number of imitation products are appearing on the market, they have not been able to establish themselves so far.

Following the lengthy dry spell experienced in 2003, conditions for growing fruit and vegetables were better in 2004, triggering stronger demand for speciality fertilizers. The launch of the new line ENTEC® SOLUB for fertigation purposes resulted in an increase in market share.

While stagnation or a slight decline can be noted in the case of public green areas as a result of budgetary constraints, we manage to achieve some growth in the fertilizing of golf courses related to area factors. Total consumption is experiencing a moderate increase as a result.

The price of ammonia, an important raw material for the production of fertilizers, remained on an extremely high level over the course of the whole year and was significantly more expensive than in 2003. This prompted COMPO to raise prices for its speciality fertilizers in the spring already. However, the additional costs incurred as a result of the rise in the price of ammonia could not be fully passed on to customers.



On 20 February 2004, the COMPO business segment acquired Humuswerke Gnarrenburg Friedrich Meiners AG (which has become Torf- und Humuswerk Gnarrenburg GmbH in the meantime). As a result of the acquisition, COMPO is strengthening the supply base for its potting soil business and is simultaneously enhancing its position as the European market leader. Torf- und Humuswerk Gnarrenburg GmbH posted revenues of about € 8 million for 2004, employed 101 people, and possesses extensive deposits of raw materials for high-quality potting soil at Gnarrenburg, north of Bremen. In addition, the good location of this site in terms of transport links offers important logistical advantages for serving the Central European COMPO markets.

fertiva

The fertiva business segment places K+S among Europe's leading suppliers of nitrogen fertilizers. Norway's Yara, the global market leader, is the number one in Europe. fertiva's positions are strongest in Germany, the Benelux states and France. In the case of ammonium sulphate, fertiva is the global leader.

Financial year 2004 was shaped by a further increase in the price of ammonia in relation to 2003. The rise in its price also resulted in significant price increases for nitrogen fertilizers, triggering a form of purchasing hysteria on the part of customers for a time. However, producers were not in a position to satisfy all enquiries; this caused prices for nitrogen fertilizers to reach a high level by the end of the year.

The previous year's successful flotations of the nitrogen fertilizer segments of Norsk Hydro, Norway, and Kemira, Finland, essentially had a positive impact on the market situation in Europe. We assume that the new, independent companies Yara and Kemira GrowHow will help make the nitrogen fertilizer sector more yield-oriented.

Salt

The acquisition of the remaining 38-percent stake from Solvay S.A. in 2004 was a strategically important step aimed to strengthening K+S salt activities in Western Europe.

The Western European salt market was in robust shape. With the exception of de-icing salt, fluctuations in consumption in the individual segments were relatively slight. Imports from Eastern Europe reduced sales opportunities in some sub-segments. The prospects for increasing consumption in Western Europe are somewhat limited, given the market saturation reached. Success in the attractive de-icing salt business mainly depends on weather conditions in winter as well as the ability to deliver high volumes, especially at short notice.

Despite a difficult market environment, esco succeeded in defending its position of market leadership in Europe. The competitive situation in 2004 was mainly shaped by further consolidation within the sector.

Südsalz, a subsidiary of Südwestsalz AG, Germany, and Vereinigte Schweizerische Rheinsalinen, Switzerland, acquired minority cross holdings in the middle of 2004. The new cross holdings should enhance the position of both companies in Southern Germany and Switzerland.

The shareholder structure of the Salins Group, France, changed last year: Most of the shares are now held by financial investors. The headquarters have been moved to Brussels. In addition, the Salins Group is currently holding negotiations on the acquisition of an evaporated salt producer in Northern Spain.

Akzo's additional 400,000-ton capacity (2.5 millions tons in total) at its Hengelo site will become operational at the beginning of 2005. Most of the free capacity is to be used for its own chlorine production and with the remainder sold on the free market, which could increase competitive pressure in the Benelux countries and neighbouring regions.

Complementary business sectors

Waste Management and Recycling

Moderate economic growth and increased efforts on the part of companies to reduce industrial waste have caused waste volumes in Germany to stagnate or decline slightly. By contrast, providers of waste management services continue to have overcapacity. This applies to underground waste re-utilisation and disposal as well as hazardous waste deposits located above ground.



However, there are signs of a trend towards higher volume in the case of flue gas cleaning residues. This has been prompted by a change in the relevant legal framework that means it will no longer be possible for residential waste to be stored at surface sites without being treated beforehand. Processing at incineration plants results in flue gas cleaning residues. At present, transitional arrangements in force are limited to May 2005. Some new waste incineration plants became operational last year and a further ten are either already under construction or at the planning stage. We hold significant shares of this important market segment in Germany and in Europe.

The Waste Management and Recycling business segment is the market leader in underground waste disposal. Last year, these operations profited from the acquiring of a number of special projects involving the removal of pre-existing environmental contamination. In the case of the aluminium recycling business, the Waste Management and Recycling business segment holds an attractive market share in Germany.

Services and Trading

Given the high proportion of intra-group services as well as the diverse character of the individual sectors within the business segment, it has been decided not to present the business segment in a combined fashion. You will find an overview of the individual areas of activity on page 25.

Business Development 2004

Corporate structure

The operational business segments of the K+S Group have a separate corporate law identity. Holding and support functions for group companies are concentrated within K+S Aktiengesellschaft.

Our business is managed and coordinated according to the principle of strategic direction being set centrally, with business-specific responsibility distributed in a decentralized manner according to business segment. Direction is provided by the Board of Executive Directors and the heads of business segments. Group interests always take precedence over the interests of individual business segments.

Change in scope of consolidation

As of 1 January 2004, five companies are no longer consolidated on the grounds of immateriality. Following its acquisition in the first quarter of 2004, Torf- und Humuswerk Gnarrenburg GmbH is now consolidated. The esco holding is fully consolidated with retroactive effect from 1 January 2004; consolidation was prorated at 62% for the preceding year. The French companies from the acquisition of the SCPA operations at the end of 2004 will not be consolidated until 2005.

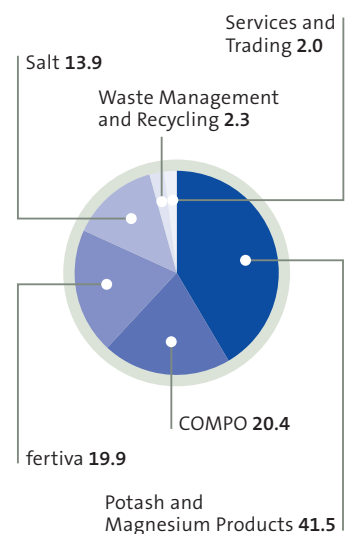
At just under € 2.6 billion, revenues rise significantly year-on-year

We posted revenues of € 2,581.5 million for financial year 2004, up 12.8% year-on-year.

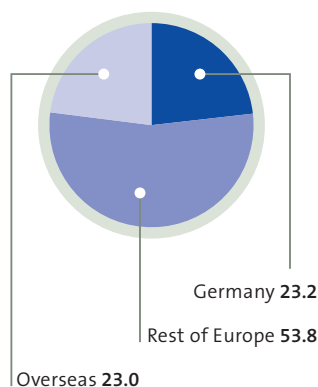
Revenues by business segment		2004	2003	%
Potash and Magnesium Products	€ million	1,073.4	1,004.7	+ 6.8
COMPO	€ million	526.0	490.4	+ 7.3
fertiva	€ million	513.6	474.1	+ 8.3
Salt*	€ million	357.8	206.2	+ 73.5
Waste Management and Recycling	€ million	59.2	54.6	+ 8.4
Services and Trading	€ million	51.5	56.4	- 8.7
Reconciliation	€ million	–	1.4	–
K+S Group	€ million	2,581.5	2,287.8	+ 12.8

* 2004: 100% of esco; 2003: 62% of esco

Revenues by segment
(in %)



Revenues by region
(in %)

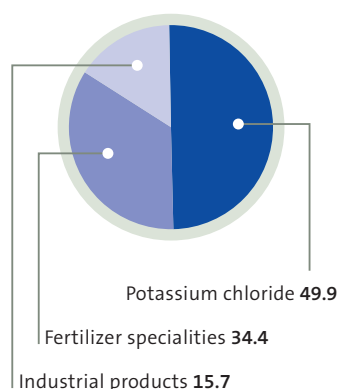


Variance analysis		2004
Revenues	€ million	2,581.5
Change in revenues	€ million	+ 293.7
- resulting from volume/structural factors	€ million	+ 69.7
- resulting from prices	€ million	+ 144.5
- resulting from exchange rates	€ million	- 52.7
- resulting from consolidation	€ million	+ 132.2

The strong rise in revenues was mainly attributable to price increases as well as the inclusion of esco in its entirety. Higher sales also helped to more than offset currency-related revenue decreases.

The Potash and Magnesium Products business segment had the highest revenues of all the K+S Group's business segments, accounting for 42 % of total revenues, followed by COMPO, fertiva and Salt. In Europe, we achieved revenues of € 1,988.3 million. This region accounted for approximately 77 % of total revenues. Being a purely European producer thus far, Europe is particularly important for us, because here we can leverage our advantages in terms of transport costs. Revenues generated on overseas markets rose by 17 % to a total of € 593.2 million, which means that the share of revenues accounted for by them rose by just under one percentage point in relation to 2003.

Revenues by product group
(in %)

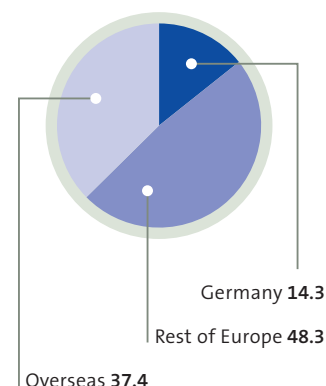


Potash and Magnesium Products

Variance analysis		2004
Revenues	€ million	1,073.4
Change in revenues	€ million	+ 68.7
- resulting from volume/structural factors	€ million	+ 39.6
- resulting from prices	€ million	+ 71.4
- resulting from exchange rates	€ million	- 40.7
- resulting from consolidation	€ million	- 1.6

The Potash and Magnesium Products business segment posted revenues of € 1,073.4 million for financial year 2004, which represents an increase of about 7 % on 2003. The comparatively large increase in overseas prices more than made up for the decline in revenues attributable to exchange rate factors. Sales reached 7.9 million tons – an increase of about 2 %. The significant price increases on the global potash market initially impacted on our overseas revenues from the second half of 2004 onwards only and then, with a time lag, on our European revenues, too. Given this favourable market environment, we also adjusted the prices of our fertilizer specialties upwards. In the case of industrial potash, the effect will not be felt until the first quarter of 2005.

Revenues by region
(in %)



Most revenues are generated within the euro zone and are therefore largely unaffected by any direct foreign exchange risk. As far as revenues invoiced for the US dollar zone are concerned, we hedge ourselves against currency risks to the maximum possible extent. The foreign exchange transactions that we concluded enabled us to obtain an average US dollar exchange rate of USD 1.12/€ for 2004. Although this hedged exchange rate was less favourable than last year (2003: USD 0.98/€), it was significantly more advantageous than the average US dollar spot rate of USD 1.25/€ for 2004. We have hedged our revenues for subsequent years at advantageous hedging rates (including premium expenses). These hedging transactions are only effective within defined ranges but we can, if need be, adjust them by paying additional premiums.

Potassium chloride up significantly year-on-year due to price and volume factors

During the year under review, potassium chloride revenues rose, increasing by € 52.1 million, or about 11 %, to reach € 535.3 million. Significant price increases on overseas markets as well as moderate volume increases more than made up for currency-related decreases. In Europe, revenues rose by 8 %, while we increased overseas revenues by 15 %. The high worldwide increases in US dollar prices for the standard fertilizer potassium chloride are attributable to much higher sea freight rates as well as temporary bottlenecks in supply.

Further increase in fertilizer specialties

At € 369.6 million, revenues for our fertilizer specialties increased by about 4 % year-on-year, with potassium sulphate granulate showing a particularly strong rise. Increases in both price and volume more than made up for the decreases resulting from the weaker US dollar. Somewhat lower revenues in Europe

could be made up for by significant gains overseas. There was particularly strong demand for potassium sulphate and Kieserite in these regions. Kieserite particularly profited from the high demand for palm and soya oil.

Industrial products – an economic early indicator

Sales of industrial products were 1 % up year-on-year and totalled € 168.5 million. While there was a tangible increase in the industrial potash business, sales of magnesium compounds were more or less constant following the preceding very good year. In the case of industrial potash, we have already achieved price increases in Europe, that will take effect from the first quarter of 2005. Overseas, we were able to significantly increase sales and revenues as a result of the acquisition of new electrolysis customers. Despite higher volumes and price increases, we only achieved the same level of revenues in the case of magnesium compounds, because of the US dollar's weakness.

COMPO

Variance analysis		2004
Revenues	€ million	526.0
Change in revenues	€ million	+ 35.6
- resulting from volume/structural factors	€ million	+ 23.1
- resulting from prices	€ million	+ 9.3
- resulting from exchange rates	€ million	+ 0.2
- resulting from consolidation	€ million	+ 3.0

Financial year 2004 saw revenues rise 7 % year-on-year to total € 526.0 million. The increase was achieved solely in the professional business, as bad weather and consumer restraint weighed on the consumer business. COMPO generates about 92 % of its revenues in Europe, so that changes to exchange rates only have a limited impact.

Consumer segment experiences slight decline

In the consumer segment, revenues for the year under review decreased by 3 % to reach € 196.0 million. Despite moderate price increases, declining volume produced the drop in revenues. The cold, wet weather during the peak season as well as the consumer restraint that prevailed in Germany in particular last year exacted a price. Nevertheless, COMPO was successful in gaining market share in its main product groups, despite the difficult situation for the sector.

Professional segment sees strong growth

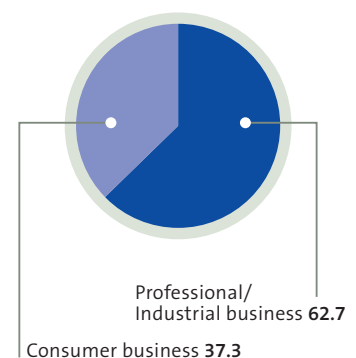
In the professional segment, we achieved revenues of € 330.0 million in 2004. Last year's good figure was thus exceeded by 14 %. This was because higher sales were achieved in addition to price increases. A key contribution in this regard was made by our innovative ENTEC® fertilizers, which are establishing an increasingly stronger market presence, because of their particularly advantageous properties for both users and plants. Revenue growth was achieved both in Europe and overseas, with European countries posting the strongest growth.

fertiva

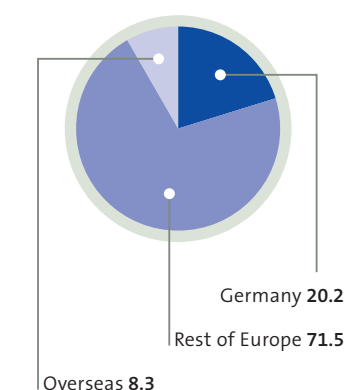
Variance analysis		2004
Revenues	€ million	513.6
Change in revenues	€ million	+ 39.5
- resulting from volume/structural factors	€ million	- 16.5
- resulting from prices	€ million	+ 68.2
- resulting from exchange rates	€ million	- 12.2
- resulting from consolidation	€ million	-

fertiva business segment revenues for 2004 were up by 8 % to total € 513.6 million. In the case of all product groups, including ammonium sulphate in particular, we were able to implement price increases that were in part significant. Those more than made up for lower volume as well as currency-related revenue decreases compared with 2003. While revenues in Germany fell slightly, they rose sharply in the rest of Europe as well as overseas.

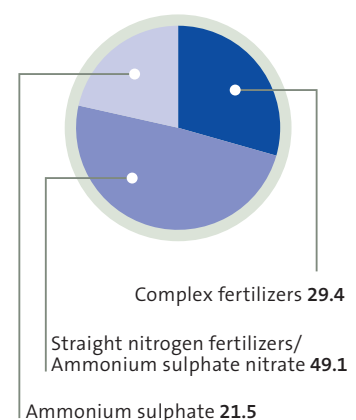
Revenues by segment
(in %)



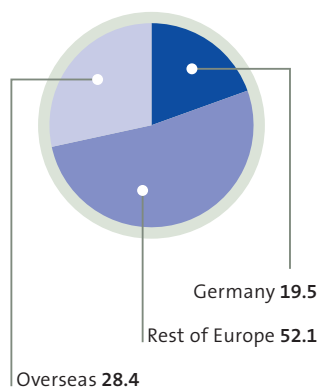
Revenues by region
(in %)



Revenues by product group
(in %)



Revenues by region
(in %)



Revenues for complex fertilizers down slightly year-on-year

Revenues for complex fertilizers amounted to € 151.1 million during the year under review and were thus about 3 % down year-on-year. Decreases in volume, especially in our Asian business, were compensated for by price increases. Some overseas regions became less interesting for fertiva in 2004 as a result of higher freight cost rates as well as the weak US dollar. Over the past few months, however, earnings in Asia improved as a result of the changeover to container deliveries, which entail lower freight costs, and of significant price increases.

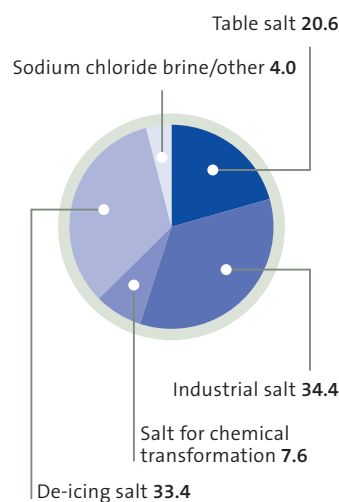
Sales of straight nitrogen fertilizers rise moderately

During the year under review, revenue increases attributable to price factors more than made up for slight decreases in volume. The segment achieved an increase of 3 % to total € 251.9 million. While revenues in Europe declined because of volume factors in the form of available high trade inventories, we were able to boost overseas revenues. There, interest increased in calcium ammonium nitrate because of the debate over ammonium nitrate and high urea prices. We were therefore able to sell significantly higher quantities of this classic straight fertilizer than in preceding years.

Price factors trigger increase for ammonium sulphate

Ammonium sulphate revenues in 2004 rose by 48 % to € 110.6 million, with significant price increases resulting in this strong rise. In addition, intensified sales on European markets reduced the effect of the US dollar's weakness on our revenues.

Revenues by product group
(in %)



Salt (100% esco)

Variance analysis		2004
Revenues	€ million	357.8
Change in revenues	€ million	+ 151.6
- resulting from volume/structural factors	€ million	+ 20.2
- resulting from prices	€ million	- 4.6
- resulting from exchange rates	€ million	-
- resulting from consolidation	€ million	+ 136.0

In the Salt business segment, revenues in 2004 reached € 357.8 million and were thus 74 % up on the previous year's level. While 62 % of esco were consolidated in 2003, 100 % of it were consolidated in 2004 following the acquisition of the remaining 38-percent stake in esco from Solvay S.A. Most of the growth in revenues can be explained in terms of this consolidation effect; without this effect, revenues would have increased by 8 %. This increase primarily stemmed from more de-icing salt business. Price levels in 2004 saw a slight decline. Germany accounts for 40 % of revenues.

Price factors prompt growth in table salts

During the year under review, table salt revenues rose by about 68 % to € 73.7 million. This is a business that to a large extent is not dependent on economic conditions. Without the consolidation effect, revenue growth would have amounted to 4 % and is attributable to regional price increases as well as market share gains in France.

Industrial salt revenues up year-on-year due to volume factors

Revenues for industrial salts, e. g. fishery, animal feed and high-purity pharmaceutical salts, amounted to € 123.0 million for the financial year that has just ended, growing by 67 % as a result. After adjustment for the inclusion of esco in its entirety, revenues rose by 3 % as a result of volume factors: It was possible to increase our sales in the rest of Europe in particular.

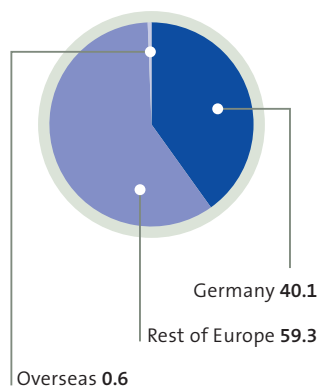
Price increases in salt for chemical transformation

Business involving salts for chemical transformation, without the effect of consolidation, was slightly positive during the year under review. We achieved revenues of € 27.2 million, up 64 % on 2003: After adjusting the figure for the acquisition, we brought about an improvement of 1 % for the segment. It was possible to increase prices moderately, especially in the rest of Europe.

De-icing salt up again on previous year's very good level

The winter weather conditions both at the beginning and end of 2004 ensured an exceptionally good de-icing salt business. We posted revenues of € 119.5 million for the year under review. This was about 87 % up on 2003; the increase would have amounted to 16 % without the effects of consolidation.

Revenues by region
(in %)



Waste Management and Recycling

Variance analysis		2004
Revenues	€ million	59.2
Change in revenues	€ million	+ 4.6
- resulting from volume/structural factors	€ million	+ 4.9
- resulting from prices	€ million	+ 0.8
- resulting from exchange rates	€ million	-
- resulting from consolidation	€ million	- 1.1

Revenues for the Waste Management and Recycling business segment rose by 8% year-on-year to total € 59.2 million. This was mainly due to an increase in volumes of waste for underground disposal. After several years of declining prices, price levels remained stable overall. Although first orders were received from France for the processing of flue gas cleaning residues, foreign business declined slightly overall.

Underground waste disposal profits from major domestic projects

In the underground disposal segment, we posted revenues of € 18.1 million for financial year 2004 – an increase of 21% on 2003. While prices almost remained unchanged, the volume for special projects involving the clean-up of pre-existing environmental contamination increased.

Price levels for underground re-utilisation stable

In the case of underground re-utilisation, we posted revenues of € 22.3 million for financial year 2004 – 13% more than in the previous year. This was mainly due to good volume business with new customers. After declining for several years, prices stabilised.

Good utilisation levels for recycling plants

Recycling posted revenues of € 18.8 million for financial year 2004, which represents a decrease of about 6% on 2003. In fact, our REKAL plant was fully utilised, but a lower aluminium content of processed salt slag resulted in lower sales volume for the aluminium granulate obtained. The building materials recycling segment saw a tangible decrease in revenues attributable to lower volume resulting from construction sector weakness.

Services and Trading

Variance analysis		2004
Revenues	€ million	51.5
Change in revenues	€ million	- 4.9
- resulting from volume/structural factors	€ million	- 1.4
- resulting from prices	€ million	- 0.6
- resulting from exchange rates	€ million	-
- resulting from consolidation	€ million	- 2.9

In the year under review, the Services and Trading business segment posted revenues of € 51.5 million, down 9% on the previous year. The revenues only reflect services rendered to third parties; Internal revenues deriving from services provided to K+S Group companies are not included. The decrease in revenues to third parties is attributable to a lower volume of grain handling as well as the non-existence of IT integration services for esco. In the consolidated financial statements for 2003, the latter had still in part been reported as revenues to third parties.

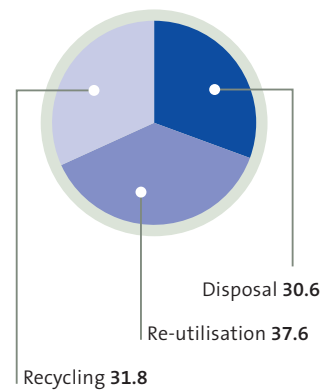
Logistics services to external parties somewhat lower

During the year under review, consolidated revenues for logistics services declined by 11% to € 14.8 million. The decrease was primarily the result of a lower volume of grain handling for third parties. By contrast, the services rendered to the K+S Group and thus not included in the consolidated revenues increased.

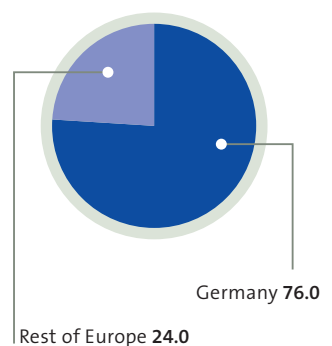
CATSAN® granulation up on last year due to volume factors

In 2004, revenues from the granulation of the animal hygiene product CATSAN® amounted to € 23.4 million, up about 2%. The key factor in this regard was the increased volume requested by our partner Masterfoods.

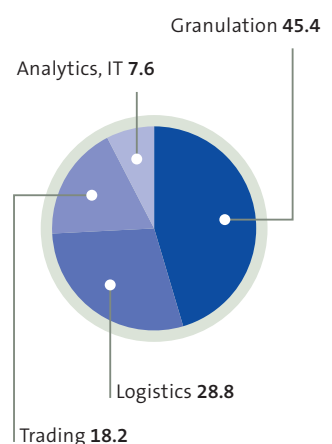
Revenues by segment
(in %)



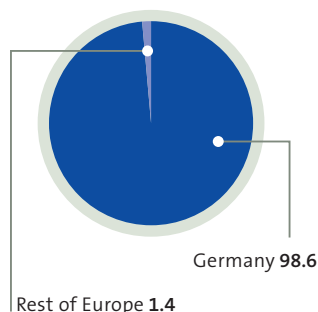
Revenues by region
(in %)



Revenues by segment
(in %)



Revenues by region (in %)



Trading business slightly down

At € 9.4 million, revenues for our trading business in 2004 were about 8 % below the previous year's level. This decline is primarily the result of volume factors and applies mainly to the products calcium chloride and caustic soda.

Third-party IT lower

Total revenues for this segment amounted to € 3.9 million. At € 0.7 million, revenues with third-party customers generated by our IT subsidiary data process GmbH were down significantly year-on-year: Last year, they included the integration services attributable to the unconsolidated 38-percent stake held by Solvay S.A. in esco. Revenues for consulting and analytical services amounted to € 2.3 million and were thus up somewhat year-on-year. Our subsidiary biodata ANALYTIK was able to post a slight increase due to volume factors in the field of foodstuff analysis.

EBIT up 44 % year-on-year

At € 167.1 million, earnings before interest and taxes (EBIT) was up € 51.4 million, or about 44 %, on last year's figure (€ 115.7 million). Despite the weak US dollar, the biggest increase was achieved by the Potash and Magnesium Products business segment. In addition to the good course of business, the successes produced by our efficiency-enhancement programmes also had an impact in this regard. With the exception of the COMPO business segment, which particularly suffered from high ammonia costs during the year under review, all the business segments posted strong earnings increases. The Salt business segment profited in particular from the acquisition of the 38-percent esco stake.

The EBIT margin for 2004 reached 6.5%, representing an improvement of 1.4 percentage points on the previous year.

EBIT by business segment		2004	2003	%
Potash and Magnesium Products	€ million	59.5	31.6	+ 88.3
COMPO	€ million	21.7	25.4	- 14.6
fertiva	€ million	10.3	6.6	+ 56.1
Salt	€ million	52.4	27.2	+ 92.6
Waste Management and Recycling	€ million	8.1	4.2	+ 92.9
Services and Trading	€ million	21.6	17.0	+ 27.1
Reconciliation*	€ million	- 6.5	3.7	—
K+S Group	€ million	167.1	115.7	+ 44.4

* Figures for business segments are shown before consolidation. Expenses and income that cannot be allocated to business segments are recorded separately. Both effects are shown under "Reconciliation" and result in the group figures.

Potash and Magnesium Products

EBIT for the Potash and Magnesium Products business segment rose by € 27.9 million or 88% to € 59.5 million. This increase was attributable to the very good trend in demand, significantly higher prices, especially overseas, as well as successes stemming from our efficiency-enhancement programmes. Additional costs in the form of significantly higher overseas freight rates and revenue decreases resulting from the weaker US dollar could be more than made up for. The hedging measures we took helped to attain a significantly better exchange rate than the average spot rate for 2004.

Finally, along with capital expenditure, further inputs related to the development of our new, rich potash deposit (Sylvinite Project) amounting to € 5.2 million were required in 2004. The project was completed according to schedule on 1 October 2004 and production launched smoothly.

COMPO

At € 21.7 million, earnings for the COMPO business segment were about 15% down on the previous year's level. Despite the successful implementation of significant price increases as well as various internal measures, it was not possible to offset higher costs in full. There were essentially three key factors in this regard: High oil and gas prices on global markets caused the price of ammonia, an important raw material for the production of nitrogen fertilizers, to rise sharply; this resulted in significantly higher acquisition costs for the professional business. In addition, the damp, cold weather as well as considerable consumer restraint in Germany had a depressing effect on the consumer business.

fertiva

The fertiva business segment posted EBIT of € 10.3 million – an increase of € 3.7 million. The increase is attributable to a modified earnings arrangement with BASF: In 2004, we also adjusted the determination of fertiva earnings jointly with BASF under a partnership agreement. In practical terms, earnings within a range of plus/minus € 10.0 million will be divided equally between BASF and K+S, as has been the case before. As of 1 January 2004, we will receive at least an additional 25 % of fertiva profits in excess of € 10.0 million.

Salt (100 % esco)

Salt business segment EBIT reached € 52.4 million (2003: € 27.2 million) and was up € 25.2 million, or 93%, on the previous year's level. The increase is essentially attributable to the acquisition of the remaining 38-percent stake held in esco by Solvay S.A. After adjustment for this consolidation effect, the increase in earnings amounted to € 5.3 million. This healthy increase was mainly due to the stronger de-icing salt business, further synergies and the non-existence of the IT integration costs that had still been incurred in 2003.



Waste Management and Recycling

The Waste Management and Recycling business segment's EBIT amounted to € 8.1 million for 2004 – up € 3.9 million on the previous year. The reasons for this significant increase were an increase in volume in the case of waste for underground disposal as well as waste re-utilisation. The good trend in prices for the recycling of aluminium salt slag also had a positive impact on earnings and could offset the weaker performance of construction materials recycling which was due to economic factors. In addition, costs could be kept constant despite higher volume.

Services and Trading

Services and Trading business segment EBIT for 2004 showed an increase of € 4.6 million, or 27%, on the previous year and totalled € 21.6 million. Higher container handling volume in the logistics area, additional demand for CATSAN® granulation as well as slightly higher earnings in the case of the IT business and of biodata ANALYTIK more than offset a decline in trading business earnings.

Reconciliation

Expenses and income that cannot be allocated to business segments are recorded separately and disclosed under "Reconciliation". This item amounted to € -6.5 million for 2004, whereas the corresponding figure for the previous year was a positive € 3.7 million as a result of high write-ups as well as sales of securities. In 2004, lower income from such sales and write-ups as well as significantly higher provisions for the anticipated exercise of stock options under the virtual stock option programme by the Board of Executive Directors and senior management resulted in a negative balance on reconciliation.

EBITDA up 26 %

EBITDA by business segment		2004	2003	%
Potash and Magnesium Products	€ million	134.3	104.1	+ 29.0
COMPO	€ million	33.4	35.9	- 7.0
fertiva	€ million	10.7	6.9	+ 55.1
Salt	€ million	71.2	38.5	+ 84.9
Waste Management and Recycling	€ million	11.3	8.4	+ 34.5
Services and Trading	€ million	27.6	23.9	+ 15.5
Reconciliation*	€ million	- 6.3	6.0	–
K+S Group	€ million	282.2	223.7	+ 26.2

* Figures for business segments are shown before consolidation. Expenses and income that cannot be allocated to business segments are recorded separately. Both effects are shown under "Reconciliation" and result in the group figures.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year under review amounted to € 282.2 million and were therefore up € 58.5 million, or 26%, year-on-year. This trend reflected the positive development in business operations. At 10.9%, the EBITDA margin improved by 1.1 percentage points year-on-year.

Financial result unchanged

As the interest rates obtainable on the capital markets continued to remain low, this generated interest income that was insufficient to compensate for non-cash interest expenses of € 9.9 million relating to pension provisions (2003: € 9.7 million). In addition, net interest result was affected by an interest expense of € 1.4 million connected with the acquisition of the 38-percent stake in esco. This produced a negative net interest result of € 5.7 million, compared with € -3.9 million a year ago. As a result of significantly better income from investments of € 1.9 million, the financial result attained previous year's level at € -4.0 million.

Net income rises by just under 40 %

		2004	2003	2002	2001	2000
Net income	€ million	140.5	101.3	103.8	118.3	119.8
Earnings per share	€	3.31	2.42	2.43	2.73	2.72
DVFA earnings per share	€	2.16	1.53	1.62	1.62	1.98



Earnings before income taxes amounted to € 163.1 million and were thus 46% up on the previous year's level. In addition to the minimum tax introduced in 2004, the increase in the trade income tax at esco resulting from the acquisition of the 38-percent 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.

Earnings per share, on the basis of net income, amounted to € 3.31, up 89 euro cents, or 37%, year-on-year. This figure has been arrived at on the basis of an average 42.5 million no-par value shares (2003: 41.8 million shares).

DVFA earnings increased by 44 %

DVFA earnings amounted to € 92.0 million, which represents an increase of € 27.9 million, or 44%. Downward adjustments totalling € 48.5 million were necessary in order to compute DVFA earnings, a figure € 11.3 million up on the previous year. These adjustments included € 38.2 million in imputed taxes alone in order to facilitate comparison with companies that do not have any tax loss carryforwards.

DVFA earnings per share rose by 41% to € 2.16.

Computation of DVFA earnings		2004	2003
Net income	€ million	140.5	101.3
Adjustments for imputed taxes	€ million	- 38.2	- 29.1
Goodwill amortization	€ million	- 14.3	- 11.2
Other adjustments	€ million	4.0	3.1
DVFA earnings	€ million	92.0	64.1
DVFA earnings per share	€	2.16	1.53
Earnings after taxes per share	€	3.31	2.42

Sound asset and capital structure

K+S Group total assets rose by 7.9% to € 1,892.8 million as of 31 December 2004. Most of this increase resulted from the acquisition of the 38-percent stake in esco.

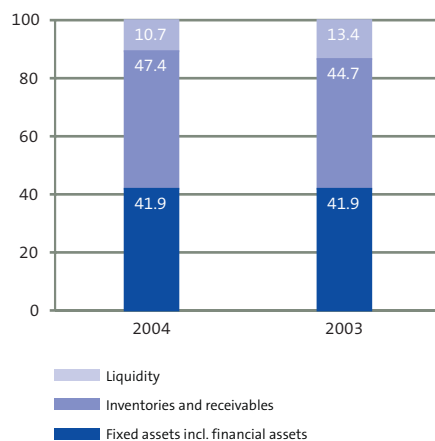
With the exception of liquidity, there was hardly any change in the structure of assets. At 41.9%, the share of total assets accounted for by fixed assets was exactly the same as a year ago. Liquid assets fell by € 31.8 million to € 203.0 million, thus accounting for 10.7% of total assets (2003: 13.4%).

There was also no significant change in the structure of equity and liabilities in relation to the previous year. At 32.5% of the balance sheet total, the equity ratio – including the balance on capital consolidation – was almost unchanged (2003: 33.3%). The share of total assets and liabilities accounted for by long-term provisions as well as liabilities, 34.9% and 23.5% respectively, also largely remained stable, while short-term provisions rose from 7.8% to 9.1%.

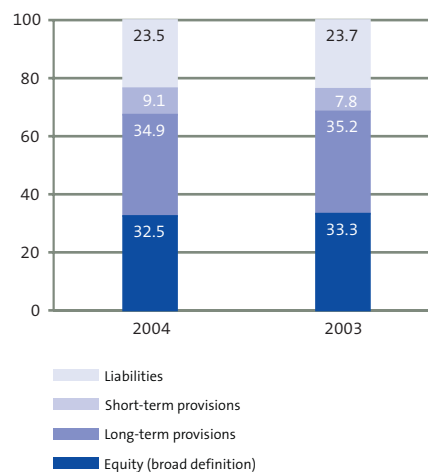
Thus, K+S Group financing is largely based on equity and provisions, of which just under 80% can be classified as long-term in character. Thus, the coverage of fixed assets by long-term capital, for example, is a relatively high 161%. In addition, the K+S Group balance sheet is almost free of debt: If liquid assets are offset against the bank loans and overdrafts of € 57.8 million, we possessed net cash and cash equivalents totalling € 152.7 million as of 31 December 2004.

Our earnings capacity and healthy financial structure – especially the good liquidity position – place us in the position of being able to approach even external growth targets from a solid financial basis.

Assets (in %)



Equity and liabilities (in %)



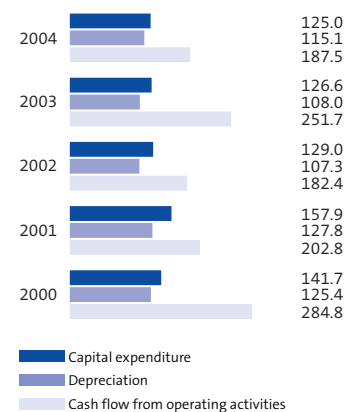
Investment to secure and develop our business

Capital expenditure by business segment		2004	2003	%
Potash and Magnesium Products	€ million	76.3	81.6	- 6.5
COMPO	€ million	13.4	16.8	- 20.2
fertiva	€ million	1.0	0.0	–
Salt	€ million	24.6	18.7	+ 31.6
Waste Management and Recycling	€ million	1.0	1.5	- 33.3
Services and Trading	€ million	7.8	7.2	+ 8.3
Other	€ million	0.9	0.8	–
K+S Group	€ million	125.0	126.6	- 1.3

In 2004, we invested a total of € 125.0 million in tangible fixed and intangible assets, about 1% less than in the previous year. This figure once again includes larger-scale growth projects, such as the development of the new potash deposit (Sylvinit Project) and the expansion of a brine field in the Salt business segment.

The annual volume of capital expenditure is in line with our medium-term planning. We take care that capital expenditure on replacement projects is lower than depreciation. Despite capital expenditure on various expansion and rationalisation projects over the past few years, total capital expenditure has only slightly exceeded depreciation. Available liquidity and our strong cash flow from operating activities provide us with a high degree of flexibility for investing in attractive expansion and rationalisation projects.

Capital expenditure 2000 – 2004 (€ million)



Potash and Magnesium Products

As planned, capital expenditure during 2004 amounted to € 76.3 million and was about 7% down year-on-year. This means that in this field we are achieving our goal of constantly reducing outlays connected with replacement as a result of having modernized our facilities extensively in preceding years.

At € 8.8 million, the Sylvinite project was the single-largest investment undertaking in the Potash and Magnesium Products business segment in financial year 2004. Total investment connected with this project, which was completed at the end of 2004, thus amounts to about € 23 million – slightly less than was budgeted. As of January 2005, 1.5 million tons of sylvinite annually will be transported from the Unterbreizbach site using underground conveyor systems to factories at the Wintershall and Hattorf sites for processing there. In 2004, we concentrated on the installation of conveyor systems.

Further major projects in the year under review entailed the expansion of granulation capacity for potash fertilizers at two sites.

COMPO

COMPO business segment's capital expenditure in 2004 amounted to € 13.4 million (2003: € 16.8 million) and was focussed on the establishment of a new logistics platform in Spain. At the present time, the various filling facilities are gradually being made operational. The project will serve to increase our level of service in the Mediterranean region and cut logistics costs.

fertiva

In 2004, we invested € 1.0 million in our fertiva business segment, which concentrates on the marketing and selling of nitrogenous fertilizers to agriculture. Various minor process improvements were formulated along with suppliers which should yield savings in terms of the processing cost of those fertilizers bought by us.

Salt (100% esco)

Salt business capital expenditure in 2004 increased by 32% compared with the previous year to total € 24.6 million. The increase is essentially attributable to the acquisition of the remaining 38-percent stake in esco. After adjustment for this effect, expenditure would have fallen by just under 20%.

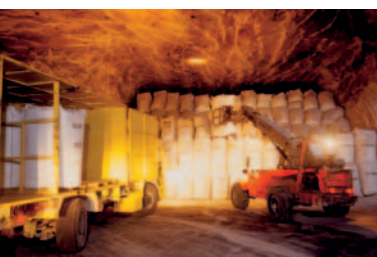
The focus was on the continuation of development work related to the new brine field at the Harlingen site in the Netherlands. It was possible to complete the project successfully at the end of last year. Two drilling operations, one of which changed direction several times, were carried out at a depth of up to 3,000 meters. With this drilling method, we have entered new technical territory in the field of salt extraction. The total volume of capital expenditure relating to the project amounted to a good € 30 million, of which about € 10.5 million was attributable to 2004.

Waste Management and Recycling

Capital expenditure in the Waste Management and Recycling business segment during 2004 came to about € 1.0 million and was thus € 0.5 million down on 2003. In addition to various smaller-scale replacement projects the emphasis was on process optimisation and the expansion of capacity at the underground re-utilisation facility at Hattorf.

Services and Trading

The bulk of the capital expenditure totalling € 7.8 million (up 8%) in the Services and Trading business segment was related to our IT subsidiary data process GmbH. The changeover from the leasing to the purchase of data processing centre hardware resulted in a slight increase in business segment capital expenditure.



Gross cash flow up significantly year-on-year

Cash flow statement summary		2004	2003
Net income	€ million	140.5	101.3
Gross cash flow	€ million	268.9	209.1
Cash flow provided by operating activities	€ million	196.6	249.1
Cash flow used in investing activities	€ million	- 217.1	-124.3
Free cash flow	€ million	- 20.5	124.8
Cash flow used in financing activities	€ million	- 42.5	- 84.8
Change in cash and cash equivalents	€ million	- 60.1	44.9

Gross cash flow developed satisfactorily, reflecting the good trend in business operations and rising by € 59.8 million, or 29%. By contrast, cash flow from operating activities fell by € 52.5 million, down 21% year-on-year. This resulted from a significant increase in the tying up of working capital. In addition to a decline in liabilities, this effect is attributable to a stronger increase in receivables at the balance sheet date. Significant price increases in the overseas business had an impact in this regard.

After taking into account significantly higher outlays of € 217.1 million related to investment and acquisition activities as a result of the acquisition of the 38-percent stake in esco (€ 124.3 million in 2003), we achieved free cash flow of € -20.5 million – a figure down € 145.3 million on the corresponding amount for the preceding year. Cash flow used in financing activities during the year under review consisted solely of the dividend payment for 2003 of € 42.5 million.

Consequently, net cash and cash equivalents declined by € 60.1 million to € 152.7 million since the beginning of the year.

Yields improve tangibly

The increased earnings capacity of the K+S Group in 2004 is also clear from the yields achieved: The respective ratios are on an attractive level. The high level of earnings before interest, taxes, depreciation and amortization, was reflected in an EBITDA margin of 10.9%. The EBIT margin of 6.5% also attests to our continued earnings strength. With respect to computing the return on revenues of 5.4% and the earnings-related figures already referred to, it should be noted that the fertiva revenues of € 513.6 million have been included, although they only give rise to limited earnings because of the special contractual arrangements with BASF. At 22.8%, our return on equity after income taxes significantly exceeded the figure for the preceding year (2003: 17.3%). At 9.4%, the return on total investment before income taxes was significantly up on last year's figure of 7.2%.

The return on capital employed (ROCE), which is an important figure for us, was 15.9% in the year under review (previous year: 12.7%) and thus markedly exceeded our cost of capital.

30 euro cent higher dividend proposed

K+S Aktiengesellschaft, as the holding company of the K+S Group, generated net income of € 97.5 million in financial year 2004 (2003: € 69.3 million). The dividend payment of € 42.5 million for 2003 was paid out of the retained profit of € 55.9 million available at the beginning of 2004. After allocations to revenue reserves, the profit retained as of 31 December 2004 amounted to € 55.4 million.

Given the higher result as well as the positive outlook for the business of the K+S Group, we will propose to the Annual General Meeting that a 30 cent higher dividend of € 1.30 be paid for each share and that the remaining € 183 thousand be carried over as profit. Assuming that we will not hold any own shares on the date of the Annual General Meeting, this will yield a dividend payment of € 55.3 million. Thus, 39.4% of the net income of the K+S Group will be distributed.

EBIT margin (in %)



EBITDA margin (in %)



ROCE (in %)



Return on total investment (in %)



Dividend per share (in €)



Condensed version of the annual financial statements of K+S Aktiengesellschaft

Balance Sheet		2004	2003
- Tangible fixed/intangible assets	€ million	18.9	20.0
- Financial assets	€ million	432.8	350.9
Fixed assets	€ million	451.7	370.9
- Inventories and receivables	€ million	325.1	131.8
- Cash and cash equivalents	€ million	117.2	277.5
Current assets	€ million	442.3	409.3
Total assets	€ million	894.0	780.2
Equity	€ million	299.4	244.4
Provisions	€ million	240.5	250.8
Liabilities	€ million	354.1	285.0
Total equity and liabilities	€ million	894.0	780.2
Profit and Loss Account		2004	2003
Revenues	€ million	45.1	53.5
Profit before taxes	€ million	105.8	69.0
Taxes on income	€ million	8.3	- 0.3
Net income	€ million	97.5	69.3

The complete version of the annual financial statements of K+S Aktiengesellschaft, for which the auditors have issued an unqualified opinion, will be published in the Bundesanzeiger (Federal Gazette) and filed with the Commercial Register in Kassel. A copy can be obtained from K+S Aktiengesellschaft.

Further Information

Our employees



Employees according to business segment (in FTE)	2004	2003	%
Potash and Magnesium Products	7,352	7,550	- 2.6
COMPO	1,309	1,183	+ 10.7
fertiva	57	55	+ 3.6
Salt	1,352	841	+ 60.8
Waste Management and Recycling	231	235	- 1.7
Services and Trading	386	383	+ 0.8
Central functions	301	307	–
K+S Group	10,988	10,554	+ 4.1

The number of K+S Group employees includes the core workforce, trainees and temporary employees (without students and interns). As of the year under review, the number of employees will be computed 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%. As a result of the acquisition of all 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 number of employees as of 31 December 2004 would have been approximately 2% lower.

The picture is similar in terms of averages: During the year under review, an average 11,068 people were employed by K+S – up 527, or 5%, on 2003. After adjustment for the aforementioned structural effects, the average size of the workforce over the year would have been down by 105 employees, or just under 1%.

Further details can be found in the K+S sustainability report, which is published separately and examines the area of personnel and social affairs in depth.

Personnel expenses rise

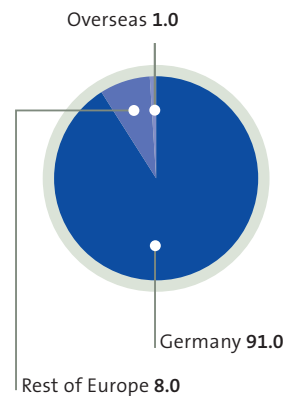
Personnel expenses were redefined in the year under review and now include expenditures connected with semi-retirement and early retirement. Previous years have been adjusted accordingly. Group personnel expenses for 2004 increased by € 43.5 million in relation to the previous year and amounted to € 606.2 million, an increase of 7.7 %. In addition to a consolidation-related higher number of employees as well as an increase in variable remuneration, the increase is also attributable to collective agreements as well as allocations to early retirement arrangements.

During the year under review, we paid a total of € 470.2 million in wages and salaries (+8.0%) as well as € 126.6 million in social security contributions (+7.1%). Expenses relating to company pensions this year rose by 1.2% to reach € 9.4 million. During the year under review, personnel expenses per employee amounted to € 54,771 (2003: € 53,382) and thus rose by 2.6%.

Employment focus is on Germany

More than 90% of our employees, the overwhelming majority, are employed in Germany, and this is primarily linked to the geographical location of the crude salt deposits for the Potash and Magnesium Products and Salt business segments. With the acquisition of the esco stake and the expansion of the COMPO business in Europe, the share of employees in other European countries has increased further to reach 8%.

Employees by region (in %)



Training is taken seriously

Many years of service and the wealth of experience that this produces are one aspect of a successful personnel policy and the training of the next generation of employees is another. This is an area in which we are already systematically laying the groundwork for tomorrow's growth. In 2004, 153 young people began vocational training with us, in 22 professions at 13 K+S Group sites. With 591 trainees as of 31 December 2004, our trainee ratio was on a very high level of 5.4% once again (2003: 5.2%), placing us above the average figure for German industrial companies. The training that we provide, which is geared towards needs and quality, ensures that in the future we will have the necessary availability of employees who will work in our industrial, commercial, chemical and IT areas of activity. We spent about € 7.7 million on training in 2004. More than 80% of the successful trainees were hired, even if only for a limited period initially.

The provision of further training to our employees is becoming increasingly important because of rising and increasingly international requirements as well as technical developments. We regard our activities in the field of providing initial and further training as an investment in our employees and thus in the future of the K+S Group. During the year under review, almost 3,000 employees participated in further training, in which we invested about € 3 million.

Research and Development Report

Apart from the development of new and improved products, the focus of our research and development (R&D) is on the development of modern, sustainable and environmentally-friendly production processes. To this end, new processes are being developed and existing processes steadily optimised with the objective of using resources in the form of energy, personnel and materials efficiently. We use patents to protect our knowledge as much as possible. In addition, we engage in search that is directed at specific objectives and based on the latest developments in science and technology. We promote the marketing of our fertilizers by means of targeted activities in the area of agricultural advice and in this regard make use of our cooperation with research institutes, state advisory agencies as well as the BASF research department at Limburgerhof.

To ensure the effective transfer of knowledge within research and to optimise the leveraging of synergies, all research activities are managed and provided with budgets centrally. With regard to documentation and reporting, the principles of modern knowledge management are applied and research findings are made available by means of a central database.

Research expenditure remains unchanged

Expenditure on R&D activities amounted to € 12.8 million during the year under review. The COMPO business segment accounted for € 3.9 million of this figure and the Potash and Magnesium Products business segment for € 2.8 million. At the end of the year, 53 employees were working in research for the K+S Group.



Our holdings of industrial property rights world-wide comprise 480 patents and are thus about 15 % higher than in 2003; last year, we also successfully increased our holdings of trademark rights by about 25 % to 4,004.

We want to carry on engaging in research and development on this basis in the future as well and thus assume that research expenditure will remain the same.

Selected research projects during the reporting period

Potash and Magnesium Products

In this business segment, research activities were focussed on basic research into the preparation of potash crude salts as well as possibilities for process rationalisation. During the year under review, we expanded the use of spectroscopic processes. The use of this technology facilitates the contact-free and automated determination of minerals in the conveyor flow for the standardisation of crude salt quality and improving yields. Influencing the crystallization of potash and magnesium salts in a methodical manner to improve product quality was a further focus of our research into technical processes. Research into the crystallization of our potash and magnesium salts has shown that processes can be influenced at the level of molecules and atoms in such a way as to change the microscopic and macroscopic properties of our products in a deliberate fashion. This can, for example, result in significant improvements to the free flow and the storage stability of the product.

COMPO

Research activities in the COMPO business segment during 2004 focussed on the development of successful ENTEC® fertilizers (fertilizers containing nitrification inhibitors that increase nitrogen efficiency) as well as coated fertilizers (BASACOTE®, fertilizers that release nutrients slowly). The principle on which they work has been transferred to new applications, such as fertigation (fertilization through irrigation) and tropical agriculture. In addition, new, ecologically efficient coating materials as well as a slow-release fertilizer for use in spraying solutions have been developed. In the field of nitrification inhibitors intensive research is being conducted into new active substances.

Many potash and magnesium products are also suitable for ecological agriculture

Sustainable soil fertility is the cornerstone of sufficient food production worldwide. Maintaining and improving soil fertility involves the supplying, as needed of mineral nutrients, which, in addition to nitrogen, phosphate and potash, include nutrients such as magnesium, sulphur, sodium and trace elements. During the course of practically relevant field tests, some of which last many years, we assess the effects of our products on soil fertility and plant yields from ecological and economic angles.

We are also intensively involved in examining the nutrient situation in ecological farming. In particular, availability of the mineral nutrients potash, magnesium and sulphur is limited in many farms, with the result that it becomes necessary to selectively apply these nutrients as a fertilizer. Many of our potash and magnesium products have been certified for use and have been recommended for ecological farming in Europe.

Environmental Protection

The lasting protection of our environment remains a key guiding principle underlying our actions. This principle is observed at all our domestic and foreign sites through production and use that are as safe as possible and minimize harm to the environment. A key goal for the creation of potential synergies and the simplification of processes is the future integration of various management systems in the field of safety, health, environment and quality. This specifically includes the development of a comprehensive audit system within Germany and abroad. Internal audits are to provide proof that all our companies and sites possess a suitable management system and that actions in this area comply with the law (compliance management).

As an indication of our integration efforts, we have combined the two reports published hitherto, the "Safety, Health, Environment" report as well as the "Personnel and Social Report", into a new "Sustainability Report". This report, which will be published for the first time this year, takes account of the requirements laid down in the internationally recognised guidelines of the "Global Reporting Initiative (GRI)".



Environmental expenditure

Operating expenses relating to environmental protection were slightly higher in 2004 than in 2003, increasing from € 81.1 million to € 82.5 million. Water protection accounted for € 50.8 million, the prevention of air pollution for € 22.2 million, waste management for € 4.1 million and nature preservation for € 2.1 million. In 2004, capital expenditure for environmental protection amounted to € 10.4 million (2003: € 11.3 million). Most of the sum was spent on the protection of waters, as was the case in 2003.

Further information, which also covers the subject of industrial safety, can be obtained from the K+S sustainability report which is published separately.

Sylvinite project reduces resource consumption

Given the high level of efficiency of over 90% attained by our cogeneration plants, further improvements in energy efficiency are scarcely possible and therefore absolute water and energy consumption as well as CO₂ emissions will depend on production volume above all. As a result of the use of rich crude salts obtained from the newly developed deposit in the Potash and Magnesium Products business segment ("Sylvinite Project"), we will be able to achieve a further significant reduction in resource use.

Further substantial savings with regard to our energy and water consumption as well as CO₂ emissions cannot be expected after 2005, because we have exhausted the technical possibilities to the maximum possible extent. This is particularly true of our cogeneration plants.

Procurement

With a procurement volume of just under half a billion euros for technical goods and services, we have increasingly integrated the procurement of strategically sensitive goods into our low-interface online process chain and thus achieved further cost and quality gains within the K+S Group.

In addition to the purchase of technical goods and services, the procurement of energy and raw materials at favourable prices is very important for the success of the K+S Group. K+S Group energy costs amounted to about € 125 million in 2004. Gas is the main energy source. The price of gas is linked to the trend in prices for heavy heating oil, which largely follows the global market price for crude oil with a certain time lag. As we have set price ceilings for most of our gas contracts until 2008, we will only be affected by future gas price increases to a limited extent.

With regard to procurement of raw materials, ammonia, which is an important raw material for the production of nitrogen fertilizers, is of central importance. However, ammonia is mainly sourced indirectly by the COMPO and fertiva business segments, as both business segments have nitrogen fertilizers produced by suppliers. Nevertheless, the ammonia component can be computed on the basis of acquisition costs: Both business segments required about 830,000 tons of ammonia in 2004 (2003: about 800,000 tons NH₃). In addition to the increase in volume, the global market price for this raw material increased significantly last year, with related acquisition costs rising by about € 40 million to total about € 185 million.

Award for K+S purchasing

In the meantime, for the procurement of numerous capital goods and services, online auctions have become a standard approach for us. By using them, we have achieved a significant reduction in acquisition costs. Procurement volume sourced by means of auctions now amounts to about € 120 million per year and has thus already attained a share of about 25% of total procurement volume.

In addition, we have managed to achieve a significant reduction in internal processing costs by means of our e-procurement strategy, i.e. electronic purchasing. The comprehensiveness, quality and efficient implementation of our e-procurement solutions received this year's "Austrian e-Procurement Award", which is bestowed by the Bundesverband Materialwirtschaft, Einkauf und Logistik in Austria, the Österreichische Industriellenvereinigung and the Donau-Universität, Krems.

Social responsibility is practiced and encouraged

In addition to taking account of the economic and ecological aspects of procurement, we also pay due regard to compliance with the third component of sustainable development, namely ethical principles.



We not only analyse the extent to which the products that are being procured are environmentally friendly but also consider the safety standards applied by suppliers in rendering their services. Similarly, it is also important for us that suppliers comply with the basic principles that ought to be self-evident for companies that operate globally. First and foremost, this means the observance of human rights, commitment to sustainability as well as compliance with internationally recognised labour standards in the form of the International Labor Organization (ILO) core norms.

Further details can be found in the K+S sustainability report, which is published separately.

Risk Management Report

This risk report has been prepared in accordance with Accounting Standard No. 5 (DRS 5) of the Deutsches Rechnungslegungs Standards Committee e.V. (DRSC). In it, we only address those risks that could have an appropriate impact on the net assets, the financial position and the results of operations.

Risk management

Our business policy is geared towards the generating of reasonable yields. This not only entails perceiving opportunities but also the taking of risks. Identifying risks in a timely manner, controlling them and thus limiting them constitute an ongoing task for the Board of Executive Directors and all employees. Our systematic approach to risk management aids the discovery and optimisation of opportunities and risk positions and ensures sustained business success.

Our business segments have different risk profiles and to identify these risks in good time as well as to assess and control them, we use a coordinated planning, management and control system that constitutes a safeguarding key basis for our corporate decisions.

The entire risk management system is integrated into the way in which processes and hierarchical structures are currently organised. The company's relating areas of competence and responsibility are set forth in function descriptions. The monitoring system is documented and forms an integral part of our group-wide planning, management and reporting process. The methods used to identify risk extend from analysis of the market and competition to observing risk indicators in an economic and socio-political context. Risk appraisal takes place according to quantitative and qualitative criteria and takes into account the potential size of the loss. The possible risk effects for company objectives are processed in preparation for the adoption of decisions. A further building block of risk management is the development of countermeasures in the event that alternative risk scenarios come to pass. In addition, we are constantly improving our early warning system.

A cross-segment working group and the Internal Audit Department regularly review the functionality and efficiency of the monitoring system. In addition, the external auditors inspect the suitability of the risk management system for the early identification of developments that could jeopardise the continued existence of the company.

Overall responsibility for risk management is borne by the Board of Executive Directors. Direct responsibility for early detection, control and communication rests with the managements of the business segments or central function areas and units. In addition to immediate reporting in the event of sudden changes in the risk situation, the Board of Executive Directors is advised of risk-relevant areas of observation at regular intervals. The Supervisory Board is also briefed on a regular basis.

Overall risk

According to current estimates, there are no risks that individually, or in interaction with other risks, could jeopardise our continued existence. The key individual risks that could have an impact on our net assets, financial position or results of operations are set out below:

Individual risks

General economic risks and industry risks

Because of their worldwide operations, our business segments are exposed to the risks that stem from general economic trends as well as special industry risks. Typical business risks are mainly fluctuations in exchange rates, aggressive competition, falls in demand as a result of economic and weather conditions, and country risks.

We essentially take a positive view of developments in the fertilizer area, because we expect worldwide demand to keep rising over the next few years. Nevertheless, agricultural reforms within the EU may have a long-term adverse impact. These include, for example, further restrictions on compensatory payments, resulting in falling income for farmers, as well as agricultural policy decisions in Germany, such as, for example, a preferential status for ecological farming and an obligation to declare the presence of additives in line with the fertilizer ordinance. The disputed reform of the European chemicals policy gives rise to additional uncertainty. EU eastward expansion may also impact, but we do not consider this to pose a threat at the present time. The continuing weakness of the US dollar against the euro is having a negative direct impact on dollar-denominated revenues and indirectly, it could limit the scope for further price increases in euro on the European market, because of the relative competitive situation. Our counter-measures are set out under Financing Risks.

Risks deriving from operational areas of responsibility

Procurement/Logistics

Potential price and supplier risks mainly consist in the possible disappearance of suppliers and supply bottlenecks affecting special materials and supplies as well as machine equipment specific to mining. We respond to these procurement risks with market analyses, the careful selection and appraisal of suppliers, long-term supply agreements as well as innovative purchasing methods and instruments. We consider the remaining procurement risk to be low.

The introduction of a toll on the movement of lorries on German motorways has increased the logistics costs of the business segments. In the case of sea freight, the reduced availability of freight capacity has resulted in higher costs. We expect no significant change to this situation in the near future.

Production

The K+S Group possesses technically complex and interlinked production facilities. We respond to possible production and environmental risks by employing extensive monitoring, probing and control systems that facilitate the early identification of production and environmental protection risks. We have taken out insurance against possible fire damage and resultant production stoppages; we also hold comprehensive insurance cover against business and environmental liability risks. Given the diverse preventative measures that are taken, we consider the likelihood of production and environmental risks to be slight.

The EU initiative on setting indicative workplace levels for nitrogen monoxide (NO), nitrogen dioxide (NO₂) and carbon monoxide (CO) could pose special risks to our mining activities. It should be possible to achieve sensible, realistic limit values through intensive cooperation between the EU Commission and the national government as well as the companies concerned and the associations representing their interests.

Sales

Changes in the demand and competition situation can give rise to particular sales risks in all business segments. There are potential risks to our future European business from the expiry in May 2005 of the current anti-dumping regulation against unfair competition on the European potash market, which applies to potash fertilizers from the former CIS states. Potash suppliers located there have requested a review of the anti-dumping regulations currently in force with the aim of bringing about the lifting of the protective regulation. The association of European potash producers has applied for an extension of the current regulation. We are confident that new regulations will also prevent unfair competition.

Weather conditions represent a notable sales risk for the Potash and Magnesium Products, fertiva, COMPO and Salt business segments. Fluctuations in sales in the de-icing salt segment prompted by a very mild winter or heavy snowfalls can cause earnings to fluctuate tangibly. We are responding to this risk in the form of needs-based production management and flexibility on working hours.

There is no exclusive dependence on individual products, customers and regions in any business segment.

Financing risks

Liquidity

K+S is not exposed to the risk of any financing or liquidity shortfalls at the present time. Liquidity is monitored on an ongoing basis and used or invested by means of central cash pooling. Derivative financial instruments are also used for investment purposes. In the case of all forms of investments, there are certain defined creditworthiness requirements in relation to issuers that have to be met.

Currency

In addition to the euro, the K+S Group also carries out business in foreign currencies. Currency fluctuations, especially in the case of the US dollar and the pound sterling, play an important role for the Potash and Magnesium Products business segment. Transactions denominated in foreign currencies account for about 25% of group revenues. This gives rise to exchange rate risks. This risk is reduced through the use of suitable derivative financial instruments (forward contracts and options). Only net positions, i.e. the revenues generated in foreign currencies less the freight costs to be paid in foreign currencies, are hedged against exchange rate fluctuations, mainly with the help of double barrier options. The current volatility of the US dollar exchange rate gives rise to a risk that the agreed barriers will be reached and the options will therefore lose their value. We are responding to such risk by means of permanent, active currency management, i.e. the adjusting of double barrier options in good time. Our strategy reduces currency risks, but does not eliminate them entirely.

Our hedging transactions, including those newly concluded at the beginning of 2005, currently suffice until 2008. Additional costs could be incurred in this regard in the form of option premiums in the event that barriers have to be adjusted. Detailed internal guidelines concerning types of derivatives to be used, responsibility, processes and controls govern management of these currency risks. Financial transactions are only concluded with banks that have a first-class financial standing. In the fertiva and COMPO business segments, exchange rate risks on the marketing side are largely offset by exchange rate opportunities on the procurement side. Here only the hedging of the remaining revenues balance could be an issue.

Receivables

At present, there are no indications of a risk of default on receivables that could have a material barriers effect on the K+S Group's financial position. Default risks relating to payments are largely covered by flat-rate export guarantees (foreign non-OECD area) or by Euler-Hermes credit insurance (domestic and foreign OECD area). Unsecured receivables require specific authorisation and a careful examination of long-term customer relationships.

IT risks and other risks

We respond to possible IT risks by using modern hardware and software that meets current security standards. We apply a largely uniform IT infrastructure throughout the group, and this ensures the compatibility as well as security of IT systems and the data stored. We therefore do not see any risks being posed by the information technology used.

There are no significant other risks, such as legal risks or those connected with research and development.

Forecast Report

Subsequent events

No significant changes have occurred in the economic environment or our industry sector since the close of the financial year.

Outlook

Economic development

In our opinion, the general economic situation in Europe will see a further improvement over the coming years. In addition to the reforms that have been initiated so far, the hitherto EU member states will have to achieve greater progress in implementing essential reforms within their social security systems and public administrative apparatus under the pressure that is being exercised by the eastward expansion of the EU, which has been completed in the meanwhile. The market forces released as a result will accelerate growth in Europe over the medium term, although a further appreciation of the external value of the euro, especially in relation to the US currency, could have a dampening effect on this positive trend.

The easing of the trend in oil prices as well as a slight improvement in confidence indicators suggest that the German economy should keep on course for moderate growth at the beginning of 2005. A possible stabilisation of the situation on the labour market and a lowering of the tax burden at the beginning of the year is expected to give a boost to consumer demand over the course of the year once again. The leading research institutes therefore expect Germany to achieve economic growth amounting to 1.3 % in 2005.

Development of industry and competition

Potash and Magnesium Products

The situation on the agricultural markets is marked by increasing demand for foodstuffs, in both quantitative and qualitative terms. The limited amount of land available for farming will therefore have to be farmed more efficiently all over the world in order for sufficient food to be produced. The methodical use of mineral fertilizers, which guarantee better plant nutrition and thus a higher yield per hectare of cultivated land, is therefore of central importance in this regard. In important overseas markets, especially in Asia and Latin America, we expect consumption to continue growing on account of the greater nourishment requirements of the population, which is increasing at a particularly fast pace there, as well as the growing intensification of farming. The trend towards higher quality food and meat will result in a further increase in fertilizer consumption.

Our assessment of demand on the global potash market for 2005 and beyond is therefore favourable overall. Potash and magnesium fertilizer demand should worldwide increase further as a result of continued growth in demand for soya and grain as well as attractive price levels for important agricultural products. We expect the sector to grow by 2.0 % per year worldwide over the medium term.

International suppliers of potash fertilizers are currently operating at the full technical capacity available to them. This applies to the Potash and Magnesium Products business segment, too, where capacity is almost being fully utilised.

The current anti-dumping regulations directed at imports of potassium chloride from Russia and Belarus will expire in May 2005. The European association of potash producers (APEP) has submitted a motion to the EU Commission seeking an anti-dumping procedure against potassium chloride imports from these countries to ensure that there continues to be effective protection against unfair trading practices within the EU following May 2005. We are confident that new regulations will also prevent unfair competition.

For 2005, we expect the Potash and Magnesium Products business segment to achieve an increase in revenues compared with the preceding year as long as there is no significant deterioration in global economic conditions. The diminishing effect of the changeover to IFRSs on revenues, which comes from foreign currency revenues no longer being measured at the rate at which they are hedged but at the respective spot rate, should, in the main, be overcompensated for by effects attributable to price factors as well as additional volume from the new sylvinite production capacity. Despite rising energy and freight costs, earnings should see an increase due to higher average prices as long as the development of the US dollar exchange rate does not require any major follow-up hedging in the form of option premiums to maintain existing hedging levels. The new sylvinite capacity as well as the continued implementation of our efficiency-enhancement programmes will bolster earnings growth.



At about € 80 million, capital expenditure will increase slightly on the preceding year. The increase will exclusively result from the changeover to IFRSs, which will result in underground roadways and excavations having to be capitalized. Outlays related to replacement and investments that safeguard our production capacity will account for about two thirds of the total volume of capital expenditure.

COMPO

We expect the position of the industry and the competitive situation to be stable in 2005. Against this background, we will continue to grow faster than the market. The consistent expansion of marketing and sales activities as well as the ongoing transfer of product innovations from the professional to the consumer area along with a range of products that is tailored to regional needs constitute the cornerstone of sustained, future growth for the COMPO business segment. In addition to internal growth, which our medium-term planning is based on, we are continually reviewing external opportunities in the form of acquisitions and cooperation arrangements.

We expect a slight increase in revenues in 2005 compared with 2004. Both the consumer and professional areas should contribute to revenue growth. In the case of the consumer segment, we expect a slight increase in the core markets of Europe following a slack 2004. Revenue growth in the professional area is mainly achieved by stabilised fertilizers and special mineral fertilizers. Regarding stabilised fertilizers, our ENTEC® products merit particular mention, as they make an essential contribution to the development of the business given their innovative properties. 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.

Capital expenditure in 2005 should reach about € 15 million; almost half of it will relate to replacement, the rest will be used for the development of our logistics platform in Greece as well as the expansion of production capacity at Krefeld, Germany.

fertiva

In 2005, the trend in gas and ammonia prices will continue to have a decisive impact on our nitrogen fertilizer business. However, the relatively high level of profitability being attained in the sector at the present time will result in the medium- to long-term expansion of capacity for both ammonia and nitrogen-based fertilizers. Depending on how demand evolves, this could result in price reductions. In addition, a weak US dollar as well as higher freight costs could result in a reduction in our margins in the overseas export business.

We expect 2005 revenues and earnings to be of a similar size compared with the previous year.

As fertiva does not operate any production facilities of its own, capital expenditure is relatively low.

Salt (100% esco)

Having taken over esco in its entirety, the Europe-wide optimisation of our site potentials is the next task. With a product range that meets market requirements and high standards of service, esco will retain its leading position among Europe's salt producers. New acquisition targets are also being reviewed on an ongoing basis.

We expect the market trend to remain unchanged in 2005. The level of competition will remain the same and imports from Eastern Europe and also from overseas will increasingly penetrate individual product areas on Western European markets.

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.

At about € 25 million in relation to the preceding year, capital expenditure will stay at the same level. About 50 % of the capital expenditure budget relate to replacement and investments that safeguard our production capacity.



Waste Management and Recycling

The competitive situation in the waste disposal business will not see any fundamental change in 2005, too. Because of its attractive cost situation, the Waste Management and Recycling business segment will successfully defend its good market position in Germany even against strong competition.

As of June 2005, it will no longer be possible in Germany for residential waste to be stored above ground without being treated beforehand. This means that a greater volume of residues from domestic waste incineration will have to be disposed of as hazardous waste by means of underground waste re-utilisation. We are the leaders in this growing segment of the market and want to maintain our current market share.

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 market-ing activities elsewhere in Europe. In line with the trend in revenues, we expect a slight decline in EBIT in 2005.

Capital expenditure for the year will amount to about € 5 million.

Services and Trading

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.

Overall Outlook for the K+S Group

We expect our business to continue to develop positively. Despite the need to measure US 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 also anticipate an improvement. Our largest business segment, Potash and Magnesium Products, will post a tangible increase in earnings unless the trend in the US dollar exchange rate will require substantial follow-up hedging.

Our outlook is primarily 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 as well as the efficiency-enhancements measures in the COMPO business segment, already started.

K+S Group capital expenditure will amount to about € 140 million in 2005 and will thus increase by about 10%; replacement investments and investments safeguarding our production capacity will account for about two thirds of this figure.

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.

We pursue an earnings-based dividend policy. The K+S share is to remain an investment offering a high yield in the future, too.

Kassel, 25 February 2005

K+S Aktiengesellschaft
The Board of Executive Directors

Forward-looking statements

This annual 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 or risks – such as those described in the risk report – should arise, actual events may deviate from those expected at the present time.





Earnings Capacity –



the Decisive Factor.

K+S shall pursue a path of growth in the future, too. We continuously review our strategies, structures and processes. And that is increasingly paying off. It is confirmed by our earnings and returns. We know that growing markets, coupled with our special competencies, offer the K+S Group the best prerequisites for healthy growth and a high earnings capacity.

Auditors' Report

We have audited the annual financial statements, including the accounting records, of K+S Aktiengesellschaft, Kassel, and the consolidated financial statements prepared by it as well as the management reports of the company and the group for the financial year from 1 January to 31 December 2004. The preparation of these documents in accordance with German commercial law is the responsibility of the company's Board of Executive Directors. Our responsibility is to express an opinion on the annual financial statements, including the accounting records, and the consolidated financial statements prepared by it and the management reports of the company and the group based on our audit.

We conducted our audit of the annual financial statements and the consolidated financial statements in accordance with Section 317 of the German Commercial Code and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants [Institut der Wirtschaftsprüfer]. Those standards require that we plan and perform the audit in such manner that material misstatements affecting the presentation of the net assets, financial position and results of operations in the annual financial statements and the consolidated financial statements in accordance with German principles of proper accounting and in the management reports of the company and the group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and group as well as evaluations of possible misstatements are taken into account in the determination of the audit procedures.

The effectiveness of the system of internal accounting control relating to the accounting system and the evidence supporting the disclosures in the accounting records, the annual financial statements and the consolidated financial statements and in the management reports of the company and the group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the annual financial statements and the consolidated financial statements and in the management reports of the company and the group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of K+S Aktiengesellschaft, Kassel, and the group in accordance with German principles of proper accounting. Taken as a whole, the management reports of the company and the group provide a suitable understanding of the position of the company and the group and suitably presents the risks of future development.

Hanover, 28 February 2005

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Künnemann
Auditor

Scharpenberg
Auditor

Profit and Loss Account

T€	Notes	2004	2003
Revenues	(1)	2,581,536	2,287,791
Cost of sales		1,705,001	1,539,649
Gross profit		876,535	748,142
Selling expenses		623,718	554,926
General and administrative expenses		64,080	56,463
Research costs		12,835	13,164
Other operating income	(2)	92,366	102,303
Other operating expenses	(3)	101,157	110,211
Earnings before interest and taxes (EBIT)		167,111	115,681
Result from investments, net	(4)	1,877	906
Write-downs on financial assets and short-term securities	(5)	215	1,111
Interest income, net	(6)	- 5,659	- 3,845
Result from ordinary operations/ earnings before income taxes		163,114	111,631
Taxes on income	(7)	22,573	10,334
Net income		140,541	101,297

Statement of Changes in Equity

T€	Subscribed capital	Additional paid-in capital	Reserve for own shares	Profit retained/ other revenue reserves	Equity
Balance as of 1 January 2004	108,800	4,626	14	441,963	555,403
Dividend for previous year	—	—	—	- 42,500	- 42,500
Net income	—	—	—	140,541	140,541
Repurchase/disposal of own shares	—	—	- 14	14	—
Consolidation effects*	—	- 4,626	—	- 47,421	- 52,047
Balance as of 31 December 2004	108,800	—	—	492,597	601,397

* incl. currency-related effects on capital consolidation

T€	Subscribed capital	Additional paid-in capital	Reserve for own shares	Profit retained/ other revenue reserves	Equity
Balance as of 1 January 2003	115,200	—	60,434	337,741	513,375
Dividend for previous year	—	—	—	- 41,470	- 41,470
Net income	—	—	—	101,297	101,297
Repurchase/disposal of own shares	—	—	- 17,045	17,045	—
Withdrawal of own shares	- 6,400	6,400	- 43,375	—	- 43,375
Consolidation effects*	—	- 1,774	—	27,350	25,576
Balance as of 31 December 2003	108,800	4,626	14	441,963	555,403

* incl. currency-related effects on capital consolidation

Balance Sheet

T€	Notes	2004	2003
Intangible assets		36,947	33,887
Tangible fixed assets		685,985	625,906
Financial assets	(11)	69,825	75,957
Fixed assets	(10)	792,757	735,750
Inventories	(12)	248,686	237,321
Receivables and other assets	(13)	645,324	543,384
Own shares	(14)	–	14
Other securities	(15)	106,134	104,299
Cash in hand, bank balances, cheques		96,882	130,530
Current assets		1,097,026	1,015,548
Prepaid expenses		3,018	3,153
ASSETS		1,892,801	1,754,451

T€	Notes	2004	2003
Subscribed capital	(17)	108,800	108,800
Additional paid-in capital	(18)	–	4,626
Reserve for own shares	(19)	–	14
Other revenue reserves and profit retained	(20)	492,597	441,963
Equity	(16)	601,397	555,403
Balance on capital consolidation	(21)	13,866	29,472
Provisions for pensions and similar obligations		172,617	172,879
Provisions for taxes		28,718	21,103
Other provisions		631,658	559,221
Provisions	(22)	832,993	753,203
Liabilities	(23)	444,311	416,015
Deferred income		234	358
EQUITY AND LIABILITIES		1,892,801	1,754,451

Cash Flow Statement

T€	Notes	2004	2003
Net income		140,541	101,297
Depreciation (+)/write-ups (-) on fixed assets		115,178	108,786
Increase (+)/decrease (-) in long-term provisions		29,062	18,830
Release of liabilities-side consolidation difference		- 14,025	- 15,040
Write-downs (+)/write-ups (-) on short-term securities		- 2,687	- 4,770
Other non-cash expenses (+)/income (-)		875	–
Gross cash flow		268,944	209,103
Gain (-)/loss (+) on disposal of fixed assets		-1,116	1,699
Increase (-)/decrease (+) in inventories		340	1,326
Increase (-)/decrease (+) in receivables from operating activities		- 65,142	- 18,754
Increase (+)/decrease (-) in short-term provisions		29,017	7,876
Increase (+)/decrease (-) in liabilities from operating activities		- 35,382	47,826
Cash flow provided by operating activities		196,661	249,076
Proceeds from disposals of fixed assets		13,043	40,120
Disbursements for intangible assets		- 8,871	- 6,985
Disbursements for tangible fixed assets		- 115,684	- 127,084
Disbursements for financial assets		- 12,590	- 28,531
Disbursements for acquisition of consolidated companies		- 93,033	- 1,774
Cash flow used in investing activities	(34)	- 217,135	- 124,254
Free cash flow		- 20,474	124,822
Cancellation of own shares		–	- 43,375
Payment of dividends		- 42,500	- 41,470
Repayment of borrowings		–	–
Cash flow used in financing activities		- 42,500	- 84,845
Change in cash and cash equivalents affecting cash flow		- 62,974	39,977
Change in value of cash and cash equivalents		2,687	4,770
Changes from consolidation		174	123
Change in cash and cash equivalents		- 60,113	44,870

Development of Fixed Assets

T€	Gross book values					Balance as of 31.12.2004
	Balance as of 01.01.2004	Additions	Change from consolidation	Disposals	Reclassification	
Concessions, industrial property rights and similar rights and assets as well as licences for such rights and assets	53,300	8,304	684	4,333	- 736	57,219
Goodwill *)	5,200	112	356	1,675	–	3,993
Payments on account	567	455	–	–	- 502	520
Intangible assets	59,067	8,871	1,040	6,008	- 1,238	61,732
Land, rights similar to land and buildings, including buildings on third-party land	344,644	8,994	26,837	105,002	1,668	277,141
Technical equipment and machinery	1,248,961	70,563	88,354	595,505	17,080	829,453
Other equipment, fixtures and fittings	177,919	12,931	4,817	86,785	1,669	110,551
Payments on account and construction in progress	20,077	23,597	1,651	104	- 19,179	26,042
Tangible fixed assets	1,791,601	116,085	121,659	787,396	1,238	1,243,187
Investment in affiliated companies	6,514	6,188	2,882	257	303	15,630
Loans to affiliated companies	104	–	–	10	–	94
Participating interests	7,386	10	- 916	139	- 303	6,038
Loans to companies in which participating interests are held	396	–	–	36	–	360
Long-term securities	44,641	5,854	2	6,990	–	43,507
Sundry loans and other financial assets	18,860	538	- 11,468	1,917	–	6,013
Financial assets	77,901	12,590	- 9,500	9,349	–	71,642
Fixed assets	1,928,569	137,546	113,199	802,753	–	1,376,561

*) consists of trademark rights and customer lists

Segment Reporting

T€	Total revenues		of which with third parties	
	2004	2003	2004	2003
Potash and Magnesium Products	1,131,963	1,058,926	1,073,362	1,004,678
COMPO	536,170	496,609	526,015	490,446
fertiva	515,262	475,762	513,589	474,146
Salt	359,992	207,617	357,820	206,177
Waste Management and Recycling	59,438	54,866	59,196	54,584
Services and Trading	126,742	115,081	51,545	56,359
Reconciliation ¹⁾	- 148,031	- 121,070	9	1,401
K+S Group	2,581,536	2,287,791	2,581,536	2,287,791

T€	Assets		Liabilities	
	2004	2003	2004	2003
Potash and Magnesium Products	898,360	833,133	528,783	488,329
COMPO	405,920	398,810	226,369	253,286
fertiva	218,850	194,235	207,242	186,851
Salt	308,981	171,571	112,193	67,181
Waste Management and Recycling	30,613	28,500	5,061	4,948
Services and Trading	54,456	53,878	24,270	23,954
Reconciliation ¹⁾	- 24,379	74,324	187,486	174,499
K+S Group	1,892,801	1,754,451	1,291,404	1,199,048

¹⁾ Figures for business segments are shown before consolidation. Expenses and income as well as items disclosed on the balance sheet that cannot be allocated to business segments are recorded separately. Both effects are shown under "Reconciliation" and result in the group figures.

²⁾ Assets less financial investments and funds, less short-term debt (provisions and liabilities).

³⁾ Relates to tangible fixed and intangible assets.

⁴⁾ Workforce including temporary employees (without students and interns), measured on full-time equivalent basis (FTE). The figures for the previous year have been adjusted.

Depreciation, amortization and write-downs						Net book values	
Balance as of 01.01.2004	Additions	Change from consolidation	Disposals	Reclassification	Balance as of 31.12.2004	Balance as of 31.12.2004	Balance as of 31.12.2003
22,161	5,572	186	4,285	- 888	22,746	34,473	31,139
3,019	283	356	1,619	–	2,039	1,954	2,181
–	–	–	–	–	–	520	567
25,180	5,855	542	5,904	- 888	24,785	36,947	33,887
148,291	13,925	6,714	104,424	- 153	64,353	212,788	196,353
877,407	79,128	55,884	593,725	- 67	418,627	410,826	371,554
139,997	16,196	3,493	86,572	1,108	74,222	36,329	37,922
–	–	–	–	–	–	26,042	20,077
1,165,695	109,249	66,091	784,721	888	557,202	685,985	625,906
702	–	–	–	–	702	14,928	5,812
–	74	–	–	–	74	20	104
1,014	–	–	–	–	1,014	5,024	6,372
–	–	–	–	–	–	360	396
38	–	–	21	–	17	43,490	44,603
190	–	–	180	–	10	6,003	18,670
1,944	74	–	201	–	1,817	69,825	75,957
1,192,819	115,178	66,633	790,826	–	583,804	792,757	735,750

EBITDA		EBIT		Gross cash flow	
2004	2003	2004	2003	2004	2003
134,280	104,133	59,523	31,581	166,607	125,755
33,413	35,897	21,721	25,416	33,827	36,097
10,723	6,947	10,318	6,567	12,482	10,227
71,234	38,513	52,418	27,168	74,655	40,602
11,282	8,359	8,111	4,237	11,519	8,387
27,580	23,938	21,571	17,017	28,544	25,305
- 6,298	5,889	- 6,551	3,695	- 58,690	- 37,270
282,214	223,676	167,111	115,681	268,944	209,103

Capital employed ²⁾		Capital expenditure ³⁾		Employees as of 31.12. ⁴⁾	
2004	2003	2004	2003	2004	2003
628,035	608,895	76,330	81,629	7,352	7,550
253,611	247,737	13,412	16,847	1,309	1,183
- 83,843	- 101,969	972	15	57	55
177,619	95,931	24,609	18,672	1,352	841
18,929	23,660	970	1,486	231	235
20,219	16,256	7,771	7,156	386	383
38,783	20,162	892	828	301	307
1,053,353	910,672	124,956	126,633	10,988	10,554

Notes

General principles

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). In the interests of clear presentation, the individual captions in the annual financial statements are presented in € thousands (T€).

Scope of consolidation

In addition to the parent company, K+S Aktiengesellschaft, all significant subsidiaries have been fully consolidated in the consolidated financial statements. Subsidiaries of minor importance are not consolidated. Consolidated companies are included with effect from the economic acquisition date.

The scope of consolidation changed as follows in 2004: Five companies have been removed: K+S Entsorgung (Schweiz) AG, KEL Finance S.A. as well as SCAC Fisons S.A. are no longer consolidated because they are of minor importance. Gardiflor S.A. was dissolved in 2004. COMPO Agricultura S.L. was merged by absorption into COMPO Agricola Holding S.L. Following the merger, COMPO Agricola Holding S.L. was renamed COMPO Agricultura S.L. These internal group restructuring measures had no impact on the consolidated financial statements. Torf- und Humuswerk Gnarrenburg GmbH, the shares of which were acquired on 1 January 2004, was consolidated for the first time.

In addition, the remaining 38-percent stake in esco – european salt company GmbH & Co. KG was acquired from the former joint venture partner with effect from 1 January 2004. esco – european salt company GmbH & Co. KG as well as a further eight companies have thus become subsidiaries and have been fully consolidated in the consolidated financial statements of the K+S Group; last year, as joint ventures, they were consolidated on a proportionate basis.

In total, 39 subsidiaries have not been consolidated because they are of minor importance. Furthermore, four French companies, which were acquired in 2004, were not included in the scope of consolidation because of the rule contained in Section 296 (1) No. 2 HGB.

The following 22 (2003: 18) domestic and 17 (2003: 16) foreign companies have been fully consolidated in the consolidated financial statements. The K+S Group holds the entire capital of all the companies listed below in economic terms.

Germany

K+S Aktiengesellschaft, Kassel
 biodata ANALYTIK GmbH, Gießen-Linden
 Chemische Fabrik Kalk GmbH, Cologne
 COMPO Gesellschaft mbH & Co. KG, Münster
 data process GmbH, Kassel
 Deutscher Straßen-Dienst GmbH, Hanover
 esco – european salt company GmbH & Co. KG, Hanover
 esco international GmbH, Hanover
 fertiva GmbH, Mannheim
 German Bulk Chartering GmbH, Hamburg
 K+S Baustoffrecycling GmbH, Sehnde
 K+S Beteiligungs GmbH, Kassel
 K+S Consulting GmbH, Kassel
 K+S Entsorgung GmbH, Kassel
 K+S KALI GmbH, Kassel
 K+S Projekt GmbH, Kassel
 K+S Salz GmbH, Kassel
 Kali-Transport Gesellschaft mbH, Hamburg
 Kali-Union Verwaltungsgesellschaft mbH, Kassel
 Torf- und Humuswerk Gnarrenburg GmbH, Gnarrenburg
 Torf- und Humuswerk Uchte GmbH, Uchte
 UBT See- und Hafen-Spedition GmbH Rostock, Rostock

Outside Germany

COMPO Agricultura Spa, Cesano Maderno, Italy
 COMPO Agricultura S.L., Barcelona, Spain
 COMPO Agro Chile Ltda., Santiago de Chile, Chile
 COMPO Austria GmbH, Vienna, Austria
 COMPO Benelux N.V., Deinze, Belgium
 COMPO do Brasil S.A., Guaratinguetá, Brazil
 COMPO France S.A.S., Roche-lez-Beaupré, France
 COMPO Hellas S.A., Marousi, Greece
 COMPO Horticulture et Jardin S.A.S.,
 Roche-lez-Beaupré, France
 COMPO Jardin AG, Allschwil, Switzerland
 esco benelux n.v., Brussels, Belgium
 esco France S.A., Paris, France
 esco Spain S.L., Barcelona, Spain
 Frisia Zout B.V., Harlingen, Netherlands
 Potash Import & Chemical Corporation, New York, U.S.A.
 Salines Cérébos et de Bayonne S.A., Paris, France
 Vatel Companhia de Produtos Alimentares S.A.,
 Alverca, Portugal

The change in the scope of consolidation had the following material effects in 2004:

	T€
Fixed assets	46,566
Inventories	13,387
Receivables and other assets	23,191
Long-term provisions	15,470
Short-term provisions	5,450
Liabilities	13,566
Revenues	132,248
Other income	2,105
Expenses	120,853
Earnings after taxes	13,500

Consolidation methods

The financial statements of the consolidated companies are prepared as of the balance sheet date for the consolidated financial statements. The assets and liabilities of the consolidated companies are recognised and measured uniformly in accordance with the policies described here and in the following notes. Apart from consolidation adjustments and differences in the depreciation methods (K+S Aktiengesellschaft: declining balance method; Group: straight-line) and amounts that are purely taxation-related, the annual financial statements of K+S Aktiengesellschaft have been incorporated into the consolidated financial statements without amendment.

Where the accounting and valuation methods applied in the annual financial statements of the consolidated companies deviate from uniform group policies, appropriate adjustments have been made to the captions affected. Revenues, expenses and income between consolidated companies that arise while the companies affected are members of the K+S Group are eliminated in full. Similarly, receivables and liabilities between consolidated companies and inter-company profits resulting from deliveries and services between consolidated companies are eliminated, unless they are of minor importance. In addition, third-party debtor relationships are consolidated where material.

The capital consolidation is carried out by the book value method. Thereby, the acquisition costs of the investments are set off against the share of the equity attributable to them as of the time of initial consolidation. An asset-side balance remaining after allocation to the assets and liabilities are then deducted from the reserves.

The liabilities-side balance arising from capital consolidation results from offsetting the carrying amount of the investment in former Kali und Salz GmbH reported by K+S Aktiengesellschaft against the corresponding proportionate share of the equity of Kali und Salz GmbH as of 1 January 1997 (Kali und Salz GmbH was merged by absorption with K+S Aktiengesellschaft in 2001, see Note (21)). The balance is released to income in the amount of the scheduled depreciation on selected capital expenditures between 1993 and 1997 at plants in the new German states.

The liabilities-side balance of € 143.6 million resulting from the consolidation of the 49 % interest in Kali und Salz GmbH, which was acquired as of 1 January 1998, was allocated to the additional paid-in capital, since no expenses or burdens were identifiable that could be allocated to it.

The liabilities-side balances relating to other subsidiaries and transferred to revenue reserves result from the retention of profits during the period in which they belonged to the group but prior to their initial consolidation.

Accounting and valuation principles**Intangible assets**

Acquired intangible assets are recognised at their acquisition cost and regularly depreciated straight-line over their expected useful lives. The expected useful lives are:

	Years
Concessions, industrial property rights and similar rights and assets, and licences for such rights and assets	3 to 10
Goodwill	5 to 10

Software is reported as a disposal, once it has been fully depreciated. Special write-downs are recorded in the event of a probably permanent impairment in value.

Tangible fixed assets

Tangible fixed assets are valued at acquisition or production cost less depreciation. The costs of self-constructed assets include, in addition to the direct costs, a share of the overheads, including depreciation. Investment grants and premiums received are deducted from the tangible fixed assets.

Moveable and immovable depreciable assets are depreciated in the consolidated financial statements by the straight-line method. The depreciation rates are based on the normal useful lives. They are as follows:

	Years
Buildings	10 to 33
Technical equipment and machinery	3 to 25
Other equipment, factory and office equipment	3 to 10

Assets of low value are written off completely in the year acquired and reported as a disposal after five years.

Special write-downs are recorded in the event of a probably permanent impairment in value. If the reasons for a special write-down no longer apply, the values are reinstated.

Gallery and excavation work is not capitalised.

Financial assets

Investments in affiliated companies and participating interests are valued at acquisition cost or, in the event of a probably permanent impairment in value, at the lower fair value as of the balance sheet date.

Loans are stated at acquisition cost or, in the case of interest-free loans or loans at low rates of interest, at present value. Foreseeable risks are reflected by special write-downs.

Inventories

Inventories are stated at acquisition or production cost, taking into account the principle of the lower of cost or market. The production costs include, in addition to the direct costs, a proportional share of the production overheads at normal capacity including depreciation. General administrative expenses, pension and support expenses and other social costs are not included in the production costs.

The acquisition or production costs of finished products and merchandise are primarily calculated at average cost.

Receivables and other assets

Receivables and notes are stated at nominal or present value, depending on their maturities. Specific risks are reflected by write-downs and the general credit risk by a flat-rate valuation adjustment.

Securities

Securities are valued at acquisition cost or the lower stock exchange or market prices. If the reasons for a write-down no longer apply, the values are reinstated.

Provisions for pensions and similar obligations

Pension provisions for employees in Germany are computed in accordance with actuarial principles applying the present value method and at an interest rate of 6 %.

Pension obligations for foreign companies are computed applying similar principles and with due consideration given to country-specific features.

Other provisions

Provisions for taxes and other provisions are recorded at the amounts expected to be required on a full cost basis. Thereby, amounts based on experience in similar circumstances are applied. Price increases that have arisen by the balance sheet date are taken into account applying specific indices for the costs affected.

Provisions for mining obligations for the backfilling of mines and shafts are accumulated in instalments in accordance with the extraction period and allocated in full when operations are closed down. As of the year under review, provisions for the backfilling of shafts have been computed using a different procedure. In deviation from the preceding year, the calculation now takes account of the long-term secure sealing of all shafts that are not linked to mines that can be flooded, which results in additional outlays. As of 2004, provisions for mining damage risks are also computed using a different procedure to take better account of actual risk. The calculation now takes account of damages that have occurred in the past. In previous years, the recognition of such provisions depended on the output volume. Provisions for long-service bonuses are calculated by the present value method for the years of service to date.

Other long-term provisions are not discounted.

Liabilities

Liabilities are recorded at the amounts repayable.

Foreign currency translation**Translation of foreign currency amounts**

The acquisition cost of assets purchased in foreign currencies and revenues from sales in foreign currencies are recorded at the exchange rates prevailing as of the transaction date. The valuation of revenues has been based on any hedging measures taken in the same currency and for the same period of time.

Foreign currency receivables are translated at the exchange rate as of the transaction date, the hedging rate or the lower fair value as of the balance sheet date and foreign currency liabilities at the exchange rate as of the transaction date or the higher repayment amount as of the balance sheet date.

Translation of financial statements in foreign currency

The foreign currency translation is carried out in accordance with the modified closing rate method. The annual financial statements of companies that do not belong to the euro zone are translated as follows:

- all asset items, prepaid expenses and deferred income, liabilities and provisions at the closing rates,
- equity at the rate prevailing as of the time of initial consolidation,
- all expenses and income at the average rate for the year, with the exception of the result for the year, which is translated at the closing rate,
- translation differences in the profit and loss account are allocated to other operating expenses or income,
- differences from the translation of equity are recorded in the reserves.

As of 31 December 2004, foreign currency translation resulted in expenses of T€ 72 (2003: T€ 13).

The following exchange rates were applied for the translation of foreign currencies:

Exchange rate in relation to € 1	2004		2003	
	Closing rate	Average rate for the year	Closing rate	Average rate for the year
US dollars (USD)	1.362	1.243	1.263	1.131
Swiss francs (CHF)	1.543	1.544	1.558	1.521
Brazilian reals (BRL)	3.623	3.636	3.666	3.474
Chilean pesos (CLP)	760.910	756.940	748.717	779.720

Notes to the profit and loss account

The profit and loss account is presented on page 65.

(1) Revenues

The revenues of the K+S Group amounted to € 2,582 million (2003: € 2,288 million). The breakdown of the revenues by business segment as well as intersegment revenues are presented in the segment information on page 68. The regional breakdown of the revenues is disclosed in the notes to the segment reporting under Note (31).

(2) Other operating income

Other operating income includes the following material items with an individual value in excess of T€ 1,000:

T€	2004	2003
Release of provisions	41,207	31,428
Release of balance arising from capital consolidation	14,025	15,040
Foreign exchange rate gains	6,467	9,666
Rentals and leasing	3,172	3,254
Appreciation in the value of short-term securities	2,828	5,090
Profits on disposals of tangible fixed assets	1,533	5,060
Release of specific write-downs	1,495	3,655
Profits on disposals of financial assets	584	1,223
Profits on disposals of short-term securities	397	4,357
Sundry income	20,658	23,530
Other operating income	92,366	102,303

Income of T€ 50,646 (2003: T€ 52,243) is attributable to other financial years and results primarily from the release of provisions and specific write-downs on receivables as well as disposals of fixed assets.

(3) Other operating expenses

Other operating expenses include the following material items with an individual value in excess of T€ 1,000:

T€	2004	2003
Exchange rate hedging costs/foreign exchange rate losses	17,787	10,173
Expenses for closed plants	7,635	9,905
Property management expenses	2,291	3,520
Ancillary capital expenditure costs	1,990	3,288
Other taxes	1,503	2,443
Pension expenses	1,202	1,958
Losses on disposals of fixed assets	1,001	7,982
Sundry expenses	67,748	70,942
Other operating expenses	101,157	110,211

The exchange rate hedging costs/losses arising from exchange rate differences in the amount of T€ 17,787 are compared against foreign exchange gains of T€ 6,467, which are disclosed under other operating income. This yields a foreign currency result of T€ -11,320 (2003: T€ -507). The major part of the positive effects of the hedging transactions is included under revenues.

Expenses of T€ 6,489 (2003: T€ 8,817) are attributable to other financial years and relate primarily to losses on disposals of fixed assets and taxes for prior years.

(4) Income from investments, net

T€	2004	2003
Income from investments	1,751	918
- of which from affiliated companies	(1,585)	(746)
Income from profit transfer agreements	427	26
- of which from affiliated companies	(427)	(-)
Expenses for absorption of losses	- 301	- 38
Income from investments, net	1,877	906

(5) Write-downs on financial assets and short-term securities

As a result of lower exchange or market prices as of the balance sheet date, write-downs on short-term securities had to be recorded and amounted to T€ 141 (2003: T€ 320).

Appreciation in the value of short-term securities resulting from reversals of impairments in the amount of T€ 2,828 is included under other operating income (2003: T€ 5,090).

(6) Interest income, net

T€	2004	2003
Income from other securities, lending and other financial assets	3,288	4,925
Other interest and similar income	6,711	6,500
- of which from affiliated companies	(115)	(95)
Interest expenses in allocations to provisions for pensions	- 9,872	- 9,699
Sundry interest and similar expenses	- 5,786	- 5,571
- of which to affiliated companies	(- 36)	(- 162)
Interest income, net	- 5,659	- 3,845

(7) Taxes

T€	2004	2003
Corporate income tax (incl. solidarity surcharge)	5,683	3
Trade tax on income	7,731	3,852
Foreign income taxes	8,691	7,401
Deferred taxes (Sections 274, 306 HGB)	468	- 922
Taxes on income	22,573	10,334
Other taxes	6,328	2,402
Tax expense	28,901	12,736

The other taxes are allocated to the operating functional areas and include land tax in particular.

(8) Cost of materials

T€	2004	2003
Raw materials, supplies and purchased merchandise	1,052,583	849,538
Purchased services	263,964	256,426
Cost of materials	1,316,547	1,105,964

(9) Personnel expenses/number of employees

T€	2004	2003
Wages and salaries	470,221	435,252
Social security	126,561	118,185
Pension expenses	8,377	8,315
Support	1,039	989
Personnel expenses	606,198	562,741

The pension expenses do not include the interest portion of the allocations to the pension provisions. This is reported as an interest expense in interest income, net.

As of the year under review, wages and salaries include allocations to and the use of provisions in connection with semi-retirement as well as social plans and similar benefits. The previous year's figures have been adjusted accordingly.

Employees, including those with temporary contracts (average number)	2004	2003
Germany	10,069	9,758
Outside Germany	999	783
Total	11,068	10,541
- of which trainees	514	478

The changes in the scope of consolidation have resulted in an additional 636 employees (average number for the year).

Notes to the balance sheet

The balance sheet is presented on page 66.

(10) Fixed assets

The development of the gross book values and depreciation on the individual fixed assets items is shown separately on page 68.

(11) Financial assets

Special write-downs of T€ 74 (2003: T€ 791) were recorded in accordance with Section 253 (2) Sentence 3 HGB.

Long-term securities primarily comprise securities held permanently to cover future pension payments.

The list of investment holdings in accordance with Section 313 (2) and Section 285 No. 11 HGB, including the information in accordance with Section 285 No. 11a HGB on companies whose unlimited liability partners are companies in the K+S Group, has been filed with the Commercial Register in Kassel under No. HRB 2669. Shareholders may obtain a copy of this list directly from K+S Aktiengesellschaft if required.

The main investments are:

Name and registered office	Interest (in %)	Equity (in T€)	Earnings after taxes (in T€)
COMPO GmbH & Co. KG, Münster	100	82,626	- 2,334
COMPO Agricoltura Spa, Cesano Maderno, Italy	100	12,788	1
COMPO Agricoltura S.L., Barcelona, Spain	100	12,938	1,832
COMPO France S.A.S., Roche-lez-Beaupré, France	100	35,934	5,200
data process GmbH, Kassel ¹⁾	100	5,050	1,471
esco benelux n.v., Brussels, Belgium	100	11,272	630
esco – european salt company GmbH & Co. KG, Hanover	100	142,138	32,081
esco france S.A., Paris, France	100	9,765	1,245
fertiva GmbH, Mannheim ¹⁾	100	1,500	7,732
Frisia Zout B.V., Harlingen, Netherlands	100	18,175	2,269
K+S Entsorgung GmbH, Kassel ¹⁾	100	7,506	2,103
K+S KALI GmbH, Kassel ¹⁾	100	430,562	66,006
Kali-Transport Gesellschaft mbH, Hamburg ¹⁾	100	7,158	13,582
Salines Cérébos et de Bayonne S.A., Paris, France	100	7,041	592

¹⁾ profit and loss transfer agreement with K+S Aktiengesellschaft (net income before profit and loss transfer)

(12) Inventories

T€	2004	2003
Raw materials and supplies	103,817	97,125
Work in progress	10,922	6,594
Finished products and merchandise	131,239	129,243
Payments on account	2,708	4,359
Inventories	248,686	237,321

(13) Receivables and other assets

T€	of which residual term		of which residual term	
	2004	> 1 year	2003	> 1 year
Accounts receivable – trade	528,203	–	453,861	–
Receivables from affiliated companies	23,211	–	4,225	–
Receivables from companies in which participating interests are held	1,939	–	1,894	–
Other assets	91,971	6,584	83,404	6,578
Receivables and other assets	645,324	6,584	543,384	6,578

Specific adjustments of T€ 13,167 (2003: T€ 11,016) and flat-rate valuation adjustments of T€ 5,135 (2003: T€ 3,663) had to be made to receivables as of 31 December 2004.

The foreign currency receivables included hidden reserves of T€ 8 (2003: T€ 26) as a result of a higher closing rate as of 31 December 2004.

(14) Own shares

The balance on 1 January 2004 of own shares held by K+S Aktiengesellschaft amounted to 760 shares.

They had been acquired for issuing to K+S Group employees. During financial year 2004, a further 132,111 own shares (= 0.31 % of the share capital) were bought at an average price of € 34.41 per share. Of these shares, 115,844 (= 0.27 % of the share capital) were sold at an average price of € 19.98 and 17,027 (= 0.04 % of the share capital) were issued to K+S Group employees as bonus shares (“loyalty shares”) without any separate consideration being payable.

As of 31 December 2004, K+S Aktiengesellschaft held no own shares.

(15) Other securities

T€	2004	2003
Fund units	25,188	37,058
Shares	23,817	23,916
Interest-bearing securities	57,129	43,325
Other securities	106,134	104,299

As of 31 December 2004, the market or stock exchange values of the other securities amounted to T€ 115,882 (31 December 2003: T€ 115,103).

(16) Equity

The development of the individual equity items is shown separately on page 65.

Pursuant to a resolution of the Annual General Meeting on 8 May 2002, the Board of Executive Directors was authorized, with the consent of the Supervisory Board, to increase the share capital of K+S Aktiengesellschaft on one or more occasions until 1 May 2007 against cash or in-kind contributions and by up to no more than € 57.6 million in the aggregate through the issuance of no more than 22.5 million new no-par value bearer shares (authorized capital). Existing shareholders essentially hold subscription rights in respect of such increases. The Board of Executive Directors may, with the consent of the Supervisory Board, exclude the statutory subscription rights of shareholders in the following cases and in respect of an amount corresponding to € 28.8 million of the share capital (the equivalent of 11.25 million no-par value shares):

- in respect of fractional amounts arising from such subscription right;
- in the case of capital increases against cash contributions, if the capital increase does not exceed 10 % of the share capital and the issue price of the newly created shares is not significantly lower than the relevant stock exchange price, which is the weighted average of the stock exchange prices of the shares in the XETRA computerized trading system for the five exchange trading days preceding the subscription of the new shares;
- in the case of capital increases against in-kind contributions, if the new shares are to be used for the acquisition of a company or an equity interest in a company.

The Board of Executive Directors is authorized to determine further details pertaining to the carrying out of such authorized capital increase with the consent of the Supervisory Board.

(17) Subscribed capital

The subscribed capital of K+S Aktiengesellschaft amounts to € 108.8 million and is divided into 42.5 million no-par value bearer shares.

(18) Additional paid-in capital

Additional paid-in capital developed as follows:

T€	2004	2003
Balance as of 1 January	4,626	–
Addition from cancellation of own shares	–	6,400
Adjustment due to consolidation measures	- 4,626	- 1,774
Balance as of 31 December	0	4,626

During the year under review, asset-side balances from capital consolidation totalling T€ 55,758 were deducted from additional paid-in capital. Such balances for previous years totalled T€ 192,598.

(19) Reserve for own shares

The reserve was set up for own shares held by K+S Aktiengesellschaft, as explained in Note (14), and developed as follows:

T€	2004	2003
Balance as of 1 January	14	60,434
Withdrawal for capital decrease deriving from cancellation of shares	–	- 43,375
Release for sale of own shares	- 14	- 17,045
Balance as of 31 December	0	14

(20) Other revenue reserves and profit retained

Other revenue reserves and profit retained are reported in the consolidated financial statements as a single caption in order to reflect the peculiarities of the consolidation.

T€	2004	2003
Balance as of 1 January	441,963	337,741
Consolidation effects	- 47,421	27,350
Dividend payment for previous year	- 42,500	- 41,470
Change in reserve for own shares	14	17,045
Net income of K+S Group	140,541	101,297
Balance as of 31 December	492,597	441,963

The consolidation effects include changes that are not recognised in income and essentially relate to the acquisition of the remaining 38-percent stake in esco – european salt company GmbH & Co. KG.

Profit retained of K+S Aktiengesellschaft

The dividend distribution is based on the annual financial statements of K+S Aktiengesellschaft. The intention is to propose to the Annual General Meeting that a dividend of € 1.30 per share be distributed to the shareholders with the remainder carried forward. On the basis of this assumption, the profit retained of K+S Aktiengesellschaft as of the balance sheet date is made up as follows:

T€	2004	2003
Balance as of 1 January	55,926	45,548
Dividend payment for previous year	- 42,500	- 41,470
Allocations to other revenue reserves from previous year's profit retained	- 12,500	–
Change in reserve for own shares	14	17,045
Net income of K+S Aktiengesellschaft	97,493	69,303
Allocations to other revenue reserves from net income	- 43,000	- 34,500
Balance as of 31 December	55,433	55,926

Other K+S Aktiengesellschaft revenue reserves

Other K+S Aktiengesellschaft revenue reserves developed as follows over financial year 2004:

T€	2004	2003
Balance as of 1 January	40,500	6,000
Allocation from previous year's profit retained	12,500	–
Allocation from net income	43,000	34,500
Balance as of 31 December	96,000	40,500

(21) Balance on capital consolidation

A liabilities-side balance of T€ 13,866 (2003: T€ 27,891) on capital consolidation relates to the former Kali und Salz GmbH and results from the initial consolidation of the 51% interest as of 1 January 1997. The merger of Kali und Salz GmbH into K+S Aktiengesellschaft with economic effect as of 1 October 2001 has no influence on the presentation and treatment of the liabilities-side balance. In addition, there was a liabilities-side balance of T€ 1,581 stemming from the first-time consolidation of the esco Group in 2003. This was included in additional paid-in capital without affecting income as the expenses expected at the time of the first consolidation will not be incurred any more.

T€	2004	2003
Balance as of 1 January	29,472	45,270
Release	- 14,025	- 15,798
Inclusion on capital consolidation	- 1,581	–
Balance as of 31 December	13,866	29,472

For the purpose of the consolidated financial statements of the K+S Group, the special loss account in accordance with Section 17 (4) of the D-Mark Balance Sheet Act reported on the assets side of the balance sheets of K+S KALI GmbH and esco – european salt company GmbH & Co. KG and amounting to T€ 50,440 (2003: T€ 47,791) was netted against the equity of the respective subsidiary.

(22) Provisions**Provisions for pensions and similar obligations**

The provisions for pensions and similar obligations are mainly for employees in Germany. When setting up the provisions for these employees, the pension expectancy is determined for each pension beneficiary in accordance with actuarial principles on the basis of the situation as of the balance sheet date; future changes in value are not taken into account. The provisions are calculated applying the 1998 Heubeck mortality tables and an interest rate of 6 %. There are no shortfalls.

Provisions for taxes

Provisions for taxes included deferred tax liabilities amounting to T€ 20,615 in accordance with Section 274 HGB in conjunction with Section 298 (1) as well as Section 306 HGB. The deferred tax liabilities are attributable in particular to write-ups on tangible fixed assets that are not recognised in income and were required as a result of the deletion of the provision contained in Section 308 (3) HGB at 1 January 2003. In addition, deferred tax liabilities are attributable to the adjustment of depreciation to the straight-line depreciation method. While deferred tax liabilities totalled T€ 23,932 (2003: T€ 22,505), deferred tax assets, arising from the elimination of intra-company profits, totalled T€ 3,317 (2003: T€ 3,835).

Other provisions

The other provisions take adequate account of all foreseeable risks.

T€	2004	of which short-term	2003	of which short-term
Mining obligations	369,517	7,308	311,579	6,525
Obligations to employees	141,770	57,186	109,791	39,222
Obligations under sales transactions and purchase contracts	60,456	60,456	52,918	52,918
Maintenance and repairs	13,002	812	13,708	1,814
Miscellaneous	46,913	17,642	71,225	14,453
Other provisions	631,658	143,404	559,221	114,932

The expected costs of the mining obligations are accumulated by instalments over the probable extraction period. These mainly consist of obligations to backfill mines and shafts. In addition, provisions have been set up for mining damage risks and the maintenance of stockpiles. Provisions rose by T€ 57,938 during the year under review. Of this figure, T€ 11,000 resulted from the reclassification of an amount that had been hitherto reported under other provisions. The change in the scope of consolidation resulted in an increase of T€ 9,578. The changeover in measurement methods applicable to mining obligations indicated under general accounting and valuation principles prompted an increase in provisions of T€ 19,343 for the year under review. In addition, there are also the allocations made by annual instalment.

The obligations to employees primarily comprise provisions for long-service bonuses, semi-retirement, social plan expenses and year-end deferrals.

The obligations under sales transactions relate in particular to rebates and price concessions; the provisions resulting from purchase contracts are for outstanding invoices.

The provisions for maintenance and repairs include deferred maintenance measures as of the balance sheet date and obligations resulting from duties imposed by the authorities.

The item "miscellaneous" relates to numerous other provisions that cannot be included under the items shown above.

(23) Liabilities

T€	2004 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	57,849	57,689	160	–
Prepayments received	4,968	4,968	–	–
Accounts payable – trade	321,328	321,209	119	–
Liabilities from the acceptance of bills drawn	4,595	4,595	–	–
Liabilities to affiliated companies	16,174	16,174	–	–
Other liabilities	39,397	39,167	230	–
Liabilities	444,311	443,802	509	–

T€	2003 total	Residual term < 1 year	Residual term > 1 year and < 5 years	Residual term > 5 years
Bank loans and overdrafts	19,427	19,427	–	–
Prepayments received	990	990	–	–
Accounts payable – trade	306,606	306,393	197	16
Liabilities to affiliated companies	4,503	4,503	–	–
Other liabilities	84,489	84,259	230	–
Liabilities	416,015	415,572	427	16

The other liabilities include:

T€	2004	2003
Taxes	10,337	10,075
Social security liabilities	17,143	18,776

(24) Contingent liabilities

T€	2004	2003
Liabilities from guarantees	2,202	–
Warranty agreements	767	767

(25) Other financial commitments

T€	2004	2003
Commitments under uncompleted capital expenditure projects	23,115	33,572
Commitments under long-term rental and leasing contracts		
- due in following year	6,879	5,859
- due in 2 to 5 years	12,645	8,599
- due after 5 years	3,325	2,741
Other financial commitments	45,964	50,771

The other financial commitments are carried at nominal value.

(26) Derivative financial instruments

Derivative financial instruments are used in particular to hedge currency risks resulting from business operations. Exchange rate risks primarily exist in the case of payments in U.S. dollars and British pounds. GBP positions are hedged by means of forward exchange transactions. Both forward exchange transactions and currency option transactions are used for the hedging of USD items. With regard to option transactions, we generally combine the purchase of a USD put option with the sale of a USD call option in a single transaction. In this way, it is possible to retain premium-neutral structures and to minimize premium expenses.

The put options acquired by us are only valid within a certain range: If the exchange rate attains a specific cap or floor – so called knock-outs – the options expire. On 31 December 2004, the upper knock-out values stood at USD 1.40 per euro and the lower knock-out values ranged from USD 1.085 to USD 1.18 per euro. No knock-out floors apply to options sold (writer), but in some cases, there are knock-out caps, which range from USD 1.368 to USD 1.389 per euro. The terms of the derivatives employed vary and extend until December 2007.

The use of derivative financial instruments is regulated by an internal guideline. A strict segregation of functions is ensured between trading, settlement and control. Transactions are only concluded with banks that have a first-class credit standing.

The following positions were open as of 31 December 2004:

T€	Notional amounts ¹⁾	Fair values
USD forward exchange transactions	21,122	1,356
USD foreign currency options (bought)	1,369,598	21,331
USD foreign currency options (sold)	774,427	- 2,688
USD foreign currency transactions in total	2,165,147	19,999

T€	Notional amount ¹⁾	Fair values
USD forward exchange transactions	6,065	89

¹⁾ converted to euros applying weighted hedging rates

The fair values correspond to the redemption value on premature hypothetical termination of all financial derivatives on the balance sheet date. They are computed using recognised mathematical models generally used by market players. The computations were specifically based on the following parameters that applied on the balance sheet date.

- the spot exchange rates for the currencies concerned,
- the agreed hedging rates and exercise prices,
- traded volatilities, i.e. the anticipated range of fluctuation for the exchange rates concerned for residual terms of 1, 3, 6, 9 and 12 months; linear interpolations are performed for residual terms that lie in between these terms; for maturities of more than 12 months, the traded volatility for a residual term of 12 months is applied,
- the interest rates applicable to the currencies and residual concerned.

Options are recognised at their acquisition cost insofar as premiums were paid. As of 31 December 2004, acquisition cost totalling T€ 16,386 were reported under other assets.

In the case of pending transactions for which no premiums were payable, the fair values of the derivatives are not to be carried on the balance sheet. However, provisions have to be recognised for impending losses from pending foreign currency transactions, if a net obligation existed on the balance sheet date. As of 31 December 2004, the provisions in question that had to be recognised due to the prohibition to balance accounts amounted to T€ 1,300 although the obligations arising from the foreign exchange transactions were neutralized in economic terms.

Where foreign exchange transactions are covered by receivables or cash from revenues already made, valuation units were generally formed together with hedging transactions. The overall positive effect of these hedging transactions is therefore already reflected in the result for the year.

In addition, some of the securities held at the balance sheet date included embedded derivatives. In addition to the relevant market interest rate, the interest rate for these securities also depends on how certain underlying values evolve. They include, for example, stock indices or individual equities.

Embedded derivatives affected the following items as of 31 December 2004:

T€	Acquisition cost	Fair value	Carrying amount
Securities held as financial assets	11,730	12,996	11,730
Other securities (short-term)	15,001	15,098	14,998

The fair values were computed on the basis of the market prices that applied on 31 December 2004. The other securities were written down by T€ 3 to their lower fair value as of 31 December 2004.

Notes to the segment reporting

We have prepared the segment reporting in accordance with German Accounting Standard No. 3 (DRS 3) of the German Accounting Standards Committee (DRSC). It is presented on page 68.

(27) Definition of segments

The segments are defined by product types. This corresponds to the internal organisation and reporting structure of the K+S Group.

The Potash and Magnesium Products business segment combines the production and marketing of potash fertilizers and fertilizer specialities as well as potash and magnesium compounds for technical, industrial and pharmaceutical applications.

The COMPO business segment produces and markets branded products for the consumer sector (garden and lawn fertilizers, plant care products and potting soils) and speciality fertilizers for the professional sector (professional horticulture, special crops and agriculture).

The fertiva business segment bundles the marketing and sales activities for nitrogenous fertilizers, which are purchased from various manufacturers for resale.

The Salt business segment comprises the production and marketing of table salt, industrial salt and salt for chemical transformation, de-icing salt and sodium chloride brine.

The Waste Management and Recycling business segment combines underground waste re-utilisation and disposal in the caverns created by the extraction of potash and salt, as well as special recycling services.

Business units providing services for the K+S Group and which also offer services to third parties when capacity is available are assigned to the Services and Trading business segment. This segment comprises: logistics, IT as well as analytical and consulting services, the production of the CATSAN® animal hygiene product on a contractual basis and trading business.

(28) Principles of allocation of assets and liabilities

Assets, prepaid expenses and deferred income, provisions and liabilities are allocated to the segments in accordance with their utilisation or origin. If they are utilised or originate in more than one segment, they are allocated on the basis of appropriate keys.

Financial assets and long-term financial liabilities are not allocated to the segments.

(29) Principles of transfer prices between segments

Transfer prices are defined for deliveries and services between segments, which would have to be paid in the respective specific situation and under the same circumstances by a non-related third party. The nature and amount of the billing is determined in accordance with the value and extent of the delivery or service, taking into account the underlying legal relationship. The method of determining the transfer prices is documented on a timely basis and retained without interruption. The price comparison method, the resale price method, the cost-plus method or a combination of these methods can be applied in determining the transfer prices for deliveries. Thereby, the method chosen is that which is closest to that under which arm's length prices are determined in comparable markets.

(30) Notes to the reconciliation

The reconciliation between the segment figures and the corresponding items in the consolidated financial statements of the K+S Group comprise items allocated to central functions and consolidation effects.

The main items are:

T€	2004	2003
Reconciliation of segment results		
- Proceeds from release of credit balance on capital consolidation	14,025	15,040
- Consolidation effects	- 2,666	- 6,981
- Result for the central functions	- 17,910	- 4,364
	- 6,551	3,695
Reconciliation of segment assets		
- Fixed assets	133,917	135,708
- Receivables/prepaid expenses	19,770	21,325
- Cash and cash equivalents	117,057	175,252
- Consolidation effects	- 295,123	- 257,961
	- 24,379	74,324
Reconciliation of segment liabilities		
- Balance on capital consolidation	13,866	29,472
- Provisions for pensions and similar obligations	137,380	144,783
- Other provisions	62,938	71,163
- Liabilities/deferred income	39,987	24,063
- Consolidation effects	- 66,685	- 94,982
	187,486	174,499

The decrease in the central functions' result is mainly due to the fact that the previous year saw the inclusion of income from the writing up of securities as well as from the disposal of securities and real estate in the amount of T€ 14,105; in the year under review, corresponding income of T€ 4,425 was earned.

(31) Geographical breakdown of revenues

The breakdown of revenues by geographical region is as follows:

T€	2004	2003
Germany	599,017	557,640
Rest of Europe	1,389,296	1,222,293
Overseas	593,223	507,858
Total revenues	2,581,536	2,287,791

(32) Geographical breakdown of assets

The breakdown of the assets of the K+S Group by geographical region is as follows:

T€	2004	2003
Germany	1,454,161	1,393,615
Rest of Europe	405,006	330,535
Overseas	33,634	30,301
Total assets	1,892,801	1,754,451

(33) Geographical breakdown of capital expenditure

The breakdown of capital expenditure on intangible and tangible fixed assets by geographical region is as follows:

T€	2004	2003
Germany	101,296	106,751
Rest of Europe	23,418	19,512
Overseas	242	370
Total capital expenditure	124,956	126,633

Notes to the cash flow statement

We have prepared the cash flow statement in accordance with German Accounting Standard No. 2 (DRS 2) of the German Accounting Standards Committee (DRSC). It is presented on page 67.

(34) Cash flow used in investing activities

The item disbursements for acquisition of consolidated companies relates to the expenditure on companies acquired during the financial year.

T€	
Purchase price	- 95,940
Cash and cash equivalents acquired	3,762
Financial liabilities acquired	- 1,455
Subsequent purchase price reductions	600
	- 93,033

(35) Cash and cash equivalents

T€	2004	2003
Own shares	–	14
Other short-term securities	106,134	104,299
Cash in hand, bank balances and cheques	96,882	130,530
Cash with affiliated companies	10,773	–
Cash received from affiliated companies	- 3,260	- 2,623
Financial liabilities	- 57,849	- 19,427
Cash and cash equivalents, net	152,680	212,793

For the first time, cash and cash equivalents include cash provided to non-consolidated affiliates as well as cash received from such companies. The previous year's figure has been adjusted accordingly.

Other information**Total remuneration of the Supervisory Board and the Board of Executive Directors**

T€	2004	2003
Total remuneration of the Supervisory Board	721	545
- of which fixed	240	223
- of which performance-related	481	322
Total remuneration of the Board of Executive Directors	3,152	2,812
- of which fixed	1,111	1,102
- of which performance-related	1,299	838
- of which from exercise of stock option programme	742	872
Total remuneration of former members of the Board of Executive Directors and their surviving dependents	1,054	1,048
Pension provisions for former members of the Board of Executive Directors and their surviving dependents	7,866	8,109

Board of Executive Directors

The total remuneration of the Board of Executive Directors in 2004 was for five board members as in 2003. The performance-related remuneration of the Board of Executive Directors for the previous year includes an expense of T€ 149 (2003: T€ 38) that is unrelated to the period under review. The remuneration system for the Board of Executive Directors consists of the following elements:

- regular monthly payments (fixed salary) to which in-kind benefits are added;
- performance-related, non-recurrent remuneration, with bonuses based on the return on total investment and individual performance-related components and paid in the following financial year;
- non-recurrent remuneration deriving from the exercise of stock options.

Under the stock option programme, the Board of Executive Directors and key executives can use part of their performance-related remuneration for a basic investment in K+S shares. By acquiring and holding such basic shares, the participants receive virtual stock options that trigger a cash payment when exer-

cised. The amount of the cash payment depends on the extent to which the K+S share outperforms the MDAX as the benchmark index and is capped at 25% of excess performance. A lock-up period of two years applies to the exercise of the options and the options expire after a period of five years.

The value of the stock options (hypothetical exercise on the balance sheet date) for the Board of Executive Directors under the 2002 stock option programme amounted to T€ 296 on the balance sheet date, the value under the 2003 stock programme amounted to T€ 983, and the value under the 2004 stock programme amounted to T€ 1,276.

Supervisory Board

The remuneration received by members of the Supervisory Board is governed by the provisions of the Articles of Association of K+S Aktiengesellschaft. It consists of a fixed component of T€ 10 and a variable one that is linked to the level of the dividend payment. The Supervisory Board has had 16 members since 7 May 2003 (previously: 12 members). The members of the Supervisory Board received no remuneration or other benefits from the company for services rendered by them personally.

Shares held by the members of the Board of Executive Directors and the Supervisory Board

Total K+S shares held by all the members of the Board of Executive Directors and the Supervisory Board as of 31 December 2004 amounted to less than 1 % of the outstanding shares of the company.

In accordance with Section 15a of the German Securities Trading Act (WpHG), members of the Board of Executive Directors and the Supervisory Board as well as individuals who are closely related to them must report purchases or disposals of shares or of derivatives to K+S Aktiengesellschaft without delay. No disclosure pursuant to Section 15a WpHG was required in financial year 2004.

Declaration on conformity concerning the German Corporate Governance Code

The declaration on conformity pursuant to Section 161 of the German Stock Corporation Act concerning the recommendations made by the "Government Commission on the German Corporate Governance Code" has been made by the Board of Executive Directors and the Supervisory Board for financial year 2004 and is available to shareholders in the 2003 annual report and can also be accessed on the K+S Group Internet homepage (www.k-plus-s.com). The declaration on conformity in respect of 2005 is also published on the K+S Internet homepage and on page 33 of the 2004 annual report.

Members of the Supervisory Board (on 31 December 2004)

Gerhard R. Wolf, Worms, Chairman

former Member of the Board of Executive Directors of BASF AG

further Supervisory Board appointments: K+S KALI GmbH (chairman)

Hornbach Holding AG (chairman)

Hornbach Baumarkt AG (chairman)

Michael Vassiliadis, Hemmingen, Vice Chairman

Member of the Managing Main Board of the Mining, Chemicals and Energy Trade Union

further Supervisory Board appointments: BASF AG

K+S KALI GmbH (vice chairman)

Henkel KGaA

mg technologies ag

Jella S. Benner-Heinacher, Meerbusch

Federal Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e. V.

further Supervisory Board appointments: A.S. Création AG

TUI AG

Karl-Heinz Georgi, Haltern

Principal of the Haltern am See Education Centre of the Mining, Chemicals and Energy Trade Union

Rainer Grohe, Otterstadt

Executive Director of the Galileo Joint Undertaking

further Supervisory Board appointments: Ball Packaging Europe GmbH (chairman)
Norddeutsche Affinerie AG

Dr. Karl Heidenreich, Mannheim

Member of the Board of Executive Directors of Landesbank Baden-Württemberg

further Supervisory Board appointments: Deka Immobilien Investment GmbH
Internationales Bankhaus Bodensee AG
LEG Landesentwicklungsgesellschaft Baden-Württemberg mbH
other appointments to supervisory bodies: Bürgschaftsbank Baden-Württemberg GmbH (chairman)
Landesbank Rheinland-Pfalz (deputy member of Admin. Board)
MKB Mittelrheinische Bank GmbH (chairman)
MMV Leasing GmbH (chairman)

Rüdiger Kienitz, Geisa

Member of the Works Council of the Werra Plant of K+S KALI GmbH

Klaus Krüger, Wolmirstedt

Chairman of the Group Works Council of the K+S Group

Dieter Kuhn, Bernburg

Chairman of the Works Council of the Bernburg Plant of esco – european salt company GmbH & Co. KG

Heinz-Gerd Kunaschewski, Philippsthal

Vice Chairman of the Group Works Council of the K+S Group

Dr. Bernd Malmström, Berlin

Chairman of the Board of Executive Directors of Stinnes AG and Member of the Board of Executive Directors of Deutsche Bahn AG

further Supervisory Board appointments: DB Dienstleistungen GmbH
Railion Deutschland AG
Schenker AG (chairman)
other appointments to supervisory bodies: BLG Logistics Group AG & Co. KG
DAL – Deutsche-Afrika-Linien GmbH & Co. KG
DEVK
HHLA Intermodal GmbH & Co. KG
Polzug GmbH
Stinnes Corporation, U.S.A.

Helmut Mamsch, London, Great Britain

former Member of the Board of Executive Directors of VEBA AG

further Supervisory Board appointments: Readymix AG
other appointments to supervisory bodies: GKN plc., Great Britain
LogicaCMG plc., Great Britain (deputy chairman)
RMC Group plc., Great Britain
SAPPI Limited, South Africa

Dr. Rudolf Müller, Ochsenfurt

Member of the Board of Executive Directors of Südzucker AG

other appointments to supervisory bodies: AGRANA Beteiligungs-AG, Austria (vice chairman)
BGD Bodengesundheitsdienst GmbH (chairman)
Raffinerie Tirlemontoise S.A., Belgium
REKO Erdenvertrieb GmbH (chairman)
Saint Louis Sucre S.A., France
Slaka Spolka Cukrowa S.A., Poland (chairman)
Südzucker International GmbH (chairman)
Zuckerfabrik Ropczyce S.A., Poland (chairman)
Z&S Zucker und Stärke Holding AG (vice chairman)

Renato De Salvo, Auhagen
Deputy Chairman of the Works Council of the Sigmundshall Plant of K+S KALI GmbH

Dr. Eckart Sünnner, Neustadt a. d. W.
Head of the Central Legal Affairs, Tax and Insurance Department of BASF AG
further Supervisory Board appointments: BASF Schwarzheide GmbH
Lucura Rückversicherungs AG (chairman)
other appointments to supervisory bodies: BASF Corporation, U.S.A.

Dr. Helmut Zentgraf, Burghaun
Manager of the Werra Plant of K+S KALI GmbH

Members of the Board of Executive Directors

Dr. Ralf Bethke, Kassel, Chairman
ORGANIZATIONAL DIVISION 1
Potash and Magnesium Products Business Segment
fertiva Business Segment
Investor Relations
Communications
Controlling and Capital Expenditure

Norbert Steiner, Baunatal
ORGANIZATIONAL DIVISION 2
Salt Business Segment
Services and Trading Business Segment
Finance
Purchasing, Logistics
Legal Affairs/Insurance/Compliance
Taxes, Audit

Gerd Grimmig, Söhrewald
ORGANIZATIONAL DIVISION 3
Waste Management and Recycling Business Segment
Mining and Geology
Research and Development
Environmental Protection/Industrial Safety/Quality Management
Engineering Technology/Energy
Supervisory Board appointments: Thyssen Schachtbau GmbH

Dr. Thomas Nöcker, Kassel, Personnel Director
ORGANIZATIONAL DIVISION 4
Personnel
Property Management
Knowledge Management
Appointments to supervisory bodies: RAG Bildung GmbH

Joachim Vogt, Essen
ORGANIZATIONAL DIVISION 5
COMPO Business Segment
Corporate Development
Consumer Goods Coordination
Appointments to supervisory bodies: Wolff-Gruppe

Kassel, 25 February 2005

K+S Aktiengesellschaft
The Board of Executive Directors

Definitions of Key Figures

Book value per share	=	$\frac{\text{Equity + liabilities-side balance arising from capital consolidation}}{\text{Total number of shares as of 31 Dec.}}$
Dividend yield	=	$\frac{(\text{Proposed}) \text{ dividend per share}}{\text{Stock exchange price (XETRA) as of 31 Dec.}}$
Return on equity	=	$\frac{\text{Net income}}{\text{Equity + liabilities-side balance arising from capital consolidation}}$
Enterprise Value	=	Market capitalisation + pension provisions – net cash and cash equivalents
Return on total investment	=	$\frac{\text{Earnings before taxes + interest expenses}}{\text{Balance sheet total}}$
Market capitalisation	=	Total number of shares as of 31 Dec. x stock exchange price (XETRA) as of 31 Dec.
Return on Capital Employed (ROCE)	=	$\frac{\text{EBIT}}{\text{Intangible assets + tangible fixed assets + inventories + receivables/prepaid expenses – short-term provisions – operating liabilities}}$
Working capital	=	Inventories + receivables and other assets – short-term provisions – operating liabilities

Financial and Economic Terms

Gross domestic product	Value of the economic performance that comprises all the goods and services produced in a country within a reporting period.
Cash flow	Net balance of incoming and outgoing payments during a reporting period.
Dividend	Part of retained profit distributed to shareholders.
DVFA	Short for German Association for Financial Analysis and Asset Management. The DVFA earnings developed by this association are intended to represent as objective as possible a comparison yardstick for evaluating the earnings strength of business enterprises.
EBIT	Earnings before interest and taxes.
Enterprise value	Is an indicator of the value of a company frequently used by financial analysts (> Definitions of key figures). Enterprise value is frequently compared with other figures (revenues, EBITDA, EBIT), which produces what is known as enterprise value multiples.
Free float	The number of shares not held by investors owning more than 5 % of the shares of a company (with the exception of shares held by investment companies and asset managers).
Investor relations	Corporate communications addressed to financial analysts as well as institutional and private investors.
Credit insurance	A guarantee in common use in the export business with which the payment for the exported goods is secured for the exporter.
Deferred taxes	A result of short-term differences in the accounting policies applied in the statutory financial statements and the tax balance sheet. They can arise in two forms, either as a tax claim by the company (deferred tax assets) or as a tax obligation (deferred tax liabilities).

Business Terms

ENTEC®	The brand name of a fertilizer that is exclusively marketed by COMPO. What makes ENTEC® fertilizers special is their higher degree of nitrogen efficiency, which is achieved through the ammonia stabilizer (nitrification inhibitor) ENTEC®. ENTEC® delays the transformation of ammoniacal nitrogen into nitric-nitrogen, which can be easily washed away. The likelihood of this happening is reduced, making more of the nitrogen fertilizer available to plants.
ESTA®	A process developed and patented by K+S in order to separate potash crude salts by means of an electric tension field without the use of water and in an environmentally friendly way by using less energy.
Fertigation	A hybrid word formed from “fertilize” and “irrigate”. Fertilizers are applied during irrigation.
Nitrification inhibitors	(> ENTEC®)
OECD	Organisation for Economic Cooperation and Development in Europe.
Sustainable development	A term used to denote sustainable management of resources in a way that takes account of economic, ecological and ethical aspects.
Knowledge management	The structured development, group-wide dissemination and coordination of knowledge to avoid duplication of effort among other things.

Information Order Form

Here you have an opportunity to obtain further information and place yourself on our mailing list. In this way, you can be certain not to miss any important events in the future relating to the world of the K+S Group.

Name/Company _____

Street, P.O. Box _____

Postcode, Town _____

Country _____

E-mail _____

Please send me the latest:

- ☐ Annual Report
- ☐ Interim Report
- ☐ Sustainability Report

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- ☐ Interim Reports
- ☐ Sustainability Reports

Information by:

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- ☐ E-mail (newsletter)

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Please fax the completed questionnaire

to +49 (0) 561/9 301-16 66

or mail it to: K+S Aktiengesellschaft, Postfach 10 20 29, 34111 Kassel, Germany.

Thank you very much.
Your Investor Relations Team

K+S Aktiengesellschaft

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34111 Kassel (Germany)

If you would prefer to send it by mail, we have
indicated fold lines for a window envelope.

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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
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Press and analyst conference, Frankfurt am Main	16 March 2006
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Interim report 31 March 2006	10 May 2006
Dividend payment for 2005	11 May 2006



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