

**Press conference
held on 17th March 2000 in Frankfurt am Main**

Speech of Dr. Ralf Bethke,

Chairman of the Board of Executive Directors of
K+S Aktiengesellschaft

- The spoken word applies -

Figure 1 - Opening slide

Ladies and Gentlemen,

Firstly, a very warm welcome to our meeting.

Today we will be presenting to you our annual report for the year 1999 - although still in the version printed in-house

Allow me to tell you that in my opinion, overall we can look back on **a very successful business year 1999.**

Figure 2 - What we want to inform you about today

We have planned the following program for today:

First, we will explain retrospectively the **development of the business year just ended.**

We will inform you about our new business segments **COMPO** and **fertiva** and illustrate to you that we are on the right track with our business strategy, with the consequent orientation to above average potential results.

Afterwards, Dr. Schäfer will present our financial data.

We will then be pleased to answer any questions you may have.

Figure 3 - The K+S Group in the year 2000

Please allow me to first present some key data about K+S for those ladies and gentlemen who do not yet know much about us.

In the year 2000, we will achieve sales of almost DM 4 billion and will invest DM 340 million. 9,200 people work for our group.

The K+S Group has special competence in the nutrition, health, ecology and safety fields as well as - following the acquisition of COMPO - also in the leisure activities.

Figure 4 - Segments in the year 2000

We control our business via six segments:

- ◆ The **Potash and Magnesium Products Segment** unites the mined products containing potash and magnesium for use in agriculture and supplies to industry.
- ◆ The **Salt Segment** includes the table, commercial and de-icing salt product groups.
- ◆ In the **Waste Management and Recycling Segment**, we use the underground cavities created by our mining activities for waste reutilization and waste disposal. In addition, we also recycle salt slag from the aluminum industry and building rubble.

Our safety and environmental standards play a leading role.

- ◆ The **COMPO Segment** manages a complex brand products business for the home and garden as well as special products for market gardens, specialty plants and agriculture.
- ◆ The marketing and sales of compound fertilizers and straight nitrogen fertilizers are organized in the **fertiva Segment**.
- ◆ The **Services and Trade Segment** provides services using our comprehensive expertise in IT, engineering and logistics to the Group's companies as well as third parties.

Now to the business year 1999:

As we are considering the structures of the year 1999, they are still reported in DM. In April 2000, we will be converting our reporting to euro.

Figure 5 - Highlights of the development of the company in 1999

Ladies and Gentlemen,

With respect to the highlights of the development of the company in the year 1999:

We

- ◆ renamed ourselves to K+S Aktiengesellschaft,
- ◆ undertook a share split in the ratio of 1 to 10,
- ◆ bought back around 10 percent of our own shares,
- ◆ acquired the specialty supplier COMPO and took over the marketing and sales of BASF agricultural fertilizers.

The purchase price was DM 420 million, the firms are free of debt and have appropriate own funds for financing the fixed and current assets.

We have

- ◆ founded data process GmbH - an IT company - and
- ◆ laid the foundation stone for a new production plant for the special fertilizer Kieserite. Investment volume here: DM 77 million; completion is planned for the year 2001.

All measures that will support and secure our continued successful development.

Figure 6 - Dividend in 1998 and 1999

The financial key figures:

The good result allows us to pay out a **significantly higher dividend** to our shareholders for the business year 1999 than in the previous year.

The Supervisory Board and the Board of Executive Directors will therefore suggest a dividend of **euro 0.57 per share** to the Annual Meeting – **58 % more than in the previous year**. Including the tax credit, the dividend is euro 0.81 per share.

Based on the year-end share price of euro 14.05, this equates to a **dividend yield of 5.8 percent**.

Figure 7 - Shareholder structure as of February 2000

Our analysis of the shareholder structure in February received 93 percent returns. Based on this, the following statements can be made:

K+S shares are held by around 24,000 shareholders.

41 percent of the subscribed capital shares are owned by the group of “institutional investors and foreign banks”.

Domestic and foreign companies hold 21 percent of our shares; this includes the participation of BASF AG.

Around 26 percent of the shares are held by private investors; this includes around 8,500 employees of K+S.

In February 2000, K+S Aktiengesellschaft held 4.7 million of its own shares or 9.43 percent of the subscribed capital.

We will retract the own shares held and thus reduce the subscribed capital of the K+S Aktiengesellschaft accordingly. At the same time, we will suggest a new authorization to purchase own shares, to the Annual Meeting on May 11, 2000.

Figure 8 - Shareholder structure by regions as of February 2000

Domestic residents hold 68 percent of the subscribed capital. The main foreign investors are in the United Kingdom, Luxembourg, Switzerland and the USA, each with shares of 7 to 9 percent.

We have continued to intensify our contacts to the financial investors; we also participated in presentations of the "Deutsche Schutzgemeinschaft für Wertpapierbesitz" (German Protective Association for Securities Ownership).

Furthermore, we are improving our Internet homepage so that all those interested in K+S can inform themselves easier and with more up-to-date information.

Figure 9 - K+S share outperforms the MDAX

Despite the current weakness of many value shares, the **development of K+S shares** between the start of 1998 and today is **better than the MDAX**.

However, in my opinion, our potential results are not fully reflected in our capital market valuation.

Figure 10 - Yield figures in 1998 and 1999

Our current yield figures should also have a favorable effect on the development of the K+S shares.

With a **return on sales of 8.3 percent**, we lie clearly above the market average.

Moreover, the **return on total investment of 8 percent** and the **return on equity of 18.4 percent**, also show above average improvements.

More about this later from Dr. Schäfer.

The following key figures will also clearly illustrate to you our **very successful business development in the year 1999**.

Figure 11 - Sales and result in 1998 and 1999

We have achieved our targets announced to you at our last meeting in November last year.

The DM 2,331 million sales of the K+S Group exceeded the high value of the previous year by 5 percent.

Apart from consequent utilization of market opportunities, a well-aimed cost management and a good utilization of our salt and waste management facilities had a positive effect on our result.

We have again been able to significantly **increase the earnings before interest and taxes** - this time **by 22 percent to DM 173 million** -, although we have made increased provisions for legal obligations - primarily in the mining segment.

The **net income rose by 18 percent to DM 193 million**.

Figure 12 - Sales by segments in 1999

All of the segments contributed to the **increase in sales**. The largest segment is formed by Potash and Related Products. The highest percentage growth rates were achieved in the salt and waste management business.

Figure 13 - Sales by regions in 1999

We were able to continue to expand our positions in Europe; here we increased sales by DM 86 million to DM 1,766 million. **With a share of 76 percent of sales, Europe is our home our core market.**

Overseas we continued to hold a strategically important position; our sales increased by 17 to DM 565 million.

Figure 14 - EBIT by segments in 1999

All the segments work with clearly positive earnings before interest and taxes (EBIT).

The results of the Salt, Waste Management and Services Segments increased well above-average with 84, 72 and 58 percent respectively.

The result of the Potash and Related Products Segment lies somewhat below that of the previous year due to special effects from the provision sector.

Now to the segments:

Figure 15 - Potash and Related Products Segment in 1999

In the Potash and Related Products Segment sales of DM 1,845 million exceeded the previous year's sales by 2 percent. Increases were achieved in particular in our specialties Kieserite and industrial potash.

The world demand for potash achieved the level of the previous year with 24.8 million tonnes of K_2O .

The fertilizer business had weakened by the end of 1999 due to the difficult situation of agriculture.

We have continued to be able to uncouple ourselves from this stagnating trend because through our consequent orientation towards Europe we have been able to gain the positions that became free due to the fall in French potash production, especially in the industrial business.

The result of DM 86 million lies at a good level.

Figure 16 - Salt Segment in 1999

Salt sales were able to be increased by 14 percent to a record high of DM 289 million. The reasons were extraordinarily good sales volumes of de-icing salts due to the weather conditions at the beginning of 1999 and the good early orders business in the fall.

We were also able to slightly increase sales volumes and sales of our consumer products. These include specialty iodized and fluoridated salts for the industrial manufacture of food and for private households. The industrial salt business fell due to restructuring in the production processes of customers in Central Germany.

The result has improved to DM 37 million due to the good utilization of capacities with less than proportional cost increases.

Figure 17 - Waste Management Segment in 1999

Our waste management business developed well during the reported period. This was mainly due to the contribution made by new projects in the field of past burdens. Sales rose to DM 102 million or by 39 percent.

In the Waste Management Segment too, high flexibility and rapid capacity adjustments for additional disposal quantities accomplished a very profitable management. The result was increased to DM 41 million.

Figure 18 - Services and Other Activities Segment in 1999

In the Services and Other Activities Segment we increased sales to DM 95 million. The reason for this is the improved trading business in the USA.

The result also increased favorably.

In the fall of 1999 we separated out our data processing activities in the new subsidiary data process GmbH. The first third party client contacts have been successfully initiated.

In this segment our special internal expertise will now profitably be used externally and purposefully be supplemented.

Figure 19 - COMPO

Now to our new business segments in the year 2000, first to COMPO.

COMPO is the leading supplier to the **Green Market** and the COMPO® brand is a well-known brand logo for many garden and flower friends.

COMPO leads the European market in the professional sector too and is active worldwide.

Figure 20 - COMPO: Sales structure in the year 2000 (plan)

COMPO has a **widely spread range of products**.

Potting soil and plant protection products are the strongest product sales groups in the hobby sector.

The largest share in the professional/industrial business is held by special compound fertilizers with potash in a sulfate form and slow release fertilizers. Slow release fertilizers are fertilizers releasing the nutrients over a period of up to 12 months as required.

Figure 21 - New innovative COMPO products promote growth

Increasing importance is being gained by fertilizers with ammonium stabilization. These products, which have been marketed under the trade name of ENTEC since 1999, reduce the displacement of nitrogen in the soil and improve the utilization of the nitrogen by the plants. COMPO has a pioneering function here that has been excellently received by the customers to date.

COMPO expects **sales of fertilizer innovations to double** by the year 2002.

Figure 22 - COMPO sales development

This figure clearly shows the continuous and strong upwards development of COMPO. The growth in sales of 6 percent in the year 1999 lies 2 to 3 percent p.a. above the market growth.

COMPO wants to maintain this above proportional rate of increase at least for the medium-term and to continue to expand its position as the market leader in Western Europe.

Figure 23 - Preliminary products of COMPO for its fertilizers

Important preliminary products for the COMPO specialty range are the potash and magnesium products produced by Kali und Salz GmbH. K+S also supplies the BASF locations at Ludwigshafen and Antwerp, and these in turn deliver their specialties to COMPO and the agricultural fertilizers to fertiva. Here you can identify the value adding chain and our competence from the extraction in our reserves up to the end users in the different segments.

Figure 24 - fertiva

Now to the **fertiva** segment in which the marketing and sales tasks for all the agricultural nitrogen fertilizer activities of the K+S Group are coordinated.

Figure 25 - fertiva Segment

fertiva GmbH began its operative activity for us on January 3, 2000.

Customers have reacted positively to its market entry and the new sales concept.

The most important tasks of fertiva are:

Sale of all straight nitrogen fertilizers and compound fertilizers produced by BASF - **international brand Nitrophoska®** - for agriculture.

In addition, fertiva is the worldwide leading supplier of ammonium sulfate.

In total, approx. 5.3 million tonnes of goods with sales of almost DM 1 billion are sold.

Various synergies in sales, logistics and even in production can be utilized in the K+S Group.

The contractual arrangements with BASF limit not only our opportunities but also the risks in the result.

Figure 26 - Nitrogen fertilizers: Market shares in Western Europe 1998/1999

With a market share of 10 percent, **fertiva is one of the leading, well positioned suppliers** in the Western European nitrogen market, especially with the very favorably situated location of Antwerp for logistics, as costs leader.

Figure 27 - Sales of important European fertilizer suppliers based on 1999

The **K+S Group** is now, with fertilizer sales of over DM 3 billion, the **second largest supplier in the Western European fertilizer market**, after Norsk Hydro.

We are the system provider with the widest range. We supply products that meet all the special requirements of our customers in every way, for example in European agriculture, for oil palm plantations abroad to special end consumer wishes for use in the home and garden.

Figure 28 - Population growth and arable farm land

Ladies and Gentlemen,

Feeding the growing population of the world and the demands that are made on the improved quality of food can only be achieved by a more intensive use of the available resources.

That means, as the arable farm land available per capita for feeding people reduces, the demand for fertilizers will have to continue to rise.

With our wide range of fertilizers, we will realize our various opportunities.

Figure 29 - Business in the 1st quarter of 2000

Ladies and Gentlemen,

Overall, we have started the business year 2000 well.

Demand for the individual **potash and magnesium products** currently is still slack. However, we are able to identify signs of stimulation.

COMPO has started with a strong increase in sales.

At **fertiva**, demand is high and the prices are rising.

The **salt business** is below the very good sales of the previous year, due to the weather conditions.

The **waste management and recycling activities** have significantly exceeded the previous year's level so far.

Services and trade activities are running at a good level as expected.

Figure 30 - Development of capital expenditures to tangible fixed assets

In this year we would like to invest DM 340 million in tangible fixed assets. The emphasis will be on the Kieserite project at the Sigmundshall plant near Hanover and the new construction of the headquarters in Kassel.

Apart from many rationalization investments in the classic business, new COMPO projects are also included in our plans.

Figure 31 - Development of sales and net income

In this year, we will quickly integrate COMPO and fertiva into our K+S Group. The initial synergies will have a positive effect on the K+S result.

In total, we expect to be able to increase the sales of the K+S Group to almost DM 4 billion.

The planned positive result of COMPO will clearly more than compensate for the outflow of cash from interest earnings.

The result of fertiva GmbH will have no effect on the result of the K+S Group for the first two years.

We can see good opportunities of being able to achieve above-average, good results for the year 2000 too.

Figure 32 - Structural measures for improving the earning power

Ladies and Gentlemen,

This figure shows that our company policy of recent years has been very successful. We have consequently modernized K+S and at the same time, expanded with well aimed acquisitions.

In this way we have created a healthy, wide business base for our company. The old and newly won business segments supplement each other optimally.

In this year too, we are investigating specific projects that are intended to continue to accelerate our growth. Financial resources are available.

Figure 33 - Market positions

Ladies and Gentlemen:

Today, K+S is

- ◆ with potash - market leader in Europe and number three in the world
- ◆ in the green market - market leader in Europe with COMPO
- ◆ with nitrogen - very well positioned with fertiva
- ◆ with salt - a leading supplier in Europe
- ◆ and in the underground waste management - market leader in Germany.

Figure 34 - Our central strategic aim

We have a leading position in all fields of business throughout Europe – for potash and magnesium products, worldwide too. As a system provider with the widest range, we have good opportunities for development. This applies both to the agricultural fertilizer market and in particular for innovative consumer products in the green market. Here we are in pole position with COMPO. This fits in particularly well with the K+S strategy: Growth with highly profitable niche, specialty and brand products.

Today we are able to develop the markets that offer us above-average growth and earnings potential from a position of strength. A large step in this direction is for example the integration of COMPO.

Figure 35 - The K+S growth strategy

Ladies, Gentlemen,

Our growth will be achieved by focusing on our strengths, by specialization and by opening up new, high yield business segments.