



K+S Aktiengesellschaft

**Annual Report Press Conference
on March 14, 2002 in Frankfurt am Main**

Speech by Dr. Ralf Bethke,

Chairman of the Board of Executive Directors

- The spoken word applies -

Fig. 1: Report on business for the year 2001

Ladies and Gentlemen,

I should like to welcome you most cordially to our annual report press conference.

'People. Nature. Our world'. Our reporting on the business trends in 2001 was based on this guiding principle. This motto gives you important references to our corporate culture, our future growth strategy will be aligned with.

Fig. 2: What we want to inform you about today

Ladies and Gentlemen,

We should like to inform you today

- that the K+S Group achieved its aims in 2001 and can once again look back on a successful business year,
- that a significant portion of our success is due to the renewed improved market penetration and strategic intermeshing of our business segments
- and that we can point to favourable prospects overall for 2002.

Fig. 3: Economic environment

Let us however first look at the past business year.

The year 2001 stood under difficult economic portents. Overall economic growth slowed down considerably in the course of the year. In addition, the terrorist attacks of September 11 in the USA impaired economic development throughout the world.

K+S was however relatively little affected by this. With our broadly defined and intermeshed portfolio of businesses, we have also become much more robust in the entirety of the group.

K+S today stands for a strong and robust brand that can also survive in stormy times. We have great confidence in our strengths.

Acquisitions, product innovations and a multitude of trend-setting operational and strategic measures have contributed to this.

Our customers acknowledge K+S's great competence and expertise in the areas of nourishment, health, leisure in the garden, environmental protection and safety.

Fig. 4: Sales and earnings in 2001

Our performance is underlined by the business numbers for 2001. We have increased our sales once again, this time by 4% to almost Euro 2.2 billion.

As a result of higher costs, especially for energy, and relatively high, nonrecurring costs for the development of COMPO, our EBIT of Euro 120.6 million did not quite reach last year's figure.

The net income of Euro 118.3 million was almost at last year's outstanding record level, thanks to lower tax expense.

We increased our earnings per share on the basis of net income slightly to Euro 2.73, because the average number of 43.4 million outstanding shares entitled to dividends was slightly lower than in the previous year.

In view of the difficult world economic situation, we regard the repeat of the best earnings so far in our company's history as a success.

Our continued high earning power is also clear from the return on equity that has been generated. At 22.9 %, it exceeded slightly the comparatively high figure for the previous year.

Fig. 5: The year 2001

Ladies and Gentlemen,

Which events at K+S in 2001 are particular worthy of mention?

In order to strengthen our global market leadership for the fertilizer speciality, Kieserite, we commissioned a new production plant at the Sigmundshall site near Hanover in September. This has increased our capacity for this important speciality by 300,000 tonnes.

We have once again strengthened our segments, especially the COMPO business, with a series of acquisitions.

We have successfully completed the preparations for the esco salt joint venture with the Belgian company, Solvay S.A., and received the approval from the EU authorities at the beginning of this year.

A further significant point is the implementation of the new corporate structure. All of the major operative business segments will from now on also have defined corporate identities under company law. The important holding and support functions will now be fully concentrated in K+S Aktiengesellschaft.

This new structure will enable us to manage and align the K+S Group in an even more market and earnings-oriented manner.

And last but not least, we started our new share buy-back programme in August 2001. The approval granted by the Annual Meeting runs until October 2002. We hold 3.4% of our share capital as own shares at the present time.

Fig. 6: Growth through acquisitions

In addition to internal organic growth, the successful development of our company is also based to a considerable degree on our acquisitions. The sales structure, the earnings and ultimately the entire group has as a result become more robust to face individual factors.

We have spent some Euro 500 million on acquisitions since 1998. Milestones were:

- In 1998, the 49% interest in Kali und Salz GmbH.
- This was followed in 1999 by COMPO and fertiva's agricultural fertilizer business.
- In 2000 the Dutch company, Frisia Zout B. V.,
- UBT See- und Hafen-Spedition GmbH Rostock
- and in 2001 the French Algoflash-Group and the takeover of the Gesal plant care programme.
- In addition, an initial 8% investment in the analytical company, Bio-Data GmbH near Giessen, which was then taken over completely on January 1, 2002
- and a 25% investment in AAE Abfall- und Altlasten Entsorgung GmbH in Bremen.

These were all deliberate steps taken in order to augment and expand our activities and thus strengthen our strategic K+S Group portfolio.

Fig. 7: The esco salt joint venture

The greatest step so far has been the investment in the salt joint venture company, esco – european salt company, in which K+S holds 62% of the shares and Solvay 38% with economic effect from January 1, 2002.

The Solvay and K+S employees will probably move into the new head office building in Hanover in the middle of April.

esco combines and augments our customer-oriented product offering, in conjunction with further optimisation, especially in the logistics.

The strengths and competence of both partners fulfil all the prerequisites for taking a leading position as a European salt supplier.

Fig. 8: Our strategic competence arch

Ladies and Gentlemen,

The intermeshing of the business segments offers us, compared with our competitors, the best prerequisites in the markets and on the cost side, and enables us to exploit optimally the mutual synergy effects, especially in logistics, sales and the reciprocal transfer of know-how.

A strategic competence arch, which represents and underlines our special strength, accordingly spans all the business segments of K+S also by a targeted knowledge management.

Today it is even truer than ever before: the K+S Group as a whole is more than the sum of its individual elements.

We also intend to develop and expand these special advantages in the future through intelligent capital expenditure, acquisition and cooperation policies, for healthy and controlled earnings growth on behalf of our shareholders and all other stakeholders, including our employees.

Fig. 9: Potash and Magnesium Products

Let us now look at the developments in 2001 in the individual business segments.

We increased our sales in the Potash and Magnesium Products Segment marginally to Euro 967 million.

At Euro 67 million, on the other hand, EBIT did not reach last year's exceptionally high level, due amongst other things to the sharp increase in energy costs.

Our fertilizer business in Western Europe was affected by the wet weather in the spring. In addition, the animal illnesses, BSE and foot and mouth disease, led to a temporary, structural decline in demand.

On the other hand, we once again succeeded, thanks to our good market penetration in Europe, in recording growth with our profitable industrial potash.

We maintained our strong market positions. Consequent customer orientation and tailored products for specific requirements bring us here the desired advantages compared with our competitors.

Internally, we are consequently exploiting further potentials for cost reductions and process improvements; for instance, the exploitation of a new high quality crude salt deposit for the combined Werra mine and a new working hours model are planned or already in the course of implementation.

Fig. 10: COMPO

We once again increased the sales in the COMPO Segment, this time by 32% to Euro 436 million.

Of the increase of Euro 104 million, Euro 60 million was due to the Algoflash and Gesal acquisitions and the consolidation of some of the foreign COMPO companies for the first time for a full year.

The resultant broader product spectrum and the expansion of the regional presence strengthen our appearance in the market outstandingly in the strongly growing leisure and hobby area.

The professional business was once again driven by COMPO's innovative ENTEC fertilizers; the ENTEC products have been very well accepted by our customers, because they also bring them, in addition to labour cost savings, increases in yields and quality.

The EBIT of Euro 20 million did not however quite meet our expectations, because the integration costs for Algoflash turned out to be higher than planned. In addition, raw material prices increased in some cases extremely sharply. This could not yet be passed on entirely through the prices in the market during the past season.

Fig. 11: fertiva

At fertiva, the sales of Euro 500 million were 9% lower than the previous year's figure.

As was also the case in the Potash and Magnesium Products Segment, the wet weather in Western Europe contributed partly to the declines in consumption.

Against this background, the consolidation and adjustment of the capacity of the Western European fertilizer industry continued. Further closedowns and mergers of individual producers also cannot be excluded in 2002.

The overseas business was largely stable; fertiva maintained its positions here in the key markets.

Despite the difficult market environment, fertiva generated a pleasing contribution to the earnings, to which, in accordance with the contractual arrangements, BASF was solely entitled for the last time.

Fig. 12: Salt

The Salt Segment developed very positively.

We achieved a sharp increase in sales of 44% to Euro 165 million, which was due to a high degree to increased demand for de-icing salt on account of the weather. This figure also includes the additional sales as a result of the inclusion for a full year of the business with industrial salt for the chemical industry from Frisia Zout B. V., which we had purchased in August 2000.

We also however increased the delivery volumes of our profitable table and commercial salts.

The positive development of the sales was also however reflected on the earnings side. EBIT increased to very pleasing Euro 28 million.

Product quality, proximity to the customers and the especially high ability to delivery are the cornerstones of our particular strengths in the salt business.

Fig. 13: Waste Management and Recycling

The sales and earnings in the Waste Management und Recycling Segment fell in the past year to the good normal level expected by us. In 2000, the business had still benefited to a very large degree from a major underground waste disposal project.

But here too there are new opportunities. The exploitation of the European market was selectively expanded. The main focuses were in Switzerland, Italy and Austria.

We recorded increases in underground waste reutilization and in recycling.

Our entry of the thermal soil cleaning business in 2001 expands the portfolio of our waste management services in a fast-growing segment, which has manifold synergies with our existing activities. We have continued, with this, our development to a system provider.

Fig. 14: Services and Trading

Let us now turn to our Services and Trading Segment, which selectively uses and transfers the know-how available in the Group in close cooperation with the other segments, and also offers its services partly to third parties.

Sales of Euro 47 million and an EBIT of Euro 15 million were generated here.

The increase in EBIT is due in particular to the good contribution to the earnings from our IT subsidiary, data process, from services within the K+S Group.

We have once again recorded increases in the trading business with winter maintenance products and the granulation of the Catsan[®] animal hygiene product. Our analytical services have also been further strengthened.

In the logistics business, we nearly reached the good previous year's level.

Fig. 15: K+S is strong in the market

Ladies and Gentlemen,

K+S has very strong market positions:

We occupy a leading position in our business fields throughout Europe, and also worldwide for Potash and Magnesium Products.

We are the world market leader for water-soluble magnesium sulphate. We have strengthened this position further with the new production plant for Kieserite, which recently came into operation.

With COMPO, we are the market leader for innovative products in the very interesting markets for hobby and professional products.

Thanks to fertiva, we are very well positioned for nitrogen, especially in Europe. In the salt business, we belong with esco's broad product portfolio to the leading group of European salt suppliers.

We are the No. 1 in Germany already by a long way in underground disposal, which means at the same time that we also have an outstanding position in the European waste management market.

Our strength in the markets is due in particular to the intermeshing of our competence in the individual business fields. This will also allow further synergy potentials to be realised in the future.

Fig. 16: Net dividend and total dividend payment

Our shareholders and, in manifold ways, our employees are benefiting from our pleasing business development and at the same time the substance of the business will be strengthened.

The Supervisory Board and the Board of Executive Directors will propose a dividend of Euro 1.00 per share to the Annual Meeting. This is about 18% more than for 2000.

On the basis of a year-end price of Euro 21.90, this proposal represents a dividend yield of 4.6 %.

With this we will fulfil our promise to further increase the dividend payment, in an earnings-oriented manner. This is also demonstrated by the continuous increase in our total dividend payments since 1998.

The K+S share is and will remain a high-yield investment, also for the reason that we have again strengthened our substance.

Fig. 17: K+S share price compared with DAX and MDAX

The good development of the earnings and the dividend, our intrinsic strength and successful acquisitions, in association with the purposive presentation of our K+S in public, are having a positive effect on the development of our share price.

Our performance continued to be considerably better than the DAX and also the MDAX. With an increase of approximately 25% in 2001, our share price maintained the upward trend of past years.

Fig. 18: K+S market capitalization

K+S's weighting has therefore also increased. The stock market value or market capitalization increased by nearly Euro 200 million by the end of 2001 to Euro 986 million, and at the beginning of the year continuously exceeded the Euro 1 billion mark.

I believe that we are on the right lines with our corporate strategy, and have got much closer to our aim of an adequate valuation for our business enterprise.

Fig. 19: Start to 2002

Ladies and Gentlemen,

We also intend to continue our success in the current year. The start to the new year 2002 was overall good, although the trends in the individual segments varied.

In the Potash and Magnesium Products Segment, the start to the fertilizer business was somewhat more subdued than expected. We have however exceeded in total last year's weak level, which was affected by the weather. Our industrial products business is cyclical, and is therefore somewhat weaker at the present time. We however once again expect satisfactory earnings at the end of the day.

The COMPO season has started pleasingly. We are abiding by our ambitious sales and earnings plans, which assume considerable increases. Our professional business followed on from last year's good development at the beginning of this year, and has once again recorded significant increases. The hobby business is also running at a higher level.

fertiva's business will all in all slow down slightly. We are concentrating on the European target markets with logistically favourable positions and a stronger presence in selected overseas markets. In 2002, we will, in accordance with the contractual arrangements, for the first time take up part of fertiva's earnings. We expect a positive contribution to the earnings from fertiva.

The Salt Segment has got off to a very good start thanks to the de-icing business, which is also a favourable prerequisite for the begin of our esco joint venture. We assume altogether a good business trend. In addition to the processing of the market, the focus is on the integration of the salt activities in the joint venture. We are confident that the ambitious expectations associated with this will be fulfilled, and that manifold synergies will be revealed very soon, resulting in an improvement in the earnings.

In Waste Management and Recycling, we expect business to continue in 2002 at the normalized quantity and sales level that has been achieved.

Against the background of the developments in the segments, we are once again aiming for good earnings for the K+S Group in 2002.

Fig. 20: Aims for 2002

Where are the main focuses for the orientation and direction of our business during the year 2002?

Our basic and strategic tasks as well as operative aims in the K+S Group have not changed.

They can be summarized as follows:

Consequent development of our business fields through

- the extension of our market positions with innovations and regional expansion
- and the search for growth potentials in all product areas and in all relevant markets through further acquisitions and cooperation agreements.

At the same time, our internal focus is on the achievement of further improvements in efficiency and cost savings.

Fig. (8): Our strategic competence arch

Our general, medium-term aim is:

healthy, controlled growth as the prerequisite for further improvements in the earnings.

Fig. 21: 'People. Nature. Our world'.

One of the general challenges of our age is to bring into harmony the increase in world population and a caring relationship with nature, for the next generation, the future of our world and therefore also of the K+S Group.

We at K+S offer solutions for this: innovative products and services for life and growth.

Thank you very much!