Quarterly Report 01/05

January – March

At **€ 795.1 million**, first quarter revenues **rise by 6 %**

Operating earnings (EBIT I) rise by **24 %** to **€ 100.9 million**

Earnings per share at **€ 2.15/share** (Q1 2004: € 1.00/share)

Favourable outlook for **2005** as a whole

Changeover in reporting to **IFRSs**

K+S

Experience growth.

Key Data Business Development

Key Figures (IFRSs)	January - March (Q1)		
€ million	2005	2004	%
Revenues	**795.1**	752.9	+ 5.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**132.7**	113.6	+ 16.8
EBITDA margin in %	**16.7**	15.1	
Operating earnings (EBIT I)	**100.9**	81.4	+ 24.0
Operating EBIT margin in %	**12.7**	10.8	
Earnings after market value changes (EBIT II)	**148.0**	68.4	+ 116.4
Earnings before income taxes	**144.0**	65.2	+ 120.9
Earnings after taxes	**91.3**	42.7	+ 113.8
Gross cash flow	**107.6**	105.4	+ 2.1
Net liquid funds as of 31 March	**124.4**	241.6	- 48.5
Capital expenditure [1]	**13.3**	18.1	- 26.5
Depreciation [1]	**31.8**	32.2	- 1.2
Earnings after taxes per share (€)	**2.15**	1.00	+ 115.0
Gross cash flow per share (€)	**2.53**	2.48	+ 2.0
Book value per share as of 31 March (€)	**23.13**	20.82	+ 11.1
Total number of shares as of 31 March (million)	**42.5**	42.5	–
Outstanding shares as of 31 March (million) [2]	**42.4**	42.5	- 0.2
Average number of shares (million) [3]	**42.5**	42.5	–
Employees as of 31 March (number) [4]	**11,048**	11,120	- 0.6
Average number of employees [4]	**11,077**	11,141	- 0.6
Personnel expenses [5]	**167.3**	150.2	+ 11.4
Closing price (XETRA) as of 31 March (€)	**43.62**	25.95	+ 68.1
Market capitalization as of 31 March	**1,853.9**	1,102.9	+ 68.1
Enterprise value as of 31 March	**2,270.5**	1,401.1	+ 62.1

1) For or in connection with intangible assets and tangible fixed assets.
2) Total number of shares less the own shares held by K+S on the reporting date.
3) Total number of shares less the average number of shares held by K+S over the period.
4) Workforce including temporary employees (without students and interns) measured on full-time equivalent basis (FTE).
5) Personnel expenses also include expenditures connected with semi-retirement and early retirement.

Management Report

Variance analysis	2005 Q1
Revenues (€ million)	795.1
Change in revenues (€ million)	**+ 42.2**
- resulting from volume/ structural factors	- 35.6
- resulting from prices	+ 66.0
- resulting from exchange rates	- 7.3
- resulting from consolidation	+ 19.1

Changeover to IFRSs
Until the end of 2004, the consolidated financial statements and interim reports of K+S Aktiengesellschaft were prepared in accordance with the accounting principles set forth in the German Commercial Code (HGB). These quarterly financial statements are the first financial statements for the Company to have been prepared in accordance with International Financial Reporting Standards (IFRSs). The figures for the first quarter 2004 as well as for 2004 as a whole have been adjusted accordingly with retroactive effect. The IFRS figures for the interim financial statements as of 30 June, 30 September and 31 December 2004 will be published in stages along with the future quarterly reports.

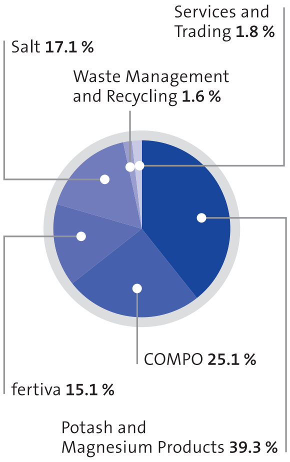
The two accounting systems are based on different principles. The differences that arise for K+S apply in particular to the computing of goodwill, to equity, periods of depreciation, provisions, hedging transactions and the related measurement of revenues as well as deferred taxes. The reconciliations and explanations needed to understand these differences can be found in the Notes.

First quarter revenues rise by 6 %
Under IFRSs, U.S. dollar revenues are measured in line with the spot rate and not by applying the rate at which they are hedged as is the case under HGB.

At € 795.1 million, first quarter revenues exceeded the figure for the same period last year by € 42.2 million or just under 6 %. Given the sharp rise in world market prices for potash on a year-on-year basis, the strongest gains were posted by the Potash and Magnesium Products business segment. The price increases even more than made up for the limited shifts in volume resulting from late start to the spring season as a result of weather conditions.

At 39 %, the Potash and Magnesium Products business segment accounted for the largest share of revenues. In total, € 663.8 million or more than 80 % of Group revenues were generated in Europe, where we are able to leverage the logistical advantages that we enjoy over our competitors in the fertilizer business in particular.

Revenues by business segment
Jan. - Mar. 2005



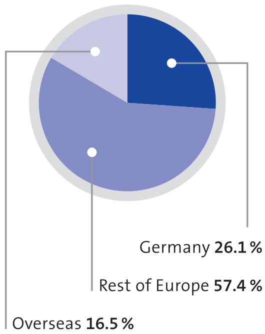
First quarter operating earnings up 24 %

The operating earnings (EBIT I) largely correspond to the definition of EBIT hitherto applied under HGB. They are free of non-cash changes in market value of the options that we use to hedge the U.S. dollar and only include the foreign currency gains actually achieved as a result of exchange rate hedging for the period under review. We are of the opinion that the operating earnings (EBIT I) provide a better indication of the operating earnings capacity of the K+S Group than the earnings after market value changes (EBIT II).

We achieved a clear increase in the operating earnings (EBIT I) for the first quarter of 2005, boosting them by € 19.5 million or 24 % to € 100.9 million. With the exception of the Waste Management and Recycling as well as the Services and Trading business segments, all business segments were able to improve on their operating earnings. In this respect too, the greatest increase was achieved by the Potash and Magnesium Products business segment, which, despite the first quarter shift in sales resulting from weather conditions, managed to profit from the sharp increase in world market prices for potash fertilizers on a year-on-year basis. In addition, the successes deriving from our efficiency-enhancement programmes also boosted earnings.

As a result of seasonal factors, we already obtain a significant portion of our earnings in the first half of the year and for this reason, it would be incorrect to make a projection for all of 2005 on this basis.

Revenues by region
Jan. - Mar. 2005



Earnings after market value changes shows sharp rise in connection with reporting date

As a result of the changeover to IFRSs, changes in the market value of the double barrier options that we use to hedge the U.S. dollar exchange rate must be recognized in the income statement. While foreign currency cash gains deriving from options already exercised are included in the operating earnings (EBIT I) for the first quarter, the non-cash changes in market value for our options are reported as reconciliation to EBIT II. These are acquired to hedge the U.S. dollar and are only exercised on maturity. Regardless of the profit contribution of the U.S. dollar hedge, changes in market value up to that time are not relevant for the operating earnings of K+S. However, it should be ensured that the options yet to be exercised do not lose their validity. We ensure this by means of active foreign currency management and, if necessary, by paying additional premiums to adjust the barriers.

EBIT II for the first quarter of 2005 rose by € 79.6 million to € 148.0 million: In addition to the improvement in the EBIT I operating earnings, the strong increase is largely due to the positive development of the market values for our double barrier options. The market value levels on the reporting date depend on such factors as the USD/EUR spot rate, exchange rate volatility and the option term. Currently, market values are close to their maximum levels because the USD/EUR spot rate on reporting date was somewhere in the middle of the defined option ranges, less than or equal to USD 1.20/EUR and more than or equal to USD 1.40/EUR at the present time.

Financial result slightly lower

The financial result for the first quarter amounted to € -4.0 million and was € 0.8 million down on the figure for the same period last year. Under IFRSs, in addition to interest for pension provisions (€ -2.3 million) the financial result includes interest for other long-term provisions (€ -3.3 million) which mainly relate to mining obligations and both of which are non-cash. Further details can be found in the Notes.

Strong rise in earnings before and after taxes

First quarter earnings before taxes amounted to € 144.0 million and were thus up by € 78.8 million or 121 %. With the financial result only declining slightly, the positive trend in earnings made a contribution in this regard.

In reporting incomes taxes, the changeover to IFRSs has resulted in significant changes compared with reporting under HGB: Despite tax loss carryforwards continuing to be available, income taxes are reported on a normalized basis after taking account of non-cash deferred taxes.

Earnings after taxes for the first quarter of 2005 more than doubled by € 48.6 million to € 91.3 million. The higher operating earnings as well as the sharp rise in the market value of our double barrier options since the beginning of the year more than made up for the higher income taxes. Of total income taxes of € 52.7 million, € 34.0 million are non-cash. Further details can be found in the Notes.

First quarter earnings per share up 115 %

At € 2.15 per share, earnings per share for the quarter under review were up € 1.15 or 115 % year-on-year. As for the same period last year, this figure is based on an average 42.5 million no-par value shares.

As of 31 March 2005, we held 60,498 of our own shares: The shares were solely acquired in connection with the annual workforce share programme and have been sold to our employees on reduced terms in the meantime.

Cash flow from operating activities declines
At € 107.6 million, gross cash flow for the first quarter was up 2 % year-on-year. The higher operating earnings were able to make up for higher tax payments and the effect of lower allocations to provisions. First quarter cash flow from operating activities amounted to € -56.5 million: Of the decline of € 53.1 million, a good € 20 million was attributable to higher costs associated with our hedging of the U.S. dollar for the years 2005 to 2008. In addition, a significant increase in receivables as well as lower inventory disposals caused working capital to increase. Sharp price increases in the overseas business as well as stocking up for the spring season were the main factors in this regard. With payments for investment activities down slightly, first quarter free cash flow amounted to € -61.2 million, down € 46.1 million on the same period last year.

Net liquid funds as of 31 March 2005 amounted to € 124.4 million, down € 117.2 million on the same date last year.

First quarter capital expenditure declines
First quarter capital expenditure amounted to € 13.3 million and was thus € 4.8 million down on the corresponding figure for last year's quarter. This is attributable to the successful completion of the Sylvinite project in the Potash and Magnesium Products business segment as well as the completion of the brine field expansion in the Salt business segment.

For 2005 as a whole, we anticipate a largely unchanged capital expenditure of about € 140 million. It is planned that about two thirds of this amount will be used for capital expenditure related to maintenance and ensuring production. We expect depreciation to amount to about € 130 million.

At € 3.2 million, first quarter research and development costs were up slightly quarter-on-quarter (€ 2.8 million). For 2005 as a whole, we expect R&D costs to approximate € 15 million, as was the case last year.

Headcount slightly lower
The K+S Group employed a total of 11,048 persons as of 31 March 2005. This figure was down 0.6 % on 31 March 2004 (11,120 employees). The workforce increased by 124 employees as a result of consolidation factors connected with the acquisition of French SCPA activities. Without this structural effect, the number of employees would have fallen by just under 2 %. At the end of the year, the number of employees should be on the current level.

Personnel expenses for the first quarter, including outlays connected with semi-retirement and early retirement as well as profit-related bonuses, amounted to € 167.3 million, representing an increase of € 17.1 million or 11 %. A key factor in this regard was the increase in profit-related bonuses paid to employees as a result of the positive trend in earnings.

Anti-dumping
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 a renewed review for the introduction of an anti-dumping procedure against potassium chloride imports from these countries. The motion has been approved by the EU Commission in the meantime: The current rules will remain in place during the review process, which can last several months. We assume that the review process will result in the continued provision of effective protection against unfair trading practices.

Outlook remains positive
We expect the positive trend in business experienced at the beginning of the year to continue over the coming three quarters. Revenues should increase further.

In terms of the operating earnings (EBIT I), we even expect a tangible improvement year-on-year insofar as no significant follow-up hedging is required for our U.S. dollar hedging transactions. The increase in prices for potash and magnesium products, the impact on earnings of the Sylvinite production, the full implementation of more flexible working hours in the Potash and Magnesium Products business segment as well as the measures that have been started to enhance efficiency in COMPO should contribute to the increase of earnings.

The Board of Executive Directors, 4 May 2005

Business Segments of the K+S Group

Potash and Magnesium Products	January - March (Q1)		
€ million	2005	2004	%
Revenues	**312.2**	279.7	+ 11.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**57.6**	44.1	+ 30.6
Operating earnings (EBIT I)	**36.7**	23.1	+ 58.9
Operating EBIT margin in %	11.8	8.3	
Earnings after market value changes (EBIT II)	**84.8**	11.1	> 100
Capital expenditure	**8.9**	8.9	–
Employees as of 31 March (number)	**7,538**	7.613	- 1.0

	2005
Variance analysis	Q1
Revenues (€ million)	312.2
Change in revenues (€ million)	**+ 32.5**
- Potassium chloride	+ 11.7
- Fertilizer specialities	+ 16.9
- Industrial products	+ 3.9

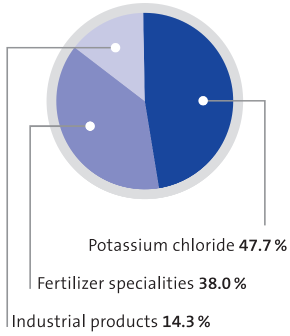
Global demand for potash fertilizers continued to display a robust trend in the first quarter. In the year 2005, the market started with significantly higher potash prices than the beginning of 2004. To be prepared for the increased demand that is expected over the coming years, North American producers PCS, Mosaic and Agrium have announced that they will expand their potash production capacity. Since the beginning of the year, an additional 250,000 tons has been available to K+S too.

First quarter revenues rose by just under 12% to € 312.2 million mainly as a result of price factors. The slight decline in volume resulting from a late start to the fertilizer season in Europe could be made up for markedly. In the case of potassium chloride, price factors caused revenues to rise to € 148.7 million, representing an increase of 9%. In the fertilizer speciality segment too, revenues were up 17% quarter-on-quarter to total € 118.7 million as a result of price factors, with the good trend in potassium sulphate contributing to this above all. The industrial products business (€ 44.8 million) was also up 10% on the same quarter last year as a result of price factors as well.

The operating earnings (EBIT I) for the first quarter amounted to € 36.7 million, which represents an increase of € 13.6 million or just under 60%. The global increase in prices for potash and magnesium products as well as the savings realized as a result of efficiency enhancement measures could more than make up for shifts in sales.

For 2005 as a whole, we expect revenues to be significantly higher than in 2004 as a result of price and volume-related factors. Insofar as the trend in the U.S. dollar exchange rate does not require any significant follow-up hedging, the operating earnings should rise sharply as a result of higher average prices despite rising energy and freight costs.

Revenues by product group
Jan. - Mar. 2005



COMPO	January - March (Q1)		
€ million	2005	2004	%
Revenues	**199.2**	208.6	- 4.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**21.0**	18.7	+ 12.3
Operating earnings (EBIT I)	**18.3**	16.8	+ 8.9
Operating EBIT margin in %	9.2	7.9	
Earnings after market value changes (EBIT II)	**18.7**	16.8	+ 11.3
Capital expenditure	**1.2**	1.7	- 29.4
Employees as of 31 March (number)	**1,320**	1,336	- 1.2

	2005
Variance analysis	Q1
Revenues (€ million)	199.2
Change in revenues (€ million)	**- 9.4**
- Consumer business	- 6.7
- Professional/industrial business	- 2.7

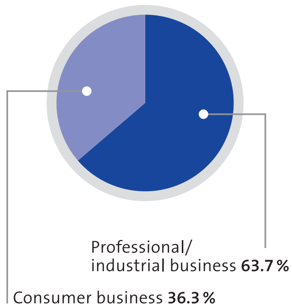
The consumer business started the year weaker as a result of winter weather conditions persisting in Europe until the middle of March. However, the season then developed all the more robustly over the coming weeks. Business in the professional segment also developed at a moderate pace for the same reasons.

Revenues for the first quarter of 2005 amounted to € 199.2 million and were thus down € 9.4 million or 5% on the same period last year: Price increases could not completely offset declines in volume. In the consumer area, revenues fell by 8% to € 72.3 million: Decreases in volume in France as a result of weather factors were a key factor in this regard in particular. The professional business suffered as a result of the long winter in southern Europe with revenues falling by 2% to € 126.9 million.

The operating earnings (EBIT I) for the period under review amounted to € 18.3 million and was thus € 1.5 million or 9% higher than a year ago. The decline in revenues could be more than made up for by a lower world market price for ammonia as well as cost savings.

Despite the moderate pace of business in the first quarter, we expect 2005 revenues to show a slight increase. Assuming that the price of ammonia will be lower than in 2004, the operating earnings should display a further increase year-on-year: The measures that have already been instituted to increase efficiency should also have a positive impact.

Revenues by product group
Jan. - Mar. 2005

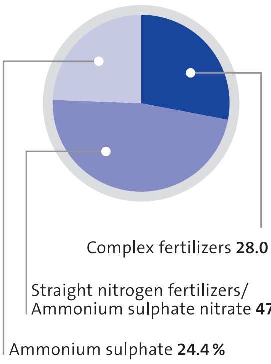


Business Segments of the K+S Group

Variance analysis	2005 Q1
Revenues (€ million)	120.4
Change in revenues (€ million)	**+ 4.8**
- Complex fertilizers	+ 0.1
- Straight nitrogen fertilizers/ Ammonium sulphate nitrate	- 2.9
- Ammonium sulphate	+ 7.6

fertiva	January - March (Q1)		
€ million	2005	2004	%
Revenues	**120.4**	115.6	+ 4.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**7.1**	4.2	+ 69.0
Operating earnings (EBIT I)	**6.9**	4.1	+ 68.3
Operating EBIT margin in %	5.7	3.5	
Earnings after market value changes (EBIT II)	**5.5**	3.2	+ 71.9
Capital expenditure	**0.2**	0.1	+ 100.0
Employees as of 31 March (number)	**55**	55	–

Revenues by product group
Jan. - Mar. 2005



The sharp increase in prices for nitrogen fertilizers in the second half of last year resulted in high stocking up by trade distributors in anticipation of a further increase in prices. As a result, the pace of new business in the first quarter was relatively moderate.

For the first quarter of 2005, fertiva nevertheless achieved a significant increase in revenues of € 4.8 million or 4 % to € 120.4 million. Significantly higher prices could more than make up for lower volume compared with the first quarter of 2004. In the case of complex fertilizers, revenues totalled € 33.7 million, thus reaching the level for the same period last year. A slight decline in volume could be offset by higher prices. In the case of straight nitrogen fertilizers, revenues fell by 5 % to € 57.3 million: Key factors in this regard were the long winter in Europe as well as the high stocking up on the part of our customers. Good overseas demand in particular boosted ammonium sulphate revenues significantly, causing them to rise by 35 % to € 29.4 million. This was attributable to price and sales increases resulting from the availability of higher volume.

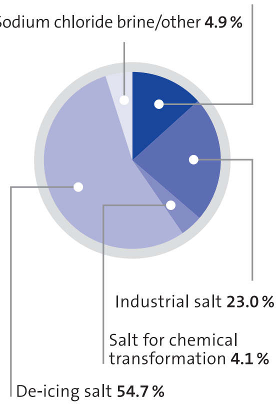
At € 6.9 million, the operating earnings (EBIT I) were up € 2.8 million on the same period last year. This increase was due to the relatively high price level for nitrogenous fertilizers as well as lower procurement costs for ammonia. In addition, a higher exchange rate for the U.S. dollar compared with the fourth quarter caused receivables arising from the overseas business to increase in a way that boosted earnings. However, as fertiva receivables are hedged forward, this effect will be neutralized by appropriate payment receipts in subsequent quarters.

For 2005 as a whole, a slight increase in revenues and earnings compared with 2004 is possible.

Variance analysis	2005 Q1
Revenues (€ million)	136.1
Change in revenues (€ million)	**+ 15.0**
- Table salt	- 0.1
- Industrial salt	- 1.7
- Salt for chemical transformation	- 1.0
- De-icing salt	+ 15.9
- Sodium chloride brine/other	+ 1.9

Salt	January - March (Q1)		
€ million	2005	2004	%
Revenues	**136.1**	121.1	+ 12.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**44.2**	40.2	+ 10.0
Operating earnings (EBIT I)	**38.9**	34.2	+ 13.7
Operating EBIT margin in %	28.6	28.2	
Earnings after market value changes (EBIT II)	**38.9**	34.2	+ 13.7
Capital expenditure	**1.5**	6.4	- 76.9
Employees as of 31 March (number)	**1,361**	1,349	+ 0.9

Revenues by product group
Jan. - Mar. 2005



During the first quarter, Europe's salt market was shaped by the positive course of business for de-icing salt in particular: It benefited from the long period of winter weather in Europe and in Germany in particular.

The increase in revenues of € 15.0 million to € 136.1 million for the period under review, which was mainly driven by volume and structural factors, was largely attributable to the very good course of de-icing salt business. Table salt revenues amounted to € 18.1 million and thus attained the level of a year ago. Revenues for industrial salts and salts for chemical transformation totalled € 31.3 million and € 5.6 million respectively: Both displayed decreases attributable to volume factors. Revenues for the de-icing salt business rose by 27 % to € 74.5 million as a result of both volume and structural factors.

The higher revenues generated in the first quarter resulted in a significant improvement in operating earnings (EBIT I), which rose by 14 % to € 38.9 million.

Revenues and the operating earnings for 2005 as a whole will depend mainly on the stocking up of de-icing salt and the winter business at the end of the year. Given the very good start to the year, it would appear possible to attain last year's levels from today's perspective.

Waste Management and Recycling	January - March (Q1)		
€ million	2005	2004	%
Revenues	**12.5**	14.4	- 13.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**2.1**	3.4	- 38.2
Operating earnings (EBIT I)	**1.5**	2.4	- 37.5
Operating EBIT margin in %	12.0	16.7	
Earnings after market value changes (EBIT II)	**1.5**	2.4	- 37.5
Capital expenditure	**0.1**	0.1	–
Employees as of 31 March (number)	**34**	34	–

	2005
Variance analysis	Q1
Revenues (€ million)	12.5
Change in revenues (€ million)	**- 1.9**
- Disposal	- 2.5
- Re-utilisation	+ 0.6
- Recycling	–

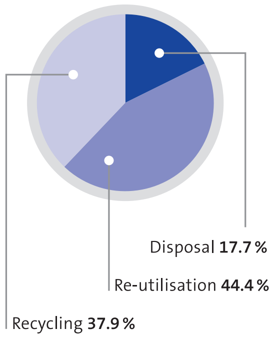
The waste management market in Germany saw fierce competition in the first quarter too. Prices remained on a relatively low level. As of June 2005, it will no longer be possible for residential waste to be stored at waste disposal sites located above ground. This should result in an increase in filter dust and flue gas cleaning residues from domestic waste incineration plants which are generally re-utilised underground.

During the period under review, revenues fell by 13% to € 12.5 million, mainly as a result of volume decreases. The completion of special projects for the clean-up of pre-existing environmental contamination caused revenues for underground waste disposal to decline significantly from € 4.7 million to € 2.2 million. Underground waste re-utilisation saw a volume-related increase of 12% to € 5.6 million. At € 4.7 million, the recycling business attained the level for the same period last year. Higher prices made up for volume decreases for aluminium recycling.

As a result of the completion of special projects for the clean-up of pre-existing environmental contamination last year, the operating earnings (EBIT I) for the first quarter fell by € 0.9 million to € 1.5 million.

We expect revenues for 2005 to be down on the preceding year, which benefited from special projects for the clean-up of pre-existing environmental contamination. Analogously, we expect a limited decline in the operating earnings for 2005 as a whole.

Revenues by segment
Jan. - Mar. 2005



Services and Trading	January - March (Q1)		
€ million	2005	2004	%
Revenues	**14.7**	13.5	+ 8.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**7.6**	7.9	- 3.8
Operating earnings (EBIT I)	**6.1**	6.5	- 6.2
Operating EBIT margin in %	41.5	48.1	
Earnings after market value changes (EBIT II)	**6.1**	6.5	- 6.2
Capital expenditure	**1.1**	0.8	+ 37.5
Employees as of 31 March (number)	**386**	375	+ 2.9

	2005
Variance analysis	Q1
Revenues (€ million)	14.7
Change in revenues (€ million)	**+ 1.2**
- Granulation	+ 0.1
- Logistics	+ 0.5
- Trading	+ 0.4
- IT, analytical services	+ 0.2

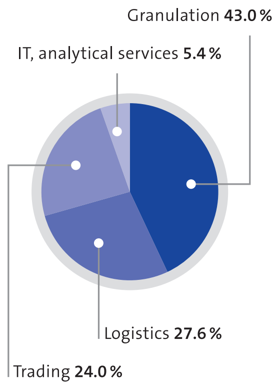
Revenues for the Services and Trading business segment in the first quarter of 2005 rose by € 1.2 million to € 14.7 million. The revenues deriving from services supplied to K+S Group companies, especially in the case of logistics, are not included in this figure.

In the case of logistics, revenues rose by € 0.5 million mainly as a result of an increase in the freight forwarding business. With respect to the production of CATSAN® (granulation), slightly higher prices resulted in revenues rising by about 2% quarter-on-quarter to € 6.4 million. The trading business as well as IT and analytical services were also able to increase revenues slightly.

Despite the increase in revenues generated by third party business, the first quarter operating earnings (EBIT I) for the business segment declined by € 0.4 million or 6%: The corresponding quarter last year was marked by extraordinary income attained by logistics.

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 2004.

Revenues by segment
Jan. - Mar. 2005



Financial Section

Explanatory notes; structural changes
This interim report has been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The corresponding period for 2004 has been adjusted accordingly. The measurement principles applied in these quarterly financial statements correspond to those applied to the corresponding period. The interim figures are unaudited.

The scope of consolidation was extended for seven companies as of 1 January 2005.

Group income statement	January - March (Q1)	
€ million	2005	2004
Revenues	**795.1**	752.9
Cost of sales	498.4	472.0
Gross profit	**296.7**	280.9
Gross margin in %	37.3	37.3
Selling expenses	186.5	180.4
including: freight costs	107.7	97.3
General and administrative expenses	17.5	15.9
Research and development costs	3.2	2.8
Other operating income/expenses	11.4	- 0.8
Result from investment, net	–	0.4
Operating earnings (EBIT I)	**100.9**	81.4
Operating EBIT margin in %	12.7	10.8
Market value changes resulting from hedging transactions	47.1	- 13.0
Earnings after market value changes (EBIT II)	**148.0**	68.4
Interest income, net	- 5.3	- 4.7
Other financial result	1.3	1.5
Financial result	**- 4.0**	- 3.2
Earnings before income taxes	**144.0**	65.2
Taxes on income	52.7	22.5
of which: deferred taxes	34.0	11.1
Earnings after taxes	**91.3**	42.7
Earnings per share in € (undiluted = diluted)	**2.15**	1.00
Average number of shares (million)	42.5	42.5

Statement of Changes in Equity	Subscribed Capital	Additional paid-in capital	Profit retained revenue reserves	Differences from foreign currency translation	Other reserves not recognized in net profit/loss	Equity
€ million						
As of 1 January 2005	108.8	4.7	756.3	- 1.4	16.0	**884.4**
Dividend for previous year	–	–	–	–	–	**–**
Earnings after taxes for the period	–	–	91.3	–	–	**91.3**
Market valuation of securities	–	–	–	–	–	**–**
Foreign currency adjustments	–	–	–	- 0.3	–	**- 0.3**
Consolidation effects	–	–	–	–	–	**–**
Other neutral changes	–	–	5.9	–	- 0.7	**5.2**
As of 31 March 2005	**108.8**	**4.7**	**853.5**	**- 1.7**	**15.3**	**980.6**
As of 1 January 2004	108.8	4.6	715.4	- 1.2	14.5	842.1
Dividend for previous year	–	–	–	–	–	–
Earnings after taxes for the period	–	–	42.7	–	–	42.7
Market valuation of securities	–	–	–	–	1.6	1.6
Foreign currency adjustments	–	–	–	–	–	–
Consolidation effects	–	- 0.5	- 3.7	–	–	- 4.2
Other neutral changes	–	–	2.6	–	–	2.6
As of 31 March 2004	108.8	4.1	757.0	- 1.2	16.1	884.8

Balance Sheet – Assets			
€ million	31.3.2005	31.3.2004	31.12.2004
Intangible assets	98.1	75.9	78.4
Tangible fixed assets	804.8	803.0	814.7
Investment properties	11.1	12.7	11.7
Financial assets	21.6	21.7	26.3
Fixed assets	**935.6**	913.3	931.1
Inventories	239.8	220.5	249.0
Accounts receivable – trade	695.2	650.1	506.0
Other receivables and assets	194.3	113.7	120.9
of which: derivative financial instruments	103.6	22.8	21.5
Securities	157.8	146.7	163.9
Cash and cash equivalents	54.0	124.2	91.5
Current assets	**1,341.1**	1,255.2	1,131.3
Deferred tax assets	**81.6**	94.4	96.8
Prepaid expenses	**1.0**	3.3	3.0
ASSETS	**2,359.3**	2,266.2	2,162.2

Balance Sheet – Equity and Liabilities			
€ million	31.3.2005	31.3.2004	31.12.2004
Subscribed capital	108.8	108.8	108.8
Additional paid-in capital	4.7	4.1	4.7
Revenue reserves and profit retained	853.5	757.0	756.3
Other reserves not recognized in net profit/loss	13.6	14.9	14.6
Equity	**980.6**	884.8	884.4
Provisions for pensions	217.7	223.2	217.7
Provisions for mining obligations	323.3	316.6	322.0
Other provisions	99.6	85.7	100.0
Provisions	**640.6**	625.5	639.7
Accounts payable trade	273.5	294.0	321.8
Liabilities in relation due to banks	84.0	24.3	57.8
Accruals	240.6	185.9	167.4
Other liabilities	80.4	226.6	62.5
Liabilities	**678.5**	730.8	609.5
Deferred tax liabilities	**37.5**	14.7	19.4
Deferred income	**22.1**	10.4	9.2
EQUITY AND LIABILITIES	**2,359.3**	2,266.2	2,162.2

Net liquid funds	January - March (Q1)	
€ million	2005	2004
Net liquid funds at the beginning of the period	205.1	269.4
Cash and cash equivalents	54.0	124.2
Short-term liabilities in relation due to banks	- 61.7	- 4.2
Cash invested with affiliated companies*	–	–
Cash received from affiliated companies*	- 3.4	- 5.0
Net cash and cash equivalents as of 31 March	**- 11.1**	115.0
Securities	157.8	146.7
Medium to long-term liabilities in relation due to banks	- 22.3	- 20.1
Net liquid funds as of 31 March	**124.4**	241.6

* companies not included in the scope of consolidation

Financial Section

Cash Flow Statement	January - March (Q1)	
€ million	2005	2004
Operating earnings (EBIT I)	**100.9**	81.4
Depreciation on fixed assets*	31.8	32.2
Release of negative balances on capital consolidation	- 1.8	–
Decrease(-)/Increase(+) in long-term provisions (without interest rate effects)	- 5.0	1.0
Interest, dividend receipts and similar income	1.6	2.2
Interest paid	- 1.2	- 0.8
Income tax paid	- 18.7	- 11.5
Other non-cash items	–	0.9
Gross cash flow	**107.6**	105.4
Gain(-)/loss(+) on disposal of fixed assets	- 1.7	- 0.4
Increase(-)/decrease(+) in inventories	9.2	28.5
Increase (-)/decrease (+) in receivables from current operations	- 213.6	- 196.8
Decrease (-)/decrease (+) in liabilities from current operations (including accruals)	42.0	59.9
Cash flow used in operating activities	**- 56.5**	- 3.4
Proceeds from disposals of fixed assets	2.6	0.6
Payments from the sale of securities	20.3	23.2
Disbursements for intangible assets	- 0.5	- 0.6
Disbursements for tangible fixed assets	- 12.8	- 17.6
Disbursements for financial assets	- 1.1	–
Disbursements for acquisition of consolidated companies	–	- 5.6
Disbursements for securities	- 13.2	- 11.7
Cash flow used in investing activities	**- 4.7**	- 11.7
Free cash flow	**- 61.2**	- 15.1
Acquisition of own shares	- 2.6	–
Taking out(+)/repayment(-) of loans	1.7	2.4
Cash flow used in/provided by financing activities	**- 0.9**	2.4
Change in cash and cash equivalents affecting cash flow	**- 62.1**	- 12.7
Changes from consolidation	- 10.8	3.5
Change in cash and cash equivalents	**- 72.9**	- 9.2

* For or in connection with intangible assets and tangible fixed assets

Notes and explanatory comments concerning the first-time application of IFRSs

The first-time application of International Financial Reporting Standards (IFRSs) essentially has retroactive effect in accordance with IFRS 1. Accordingly, IFRSs are to be applied for the first time as if IFRSs had hitherto always been applied in preparing financial statements. The following are key differences in accounting and measurement rules in relation to German commercial law (HGB):

- Goodwill is subject to an impairment test at regular intervals; there is no systematic amortization or setting off against reserves.
- The depreciation of fixed assets is based on actual useful lifes; no carrying values based on tax considerations are permitted.
- Available-for-sale securities are measured at market value even if this exceeds the cost of acquisition. Exchange gains and losses from this valuation are reported under reserves not recognized in net profit/loss within equity.
- Derivative financial instruments and securities with embedded derivatives are measured at market value even if this exceeds the cost of acquisition. Both gains and decreases in value are recognized in the income statement.
- Provisions are only recognized when obligations exist in relation to third parties and the likelihood of such provisions being used amounts to at least 50 percent. Long-term provisions are reported at present value. There are no provisions for deferred maintenance and no other provisions for expenses.
- Provisions for pensions are computed in accordance with the projected unit credit method.
- Deferred taxes are computed applying the liability method. Deferred taxes in respect of tax loss carry-forwards are recognized insofar as they can be used.

Reconciliation of earnings after taxes as of 31 Mar. 2004 as well as 31 Dec. 2004

Reconciliation of earnings as of 31 March 2004 from HGB to IFRSs	
€ million	
Earnings for the period in accordance with HGB as of 31 March 2004	65.5
Measurement of revenues	- 7.6
Depreciation	- 3.7
Foreign currency result	+ 17.1
Change in provisions	- 0.9
Market value changes in derivatives	- 12.9
Interest expense for long-term provisions	- 3.7
Deferred taxes	- 11.2
Others	+ 0.1
Earnings for the period in accordance with IFRSs as of 31 March 2004	**42.7**

Reconciliation of earnings as of 31 December 2004 from HGB to IFRSs	
€ million	
Net income for the year in accordance with HGB as of 31 December 2004	140.5
Measurement of revenues	- 42.6
Depreciation	- 13.8
Foreign currency result	+ 38.3
Change in provisions	+ 22.7
Market value changes in derivatives	- 26.5
Interest expense for long-term provisions	- 13.4
Deferred taxes	- 15.4
Others	- 7.8
Net income for the year in accordance with IFRSs as of 31 December 2004	**82.0**

Notes and explanatory comments concerning the first-time application of IFRSs

Reconciliation of equity as of 1 Jan. 2004, 31 Mar. 2004 as well as 31 Dec. 2004

Reconciliation of equity as of 1 January 2004 from HGB to IFRSs	
€ million	
Equity in accordance with HGB as of 1 January 2004	555.4
Tangible fixed assets	+ 139.3
Intangible assets including goodwill	- 0.3
Receivables, liabilities, cash and cash equivalents	- 24.7
Market value of derivatives	+ 27.7
Securities	+ 15.4
Deferred tax assets	+ 103.6
Balance on consolidation	+ 29.5
Provisions and accruals	- 1.4
of which: mining obligations	+ 2.0
of which: provisions for pensions	- 44.5
Deferred tax liabilities	+ 4.0
Other adjustments	- 6.4
Equity in accordance with IFRSs as of 1 January 2004	**842.1**

Reconciliation of equity as of 31 March 2004 from HGB to IFRSs	
€ million	
Equity in accordance with HGB as of 31 March 2004	566.8
Tangible fixed assets	+ 143.2
Intangible assets including goodwill	- 0.5
Receivables, liabilities, cash and cash equivalents	- 15.2
Market value of derivatives	+ 14.8
Securities	+ 17.6
Deferred tax assets	+ 94.4
Balance on consolidation	+ 72.7
Provisions and accruals	- 4.1
of which: mining obligations	- 1.0
of which: provisions for pensions	- 46.2
Deferred tax liabilities	+ 4.0
Other adjustments	- 8.9
Equity in accordance with IFRSs as of 31 March 2004	**884.8**

Reconciliation of equity as of 31 December 2004 from HGB to IFRSs	
€ million	
Equity in accordance with HGB as of 31 December 2004	601.4
Tangible fixed assets	+ 140.0
Intangible assets including goodwill	- 0.2
Receivables, liabilities, cash and cash equivalents	- 29.0
Market value of derivatives	+ 1.3
Securities	+ 17.2
Deferred tax assets	+ 96.7
Balance on consolidation	+ 62.3
Provisions and accruals	+ 5.2
of which: mining obligations	+ 40.2
of which: provisions for pensions	- 45.1
Deferred tax liabilities	+ 1.3
Other adjustments	- 11.8
Equity in accordance with IFRSs as of 31 December 2004	**884.4**

Seasonal factors

There are seasonal differences over the course of the year that affect sales of fertilizers and salt products: In the case of fertilizers, we generally attain our highest revenues in the first half of the year because of the use of fertilizers in Europe during the spring. This effect can either be enhanced or diminished by overseas sales. Sales of salt products – especially of de-icing salt – largely depend on winter weather conditions during the first and fourth quarters.

In the aggregate, both these effects mean that revenues and earnings in particular are greatest during the first half of the year.

Geographical breakdown of revenues

In addition to the chart showing the geographical breakdown of K+S Group revenues in the Management Report, the following table shows revenues, volume and average prices for our largest business segment, Potash and Magnesium Products:

Potash and Magnesium Products Business Segment		Q1/2005	Q1/2004
Revenues*	€ million	**312.2**	279.7
Europe	€ million	**219.4**	204.0
Overseas	€ million	**92.8**	75.7
Volume	in million tons	**2.11**	2.22
Europe	in million tons	**1.48**	1.57
Overseas	in million tons	**0.63**	0.65
Average price	per ton in €	**148.0**	126.0
Europe	per ton in €	**148.2**	129.9
Overseas	per ton in €	**147.3**	116.5

* Revenues include prices both inclusive and exclusive of freight cost and in case of overseas revenues are based on the respective USD/EUR spot rates. Hedging transactions have been concluded in respect of most revenues which provide us with more attractive exchange rates than the ones indicated here. These effects are included in other income. The details of prices provided are only intended to serve as a general guideline.

Foreign currency result in EBIT I

Exchange rates are generally hedged using double barrier options. The terms of the derivatives employed vary and extend until the middle of 2008. It should be noted that hedging transactions are only effective as long as the USD/EUR spot rate remains within the barriers of a maximum rate of 1.20 USD/EUR and a minimum rate of 1.40 USD/EUR: If need be, these barriers can be adjusted by paying additional premiums.

We have hedged a total of USD 480 million for 2005 (2004: USD 350 million). Average hedged rates per quarter for the Potash and Magnesium Products business segment are as follows:

Potash and Magnesium Products Business Segment	Q1/04	Q2/04	Q3/04	Q4/04	2004	Q1/05	Q2/05e	Q3/05e	Q4/05e	2005e
USD/EUR hedged rate after premiums*	1.06	1.13	1.12	1.11	1.10	**1.17**	**1.14**	**1.09**	**1.06**	**1.11**
Average USD/EUR spot rate	1.25	1.20	1.22	1.30	1.24	**1.31**	**n/a**	**n/a**	**n/a**	**n/a**

* The values are projected ones as of Q2/05 and we assume that no follow-up hedging will be required.

Interest income, net		
€ million	Q1/05	Q1/04
Interest income	**1.6**	2.2
Interest expense	**- 6.9**	- 6.9
of which: Interest expense for provisions for pensions	**- 2.3**	- 2.6
of which: Interest expense for provisions for mining obligations	**- 3.3**	- 3.4
Interest income, net	**- 5.3**	- 4.7

The actuarial measurement of provisions for pensions is performed applying the projected unit credit method in accordance with IAS 19. The following parameters have been applied in computing provisions for pensions:

- Trend in salary increases: 1.5 %
- Trend in pension increases: 1.5 %
- Discount factor: 4.6 %

The following parameters have been taken into account in computing most of the provisions for mining obligations:

- Trend in price increases: 1.5 %
- Discount factor: 5.0 %

Income taxes		
€ million	Q1/05	Q1/04
Corporation tax	**4.0**	1.4
Trade tax on income	**9.6**	5.8
Foreign income taxes	**5.1**	4.2
Deferred taxes	**34.0**	11.1
Income taxes	**52.7**	22.5

Non-cash deferred taxes result from tax loss carryforwards as well as other temporary tax-related measurement differences, especially changes in the market value of our options.

Contingent liabilities
There have been no significant changes in contingent liabilities in relation to the annual financial statements for 2004 and they can be classified as immaterial overall.

Subsequent events
No significant changes have occurred in the general economic environment or that in which our industry operates since the close of the period under review.

Summary by Quarter

Revenues and operating earnings	2004					2005	
	Q1	Q2	Q3	Q4	2004	Q1	
€ million	IFRSs	HGB	HGB	HGB	IFRSs	IFRSs	%
Potash and Magnesium Products	279.7	276.2	238.9	271.6	1,031.2	**312.2**	+ 11.6
COMPO	208.6	135.8	78.7	102.4	525.1	**199.2**	- 4.5
fertiva	115.6	122.0	132.8	143.2	513.8	**120.4**	+ 4.2
Salt	121.1	65.4	73.1	98.2	357.8	**136.1**	+ 12.4
Waste Management and Recycling	14.4	15.2	14.8	14.6	59.2	**12.5**	- 13.2
Services and Trading	13.5	11.8	12.9	13.3	51.5	**14.7**	+ 8.9
K+S Group revenues	752.9	626.4	551.2	643.3	2,538.6	**795.1**	+ 5.6
Potash and Magnesium Products	23.1	13.3	13.7	14.2	69.3	**36.7**	+ 58.9
COMPO	16.8	6.1	- 2.4	0.7	23.9	**18.3**	+ 8.9
fertiva	4.1	3.2	0.5	3.4	10.0	**6.9**	+ 68.3
Salt	34.2	1.4	5.1	11.5	57.3	**38.9**	+ 13.7
Waste Management and Recycling	2.4	2.2	2.3	1.3	8.2	**1.5**	- 37.5
Services and Trading	6.5	7.0	5.4	2.7	22.1	**6.1**	- 6.2
Reconciliation	- 5.7	- 2.5	- 1.3	1.2	- 29.2	**- 7.5**	–
K+S Group operating earnings	81.4	30.7	23.3	35.0	161.6	**100.9**	+ 24.0

Income statement	2004					2005	
	Q1	Q2	Q3	Q4	2004	Q1	
€ million	IFRSs	HGB	HGB	HGB	IFRSs	IFRSs	%
Revenues	752.9	626.4	551.2	643.3	2,538.6	**795.1**	+ 5.6
Cost of sales	472.0	412.0	371.2	450.5	1,675.9	**498.4**	+ 5.6
Gross profit	280.9	214.4	180.0	192.8	862.7	**296.7**	+ 5.6
Selling expenses	180.4	158.4	131.4	154.8	626.6	**186.5**	+ 3.4
General and administrative expenses	15.9	16.9	12.8	18.6	64.2	**17.5**	+ 10.1
Research and development costs	2.8	3.4	3.0	3.5	12.1	**3.2**	+ 14.3
Other operating income/expenses	- 0.8	- 5.0	- 9.5	19.1	- 0.5	**11.4**	–
Result from investment, net	0.4	–	–	–	2.3	**–**	- 100.0
Operating earnings (EBIT I)	81.4	30.7	23.3	35.0	161.6	**100.9**	+ 24.0
Market value changes resulting from hedging transactions	- 13.0	–	–	–	- 26.4	**47.1**	–
Earnings after market value changes (EBIT II)	68.4	–	–	–	135.2	**148.0**	+ 116.4
Financial result	- 3.2	- 1.3	- 1.1	- 0.3	- 14.8	**- 4.0**	- 25.0
Earnings before income taxes	65.2	29.4	22.2	34.7	120.4	**144.0**	+ 120.9
Taxes on income	22.5	3.9	1.5	5.9	38.4	**52.7**	+ 134.2
of which: deferred taxes	11.1	–	–	–	15.9	**34.0**	+ 206.3
Earnings after taxes	42.7	25.5	20.7	28.8	82.0	**91.3**	+ 113.8

Other Key Data	2004					2005	
	Q1	Q2	Q3	Q4	2004	Q1	
	IFRSs	HGB	HGB	HGB	IFRSs	IFRSs	%
Capital expenditure (€ million) 1)	18.1	27.4	36.0	43.6	131.0	**13.3**	- 26.5
Depreciation and amortization (€ million) 1)	32.2	29.6	27.4	29.7	128.5	**31.8**	- 1.2
Gross cash flow (€ million)	105.4	51.6	62.6	59.0	271.7	**107.6**	+ 2.1
Earnings after taxes per share (€)	1.00	0.60	0.49	0.68	1.93	**2.15**	+ 115.0
Gross cash flow per share (€)	2.48	1.21	1.47	1.39	6.38	**2.53**	+ 2.0
Book value per share (€)	20.82	13.49	13.94	14.48	20.81	**23.13**	+ 11.1
Total number of shares (million)	42.5	42.5	42.5	42.5	42.5	**42.5**	–
Number of shares outstanding (million) 2)	42.5	42.5	42.5	42.5	42.5	**42.4**	- 0.2
Average number of shares (million) 3)	42.5	42.5	42.5	42.5	42.5	**42.5**	–
Employees (number)	11,120	11,058	11,080	10,988	10,988	**11,048**	- 0.6
Closing price (XETRA, €)	25.95	27.91	34.64	39.10	39.10	**43.62**	+ 68.1

1) Tangible fixed and intangible assets.
2) Total number of shares less the own shares held by K+S on the reporting date.
3) Total number of shares less the average number of shares held by K+S over the period.

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

Contact

K+S Aktiengesellschaft
Bertha-von-Suttner-Str. 7
34131 Kassel (Germany)
phone: +49 (0) 561/9 301-0
fax: +49 (0) 561/9 301-17 53
internet: www.k-plus-s.com

Investor Relations
phone: +49 (0) 561/9 301-16 87 and -14 60
fax: +49 (0) 561/9 301-24 25
email: investor-relations@k-plus-s.com

Communications
phone: +49 (0) 561/9 301-17 22
fax: +49 (0) 561/9 301-16 66
email: pr@k-plus-s.com

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