

**K+S Group**

**Experience growth.**

**Acquisition of Sociedad Punta de Lobos**

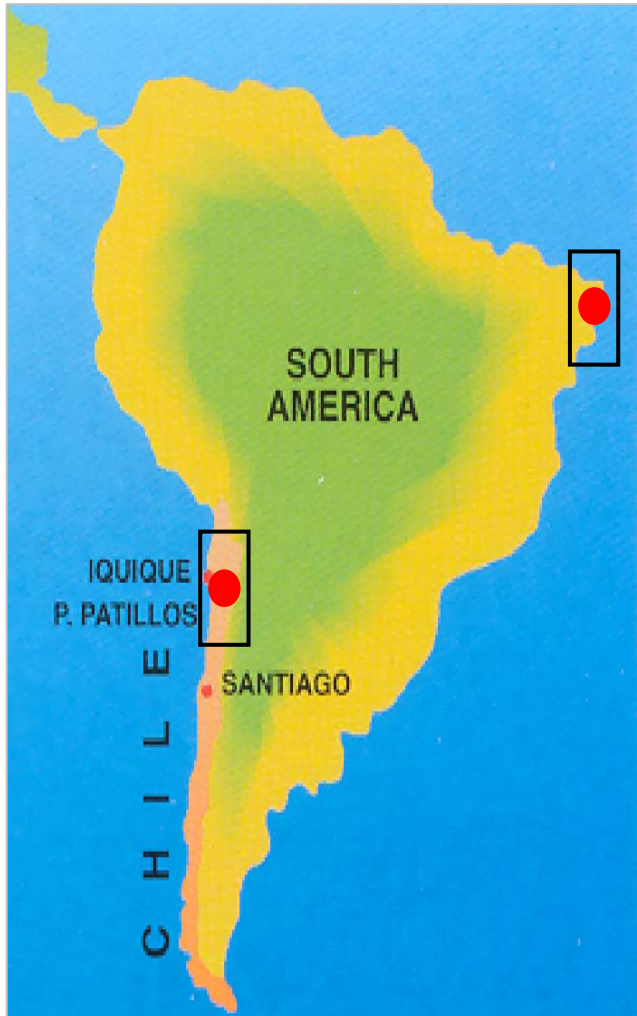
**Conference Call for Analysts**

**24 April 2006**





- Acquisition of 99.3% of the shares of leading South American salt producer "Sociedad Punta de Lobos" (SPL) for a purchase price of USD 477 million on a debt-free basis
- The vendors are a few Chilean private individuals grouped together in a company called "Prospecta" as well as a private equity company of Citigroup
- The business is to be transferred with economic effect from 1 May 2006
- It is expected that the closing, i.e. the transfer of the shares and the payment of the purchase price, will still take place in Q2/2006
- First-time consolidation will take place following closing
- Approval from cartel authorities in the United States, Brazil and Germany is still pending



- Production capacity of over 6 mn tons of crystallized salt:
  - Cost effective open-cast extraction in the Chilean Atacama Desert
  - Very favourable logistics link to port in Chile
  - Sea salt facility in Brazil
- Production of complete product assortment for all needs
- Main areas for salt sales are on the North American East Coast and in South America

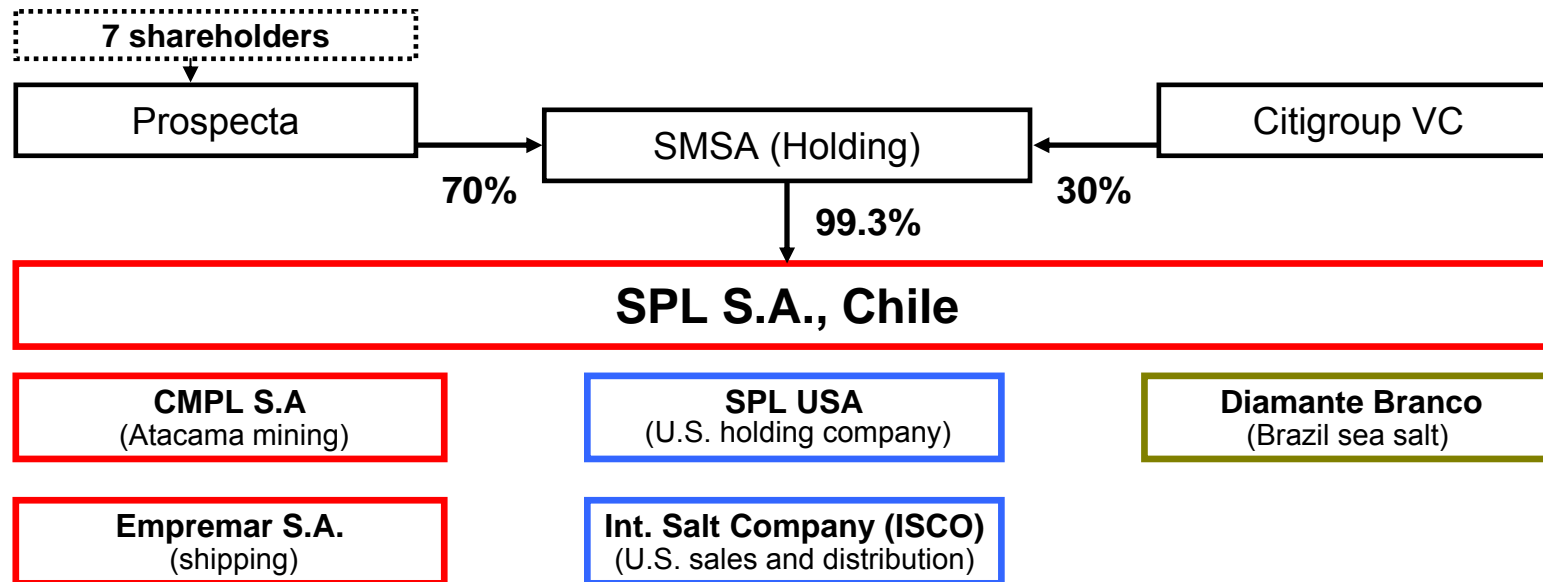
<b>Figures</b>		<b>2003</b>	<b>2004</b>	<b>2005</b>
Sales volume	(million t)	6.8	5.1	5.8
Revenues	(\$ million)	300.4	286.5	350.0
EBIT	(\$ million)	39.0	33.9	48.0
Net income	(\$ million)	27.8	24.9	33.8



- **SPL has developed into a strong player in the Americas**
    - one of the most cost effective salt producers in the world
    - enjoys favourable logistical location to attractive overseas markets
    - high earnings capacity with growth opportunities
  
  - **SPL opens up new growth opportunities in the worldwide salt business**
    - growth potential in current SPL markets
    - aim: Participation in high growth Asian business
- ➔ **K+S as a global player in salt with a strong presence in Europe, the Americas and, in the future, in Asia too**

# K+S Group

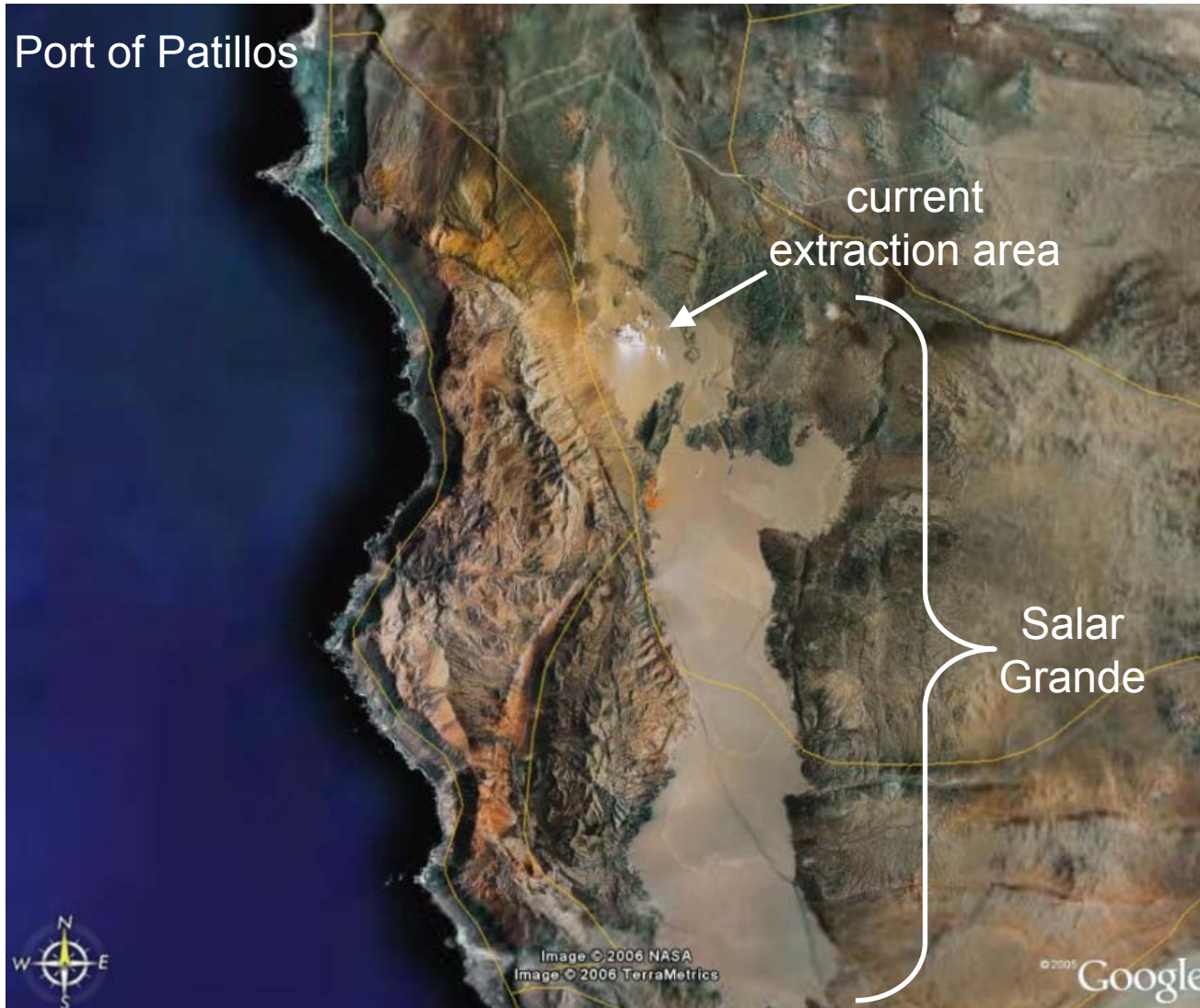
## SPL: Corporate structure



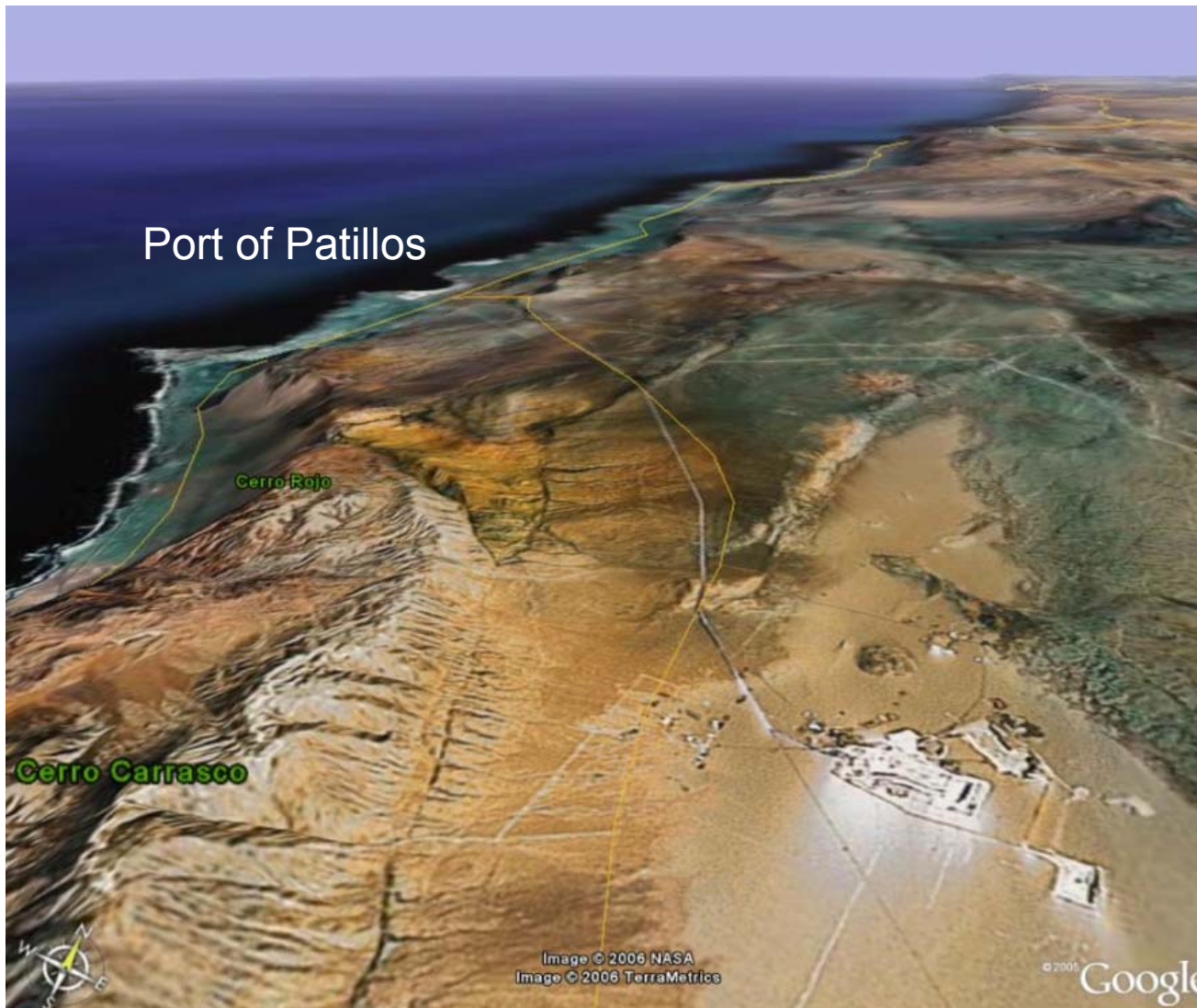
- SPL forms the core of the group with its Salar Grande production facilities near the coast as well as corporate headquarters in Santiago
- The Sal Lobos brand is the leading consumer salt in Chile
- The International Salt Company (abbreviated to ISCO) is responsible for the U.S. business (currently de-icing salt in the main)
- Diamante Branco serves the Brazilian market with its sea salt facility
- With four ships of its own, the shipping company Empremar mainly serves the Latin American market and coordinates remaining charter needs

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## SPL: The Salar Grande



- The deposit extends over about 500 km<sup>2</sup> and has a depth of up to 100 meters.
- SPL holds a concession for about 97% of the surface area.
- The salt reserves are sufficient for providing the population of the world with salt over the coming 5,000 years.



- SPL extracts rock salt in an open-cast mine at the Salar Grande in the Atacama Desert
- Annual production capacity currently amounts to a good six million tons
- Production is only limited by the loading capacity of the port located just a few kilometers away

K+S Group

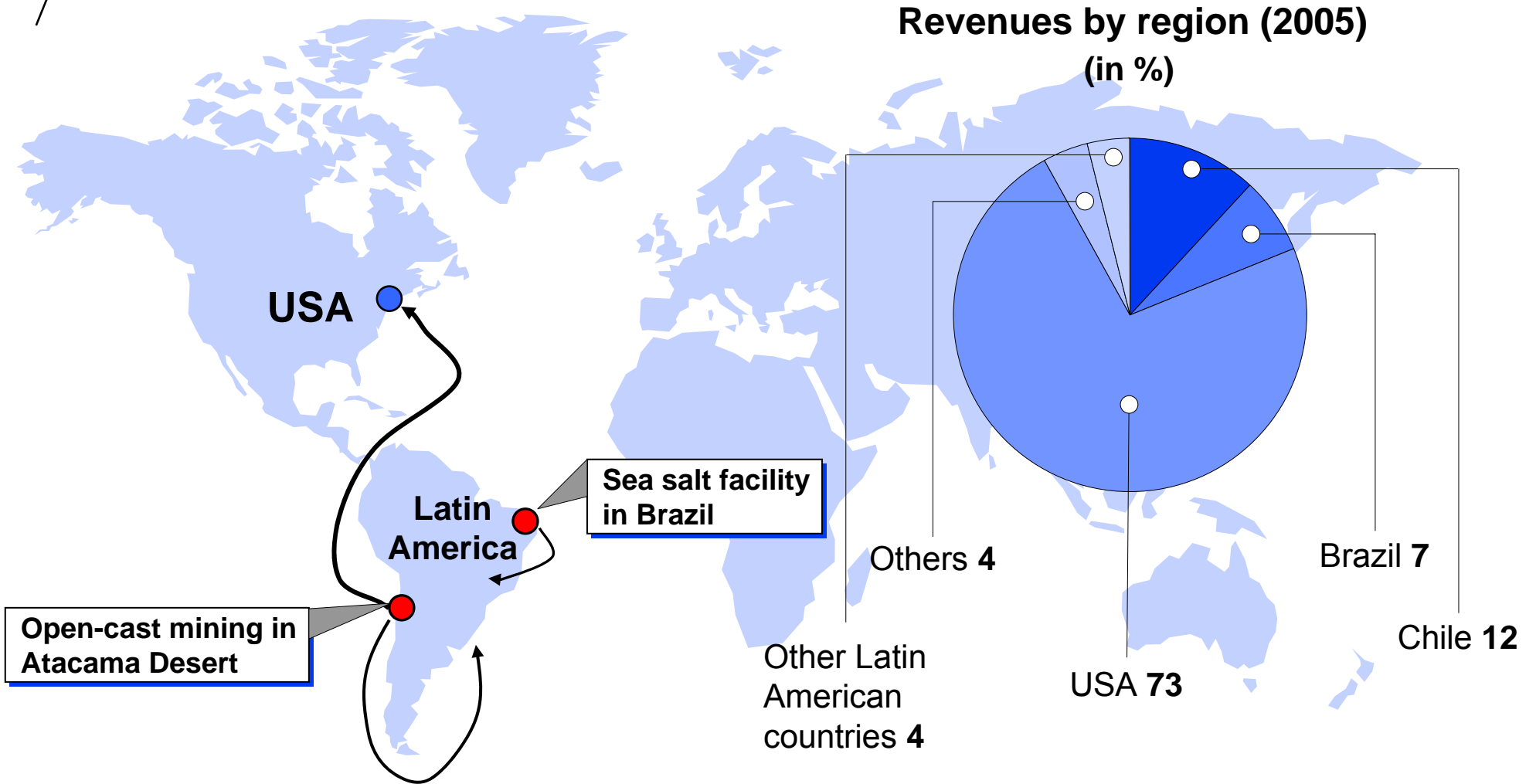
# SPL: Salt extraction in the Atacama Desert







- Seal salt production on a medium-sized scale with an annual production volume of about 400 thousand tons
- Salt is extracted by means of evaporation facilities
- The evaporation ponds extend over a surface area of about 23.5 km<sup>2</sup>



- The U.S. East Coast is SPL's most important market. Public and private use of de-icing salt is the main business. The regional markets extend from Maine to Virginia.
- SPL leads in terms of cost in the relevant coastal regions of the United States.
- Its main competitors are local producers such as Cargill, Compass, Morton and the importer Mahoney.
- SPL's market position in the United States is relatively stable, which is also due to the fact that weather-related fluctuations in this region are not as great as in Europe.

## SPL markets: Brazil, Chile and other

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### Brazil

- The sea salt facility Salina Diamante Branco (SDB) ensures a positive presence on the attractive Brazilian market
- The main customers are the chemical, cattle and other industries

### Chile

- SPL's home market where it enjoys a strong market position
- 6 filling and logistics centres
- Many branded products led by 'Sal Lobos'

### Exports to other overseas markets

- The main markets are Argentina, Colombia und Uruguay
- The potential of other markets in the Americas is being examined
- Once the port is expanded, it will be possible to realise new opportunities in Asia



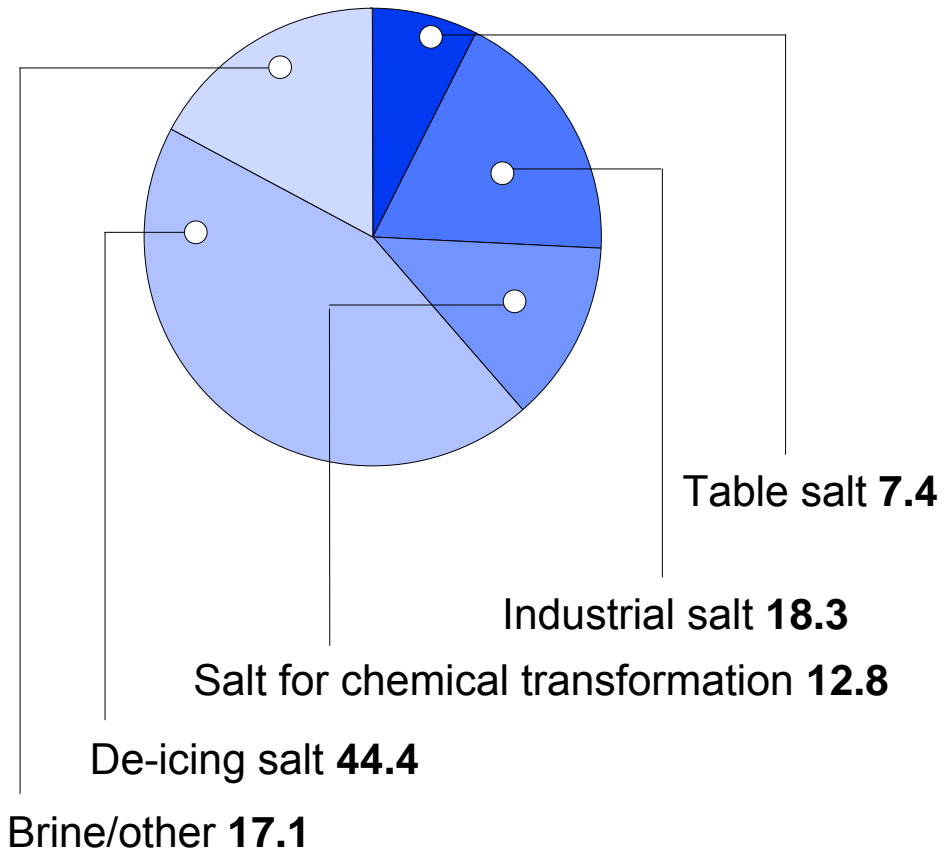
- esco and SPL will be managed as independent associated companies
- In the future, the strategic direction for the entire K+S salt sector will be provided by an international coordinating body
- Operationally, the SPL Group will continue to be managed from Chile
- The SPL Group's proven local management team will be supplemented by a few K+S employees
- Like K+S, SPL also uses SAP as its corporate software.  
Full integration within the K+S network is currently being reviewed

- Use of freely available liquidity of € 40-50 million; other cash investment offering a return in excess of the cost of borrowed capital will be retained
- Borrowings of up to € 350 million envisaged
- Borrowing in the form of a multi-currency syndicated revolving credit facility planned
- First tranche with a 3-year term and fixed repayment; second tranche as revolving credit line with a maximum 5-year term
- Variable rate of interest based on Euribor; given the sound financial structure of K+S, on very good terms



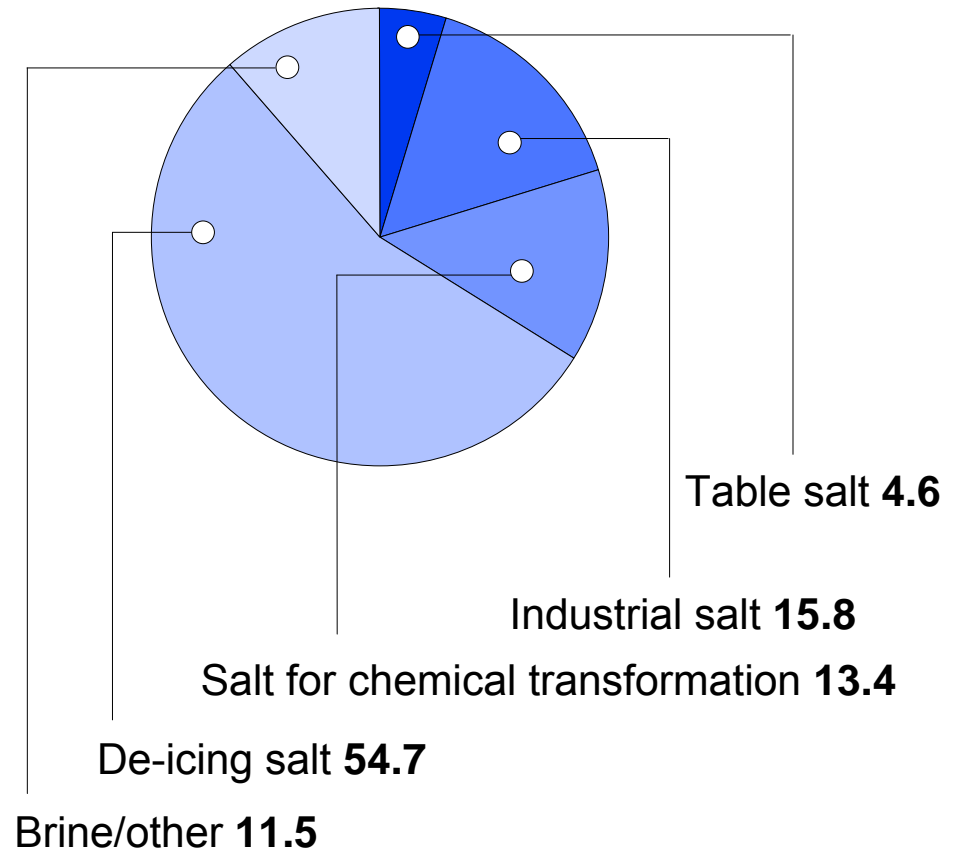
Sales by product group  
K+S, stand-alone

(in %)



Sales by product group  
K+S and SPL

(in %)



**With SPL, K+S will enjoy the following in the future:**

- strong market positions in America
- very cost effective rock and sea salt production
- attractively located sites in terms of logistics too
- high earnings capacity and further growth potential



**We are delighted that we will be working together with the management team and employees of SPL to rapidly expand our salt business worldwide.**



[www.k-plus-s.com](http://www.k-plus-s.com)

# Experience growth.



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