

# **Annual Report Press Conference**

## **March 15, 2001 in Frankfurt/Main**

**Speech of Dr. Ralf Bethke,**

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

**- The spoken word applies -**

Ladies and gentlemen,

I would like to welcome you all to our annual report press conference for our fiscal year 2000. It is with great pleasure that I am able to announce that the past business year was both an extremely successful and important year for the K+S Group. It is fair to say that we were able to meet the expectations placed in us by the financial community.

**75% growth in sales to € 2.1 billion – earnings per share up 33% – proposed increase in dividend of 50%**

With sales of almost € 2.1 billion, we exceeded last year's sales figure by 75%. This growth resulted to a large extent from the consolidation of our new business segments, COMPO and fertiva. However, there was also encouraging growth in our traditional businesses. This success is reflected above all in our earnings per share figure (after tax), which grew by 33 % to € 2.72 per share; setting a new record for the company.

Our dividend policy is just as much based on the company's results as our earnings-based remuneration system. At the Annual Meeting we will therefore propose an increase in dividend payments of approximately 50 %. The proposed dividend of € 0.85 per share represents a net dividend yield of almost 5 % on the basis of our year-end share price of € 17.70. Our key ratios are among the best of all DAX 100 companies.

**K+S growth strategy: consistent focus on growth sectors – leading position on our target markets**

Above all, this success is an expression of our corporate strategy to pursue those growth sectors and regions which promise above-average results. We have consciously widened our portfolio of brands and now hold leading positions on specialized target markets in Europe and overseas.

Major milestones for this strategy in the past business year were the seamless integration into the Group of our two new business segments, COMPO and fertiva, purchased in late 1999. The new businesses have given us a wider range of specialities as well as providing considerable synergy potential with our traditional businesses and strengthening the Group's overall profitability. In other words: we are much more resistant to external impacts on earnings than before.

**COMPO segment: additional growth via acquisitions**

We currently attach great importance to our COMPO segment. COMPO's range of brand-name products conceals a tremendous degree of growth potential. In addition to the excellent image of the COMPO brand, our future development will focus on our European sales network, a high level of market penetration, innovative products and product systems as well as further acquisitions of brands and companies which will strengthen our profit-earning abilities in this dynamically growing business segment.

As you know, we have recently integrated further profitable businesses into our COMPO segment with the acquisition of the Gesal plant care programme and of the French Algoflash Group.

COMPO therefore not only increased our volume and profitability but also provided us with a new strategic platform with a profitable product mix for leisure, hobby and sports needs; and that in a market with above-average growth potential. Our aims, however, are even more ambitious. We intend to grow twice as fast as the overall market and at the same time expand our regional business in key markets.

**Salt segment: FRIMA acquisition stabilizes earnings**

Ladies and gentlemen,

Acquisitions and alliances as a means of expanding our product range and enhancing profitability is not only limited to our COMPO segment. With the foundation of our new subsidiary Frisia Zout B.V. on August 1, 2000 the Salt segment took over the activities of the Dutch company FRIMA. The move represented a considerable strengthening of our industrial salts business and provided us with a strong basis in this sector, above all in Northern and Western Europe. At the same time, the expansion of this segment has made us less dependent on our "de-icing salts for road safety" business.

### **New earnings potential with planned salt joint venture**

A further major step towards strengthening this segment is the planned foundation of a joint venture with Solvay. The joint venture – in which K+S will hold about 60 % and Solvay the remaining 40 % – still has to be ratified by the EU anti-trust authorities. The new company is expected to produce and market approximately 5 million tonnes of salt per year. The supplying sites are located in Germany, the Netherlands, France, Belgium, Spain and Portugal. The joint venture will employ approximately 1,400 employees and generate sales in the region of € 300 million. The expanded product range of the new company and its proximity to European customers will greatly enhance the strength and earnings potential of our Salt business.

### **Potash and Magnesium Products segment: excellent positioning, promising conditions**

Due to the high proportion of top-quality specialty products, the success of our regional sales activities and a multitude of internal and market-oriented measures, our Potash and Magnesium Products segment was able to post very encouraging earnings for the year. Growth was particularly strong in our profitable European industrial potash business. The segment improved its EBIT by over 40 % in the past year. In general, the market conditions were quite favourable for this business. We are now the third largest producer of potash in the world and still number one by far in Europe. According to market experts, world demand for potash will grow in the coming years by an average of two percent. Furthermore, in May 2000 the EU commission extended the existing anti-dumping regulations concerning imports of potassium chloride from Russia, Belarus and Ukraine, albeit in a modified form. The decision will help maintain fair competition in the European Union for the coming years.

We also see good market chances for sales of our ESTA-Kieserite product. The increasing demand for sulfur as an agricultural plant nutrient offers attractive opportunities also in Europe for this specialty fertilizer. With the erection of the new facility at our Sigmundshall site we were able to pre-empt this trend, and at a relatively low cost.

Our strong market positions and wide spectrum of products, including many fertilizers particularly suited to ecological farming needs, form the foundation for sustained profitable growth.

**fertiva segment: efficient business management with strong customer focus in our target markets**

Ladies and gentlemen,

We have also already fulfilled, to a large extent, the ambitious targets we set ourselves for our new fertiva segment. This segment markets nitrogenous fertilizers and, in particular, a range of products produced exclusively for fertiva by the BASF Group. A realignment and streamlining of our sales organization resulted in considerable savings in logistical and fixed costs within the K+S Group. The flow of goods and processes for the K+S Group in total was greatly optimized. Furthermore, there was a marked improvement in market conditions for nitrogenous products – a fact clearly reflected in our sales figures. In the past year we improved our position in Europe and on the world market by focussing more on our customers in overseas target markets.

**K+S-Group: Europe's second largest supplier of agricultural and specialty fertilizers**

With its Potash and Magnesium Products, COMPO and fertiva, the K+S Group has developed into Europe's second largest supplier of agricultural and specialty fertilizers. Compared with our competitors we offer the widest range of products and aim to extend our excellent position by means of further strategic alliances. The chances are favourable for us: we supply exactly those products which fulfill the specific needs and requirements of our customers in every way – whether in the European agricultural industry, ecological farming, in the home-use market or in major overseas markets, such as China, India and Brazil.

**Waste Management and Recycling segment: leading market position based on outstanding quality and safety standards**

Ladies and gentlemen,

Sustained environmental protection in all its aspects is justifiably one of the most important demands made upon modern societies. With its internationally recognized quality and safety standards, our Waste Management and Recycling segment can offer solutions tailored to specific customer needs. This is a key factor of success which underlying our excellent position on the European waste management market. We have established ourselves as one of Europe's technological leaders and a single-source supplier of long-term, underground disposal solutions and customer-specific recycling processes.

In the management of fly ashes – a major market segment – we were able to maintain our position as market leader in Germany. We will continue to pursue our expansion of activities in foreign markets, where we are currently focussing on Germany's neighbouring countries of Switzerland, Italy and Austria. Our position in Switzerland, for example, has been strengthened by the foundation of a local subsidiary.

**Services and Trading segment: earnings potential enhanced by new acquisitions**

Ladies and gentlemen,

I spoke earlier of our strategy to improve the portfolios of our business segments by means of company acquisitions, in order to strengthen earnings and promote growth. This also applies to our Services and Trading segment. With the acquisition of UBT See- und Hafen-Spedition GmbH Rostock, as of January 1, 2000 we were able to expand our logistics business and strengthen our presence in the Baltic Sea region while also raising overall sales revenues.

Our acquisition of a shareholding in the analysis company Bio-Data GmbH in late 2000 helped us gain entry to the growing market for analytical services and offers interesting prospects for a new business field in food testing, agricultural analysis and biotechnology.

The acquisitions certainly enhance our skills in these promising business fields.

## **Favourable profit and market opportunities due to closely integrated business segments**

Ladies and gentlemen,

We currently hold leading positions in our business segments in Europe, and in the case of Potash and Magnesium Products on the world market. We are the global market leader in water soluble magnesium sulfate. With the construction of our new Kieserite production facility for magnesium fertilizers with sulfur we aim to tap new market potential and strengthen our position in this segment. In our COMPO segment we are market leader in the field of innovative consumer products on Europe's interesting and growing green market. Our fertiva business is excellently positioned in the nitrogenous product segment. All in all, therefore, we have established ourselves as Western Europe's second largest supplier of fertilizer products with the widest range of products of any company in our field and a considerable degree of growth potential. In Europe we are already a leading supplier of salt products. In the field of underground waste management we are Germany's biggest supplier by far, which also makes us a leading player on the European waste management market.

An important aspect for costs, and thus for earnings, is that all business segments work hand in hand and offer plenty of scope for both economic and technical cross-fertilization. Our Waste Management business, for example, can utilize the underground cavities created by our Potash and Magnesium Products and Salt segments. Both COMPO and fertiva purchase raw materials from our Potash and Magnesium Products segment in order to produce their high-quality branded products and multi-nutrient fertilizers. The technical and knowledge-based network of our business segments gives us a competitive edge over other suppliers – in terms of expertise, marketing and costs.

### **Promising start to 2001**

We got off to a very encouraging start again in 2001:

- We have reached a generally positive level with our Potash and Magnesium Products. Development in Europe is being encouraged by moderate price increases.

- COMPO continues to display strong growth. There has been excellent progress, above all, in the field of our ENTEC fertilizers. We will achieve even greater growth in this segment through the integration of Algoflash and Gesal.
- The revenues of fertiva are currently well over those of the previous year. Despite a strong increase in sales in the first quarter we do not expect earnings to rise due to the equally strong increase in the price of ammonia.
- Due to weather conditions, the Salt segment is faring better than in the corresponding period last year. With the addition of sales from our Dutch subsidiary Frisia Zout, we expect this segment to develop more favourably than in the previous year.
- As expected, our Waste Management and Recycling activities began the year slightly down on the previous period, due to the completion of several major projects.
- Business in our Services and Trading segment developed according to plan.

### **Excellent earnings opportunities**

In general, we see good opportunities to achieve above-average earnings once again this year. We not only aim to be successful in our existing business segments, but to examine further alliance and acquisition projects which fit to our strategic concept and fulfill our strategic requirements.

### **K+S share on the way up**

Ladies and gentlemen,

Our shareholders can benefit both from the strong growth in value of our K+S share as well as from an attractive dividend yield. A shareholder who invested € 5,000 in K+S shares in late 1996 and re-invested his dividends in further shares, had a shareholding worth almost € 13,850 as of December 31, 2000 – an increase of about 177 % in four years. In comparison: the DAX share index grew over the same period by approximately 123 %, the MDAX by 58 %.

Together with my colleagues and our highly motivated employees we will do everything possible to satisfy our shareholders and the financial community also in future. The chances of maintaining our growth momentum and generating above-average earnings remain good.

We will continue to target growth markets, to enhance our portfolio with well-known brands and to play a leading role on our European and overseas markets. Our balance sheet and financial structure certainly provides us with an excellent basis for our expansion plans. I think you can see, therefore, why we feel that an investment in our company is such an attractive proposition.

Thank you for your attention. I would like to hand you over now to Mr. Norbert Steiner, who will explain the financial details of last year's business results.