



K+S Aktiengesellschaft

Annual Report Press Conference

on March 11, 2004

in Frankfurt am Main

Speech by Dr. Ralf Bethke,

Chairman of the Board of Executive Directors

–The spoken word applies–

Opening slide — Experience Growth

Ladies and gentlemen

I would like to cordially welcome you to today's annual report press conference. My colleague Mr. Steiner, who is responsible for finance, and I will brief you on the course of business in 2003 and present the K+S Group's annual financial statements to you.

We will describe our estimates for 2004 to you and, as usual, we will be happy to answer any questions you may have at the end of this presentation.

Ladies and gentlemen,

Today, K+S is one of the world's leading suppliers of speciality and standard fertilizers, pesticides and salt products. Achieving healthy and sustained growth is our goal as a company and a challenge at the same time, and that applies to both the world of nature as well as to our business environment. That is why we have decided to make "Experience growth" our new slogan. The theme of our annual report for 2003 is "Growth Is Not a Matter of Luck," a statement made confidently given our many years of working successfully for our customers and partners as well as for the company and its employees. You will be able to access the annual report on our homepage as of today and the print version will be available from the beginning of April.

Slide 1 – Good Market Environment for K+S in 2003

Ladies and gentlemen,

The K+S Group can once again look back at a year that was satisfactory overall from our perspective. Demand on the special markets for agricultural and salt products, markets that are important for us, developed particularly favourably in 2003. Global consumption of standard fertilizers grew further, and we expect growth of about 2% per year in this area in the future, too.

Demand on the global potash market saw surprisingly robust growth last year, rising by about 7% to 28 million tonnes of K_2O . The main reasons for this were higher demand in Latin America and Asia, while consumption in Western Europe and North America remained almost unchanged on a good level. By contrast, in Eastern Europe and among the former constituent states of the Soviet Union, fertilizer consumption levels stagnated on the same low levels as a year ago. The K+S Group profited from the global increase in demand from both a price and a volume angle in 2003.

Unfavourable weather conditions in the spring and summer checked the dynamic momentum present on the COMPO markets in 2003. This resulted in a late start to the season as well as sharp fluctuations in garden activities in the summer and in the autumn, impacting particularly negatively on our pesticide business. However, our strong positions in speciality liquid fertilizers, ENTEC products as well as potting soil largely offset this effect. COMPO offers its customers in agriculture and horticulture a high quality and, compared to the competition, very broad portfolio of branded special products.

The nitrogenous fertilizer market in 2003 was heavily influenced by the rapid increase in the price of ammonia. This was due to high gas prices in the United States. As a result, about 60% of US ammonia production was placed on hold while imports increased. Consequently, not only was there a surge in ammonia and nitrogenous fertilizer imports into the United States, but there were also bottlenecks and price increases on global markets, because consumption of nitrogenous fertilizers rose continually in 2003 despite high price increases. Demand for fertiva nitrogenous

fertilizers in the second half of the year was particularly strong, as suppliers were building up substantial stocks for the coming season at the attractive prices for stocking up on offer.

Many trends on the Western European Salt market were also positive. Fluctuations in consumption in individual segments were relatively slight. The prospects for selling larger quantities are somewhat limited give the extent to which market saturation has been reached. However, in the case of some special product segments, potential for growth is appearing along with scope for limited price increases. In the case of the attractive winter road clearance business, we were able to profit from winter weather conditions and high demand once again as a result of our readiness to make deliveries at all times and of high flexibility.

Competition in the waste management business continued to be very strong. In addition to an overall decline in the volume of waste for disposal underground we had to deal with an intense pressure on prices. Moreover, statutory provisions concerning waste prevention encouraged the stagnation of waste volume for underground disposal in 2003.

Slide 2 – Groundwork Laid for Further Growth

Ladies and gentlemen,

As a result of our knowledge and accurate assessment of respective trends, we were able to lay the groundwork for further growth in the markets in a timely manner.

In the Potash and Magnesium Products business segment, we have deliberately invested in our business with granulates, which offer many opportunities and are very profitable, expanding it further. We were thus able to significantly increase exports to Iran, Australia and Brazil above all.

To boost its supply of raw materials, COMPO acquired a 30% interest in Latvian Livanu Kudras Fabrika (LKF) in the summer of 2003. LKF, which is based in Livani

(about 170 kilometers south-east of Riga), exploits extensive deposits of raw materials that are very suitable for processing into high quality COMPO SANA potting soil. Negotiations concerning the acquisition of Humuswerke Gnarrenburg Friedrich Meiners AG, which we successfully concluded in January 2004, were a further important step for COMPO. At Gnarrenburg, north of Bremen, Meiners AG possesses extensive deposits of raw materials for potting soil. In addition, the good transport links available to the site provide logistical advantages for serving the COMPO markets in continental Europe.

With regard to fertiva, we were able to demonstrate our competence in sulphur once again in 2003. Sales of products that contain sulphur grew once more.

In the salt area, we have streamlined the product portfolio in the table salt and industrial product segments and in part further improve quality. All our European customers profit from the high quality of the products. In addition, we have also realised synergy effects in production and logistics, yielding a tangible improvement in results.

In waste management and recycling, we are now focussing on activities below ground. With the sale of our minority interest in Abfall- und Altlasten Entsorgungsgesellschaft mbH (AAE, Bremen), we have withdrawn from thermal soil cleaning. Economic difficulties were being experienced by the main AAE shareholder, and we were no longer able to perceive any possibility of sustained development in the absence of a strong partner.

In terms of services, we successfully extended the range of logistics services offered. Kali-Transport Gesellschaft (KTG) in Hamburg is now involved in the loading of containers in a highly flexible manner. In addition, we offer our customers a new rail container line linking Beiseförth near Melsungen and Hamburg, and are thus successfully developing our third party business.

Slide 3 – Key Data

Ladies and gentlemen,

I would now like to look at the K+S Group's figures for 2003. Our revenues totalled € 2,287.8 million and were thus about 1% up year-on-year.

The revenues generated in Europe came to € 1,779.9 million, up 2.5%. The European market is particularly important for us because it enables us to exploit cost of carriage advantages. The region accounts to for about 78% of total revenues. Overseas market revenues reach € 507.9 million, a share of about 22% of total revenues.

At € 115.7 million, EBIT was down € 17.1 million, or about 13%, on last year's very good figure (€ 132.8 million). This was mainly due to increases in energy and personnel costs, higher prices for raw materials as well as outlays connected with the development of a new, rich potash deposit on the Werra. In addition, from the third quarter onwards, the US dollar was no longer hedged on the more attractive terms that had applied previously.

As a result of an improved financial result and with income taxes virtually unchanged, the net income of € 101.3 million attained was nevertheless close to the good level of a year ago and that also applies to the net income per share of € 2.42.

We want to maintain the dividend for financial year 2003 on a constant level. The Supervisory Board and the Board of Executive Directors will once again propose a dividend of € 1.00 per share to the Annual General Meeting.

Mr. Steiner will go into further aspects of the financial reporting in more detail.

Ladies and gentlemen,

We will now look at important trends in the individual business segments:

Slide 4 – Potash and Magnesium Products

Business Development 2003

Our largest business segment, potash and magnesium products, generated revenues of about € 1,005 million, up 1% year-on-year.

In the overseas markets above all, we achieved satisfying growth for our standard product potassium chloride as well as for our speciality fertilizers potassium sulphate and ESTA-Kieserite. With regard to industrial products, we were able to achieve significant gains overall as a result of increased sales of pharmaceutical products in the United States.

This volume growth and the price increases that we were able to implement for standard products, and for specialities to some extent, could in part make up for currency-related losses.

Nevertheless, EBIT fell by 43% to € 31.6 million. This sharp decline was caused by various influences, but was mainly attributable to external cost factors: The increase in the price of oil last year meant that gas, which is also important in the context of our use of energy, was correspondingly more expensive. What this meant for us was that energy costs rose by just under 8%. Additional costs arose as a result of collective agreement pay increases and a further significant increase in social security contributions. With regard to currencies, the very favourable rate at which the US dollar had been hedged over many years expired in the third quarter. The new hedging transactions subsequently agreed were concluded at lower hedging rates because of the weakness of the US dollar. Finally, high outlays related to the development of the rich Sylvinit deposit were required in 2003.

We expect total 2004 revenues to be on at least the same level as in 2003. Price increases and the consistent implementation of our cost-cutting measures should facilitate improved earnings in 2004.

Slide 5 – Potash and Magnesium Products
Significant Steps towards Improved Earnings

Ladies and gentlemen,

Early on, we implemented a whole number of market-related and internal measures aimed at improving potash business earnings.

We are in the process of further developing the refinement strategy for our assortment in order to increase our added value for potash and magnesium products overall. It should thus be possible not only to secure our position of global market leadership in potassium sulphate, epsom salt and kieserite but to gradually enhance it with other special products.

In global terms, we see continued high demand for potash that will also tend to rise further while prices for the agricultural products used by our customers will increase at the same time. We will therefore try to increase prices for our potash and magnesium products in important, growing markets. In some case, such as Brazil, this has already happened.

The global increase in freight charges is significantly reducing our revenues ex work. Thus, in the case of standard products, we will now mainly focus only on those markets that provide margins that remain attractive as a result of relatively low freight charges.

To turn to our cost-cutting measures now. The largest single strategic project in this regard is the development of the rich Sylvinite deposit on the Werra. Operational testing is to start in October 2004 in order to achieve full production as of January 2005. The project will enable us to further increase our output by more than 200,000 tonnes and achieve relatively high cost savings. All the work is proceeding according to schedule.

To achieve a lasting reduction in costs, we are implementing an extensive efficiency-enhancing programme, which will enable us to further optimise our organisation and

implement new technical measures aimed at improving the quality of crude salt as well as to improve factory processing.

A further component of our cost-cutting programme is the introduction of greater flexibility and the extension of weekly working hours on an annual average basis while simultaneously enhancing the role of employee incentive models based on profit-sharing. Negotiations are currently being held with works councils and the Mining, Chemicals and Energy Trade Union (IGBCE) on the possibilities for introducing such measures at the plant level. A change in working hours would result in a reduction in personnel needs of about 350 employees by the end of 2005. We want to avoid dismissals for operational reasons. That is why use will be made of all the available personnel policy instruments, such as a reduction in overtime, fluctuation, part-time employment prior to retirement, training, including advanced training, as well as the insourcing of services previously sourced externally.

However, the extension of weekly working hours is not a one-sided cost-cutting programme. In return, we want to provide employees with an additional share in earnings as soon as the business segment has covered its cost of capital at an EBIT level of € 50 million. Employees will thus have the possibility of participating to an above-average extent in an increase in earnings that they themselves brought about, which, I believe, is a fair approach.

All these measures – and I am very confident in this regard – will result in a tangible and sustainable improvement in the earnings of the Potash and Magnesium Products business segment as of 2005.

Slide 6 – COMPO: Business Development 2003

I would now like to turn to the COMPO business segment:

We were able to increase revenues by 2% year-on-year to € 490 million, despite weather conditions being very unfavourable at times. Given the poor weather conditions, we consider the increase to be a great success.

In the case of the professional business, demand for ENTEC fertilizers remained good. Growth in the hobby business area was mainly due to potting soil and lawn fertilizer business being good. After a very promising start to our new business with high quality lawn seeds marketed under the brand name COMPO SAAT in Germany, COMPO will introduce a full assortment in the rest of Europe. COMPO FLORANID lawn fertilizers merit particular mention in this regard, as we launched a new six-month slow-release fertilizer for the premium segment in 2003.

At € 25.4 million, earnings for the COMPO business segment were about 18% down year-on-year. Despite the successful implementation of price increases, it was not possible to fully pass on higher costs in the marketplace. Essentially, the following developments had a major impact. High energy prices on global markets caused the price of ammonia, an important raw material for the production of nitrogenous fertilizers, to rise very sharply in the second half of the year. In addition, the period of extreme heat pushed down sales of high-margin pesticides. Finally, significantly higher freight cost surcharges as a result of water levels remaining lower over a longer period of time caused an increase in costs. All these factors result to unforeseeable and, without any doubt, non-recurrent increases in costs.

We expect 2004 revenues to show a further increase. The trend in EBIT will benefit from declining ammonia price, as well as from cost carriage that will in part normalise. EBIT should show a relatively strong increase compared to 2003.

Slide 7 – fertiva

Business Development 2003

At € 474 million, fertiva business segment revenue was about 1% up year-on-year. The straight nitrogen fertilizer business developed particularly well, and it was possible to achieve very pleasing growth.

The closure of a production facility for complex fertilizers at Ludwigshafen in 2002 meant that fewer complex were available to us overall. This was partly compensated for by purchases from third parties.

In addition, we were able to implement significant price increases in Europe and overseas as a result of the higher price of the raw material ammonia and thus offset the effects of higher costs.

In terms of EBIT, fertiva generated earnings of € 6.6 million, about 5% up year-on-year. This figure includes the € 5.1 million maximum possible share of earnings attainable under the contractual arrangements with BASF as well as € 1.5 million from business with other producers of fertilizers.

In the case of 2004, we expect revenues to decrease slightly as a result of a decline in ammonia prices at present time. On the basis of current price and cost estimates, we expect EBIT to be on about the same level as a year ago. However, what impact the overcapacity of nitrogenous fertilizers in the new EU member states will have on our business as of 1 May 2004 remains to be seen.

Slide 8 – Salt

Business Development 2003

Ladies and gentlemen,

Our salt business generated revenues of about € 206 million and once again exceeded the previous year's very good figure by 1%. This is based on our 62% interest in esco, Europe's leading salt producer. The good figure for revenues was

primarily due to increase in the case of consumer goods assortments as well as products for winter road clearance services. We managed to raise prices for consumer products as well as salt for chemical transformation.

At € 27.2 million, EBIT exceeded the good figure for 2002 by 5%. The rise in earnings is mainly attributable to higher revenue growth and optimisation related to logistics. At the same time, 2003 saw IT integration completed successfully. Significant IT-related integration expenses were incurred for the last time in 2003.

With respect to 2004, we are seeking revenues and earnings that will be on approximately the same good level. We will make further progress in 2004 on process optimisation production and logistics as well as on additional costs savings as has been the case hitherto.

Slide 9 – Waste Management and Recycling Business Development 2003

Revenues for the Waste Management and Recycling business segment fell by 7% year-on-year to total € 55 million, while EBIT also fell significantly by 49% to total € 4.2 million.

The main reasons for the high decrease are lower volumes of waste for underground disposal as well as falling market prices for underground waste re-utilisation services. The figures for other areas of activity remained on a satisfactory level.

In the case of 2004, we expect both revenues and earnings to improve. A key contribution in this regard will come from a new major project in the area of underground waste disposal that has been launched in the meantime. We will also enhance our cost management and sales performance in this area to further improve earnings.

Slide 10 – Services and Trading Business Development 2003

The Services and Trading business segment posted revenues of € 56 million for 2003, an increase of about 9% year-on-year. At € 17 million, EBIT was also up by about 10% year-on-year.

The reasons for these increases were our enhanced logistics activities as well as good trading business performance yield higher contributions to earnings. Higher orders for the granulation of the animal hygiene product CATSAN[®] also contributed to the positive development of the business segment.

With regard to the current year, we estimate that revenues and EBIT for the Services and Trading business segment will once again match the previous year's good figures. We expect business to evolve in a pleasing and stable manner.

Slide 11 – Almost no Change in Number of Employees

I would now like to look at our company's employee situation.

The number of our employees at the end of 2003 was almost unchanged year-on-year. As of 31 December 2003, a total of 10,627 people were working for the K+S Group worldwide. This includes 846 esco employees, in line with the 62% interest held by K+S.

A total of 550 young at 12 different locations are being prepared for work by receiving vocational training in 16 selected professions. Our high degree of commitment to training will ensure the availability of future employees for our company as well as makes an important contribution to labour market policy in those regions where our sites are located and in a way that extends beyond our own needs.

Slide 12 – Expectations for 2004

Ladies and gentlemen,

What is our overall assessment of how our K+S Group will develop over financial year 2004?

In terms of revenues, we should attain last year's level or even exceed it slightly. Our current assessment of the course of business operations in 2004 is that positive trends should continue. We see a first boost to earnings, especially in the case of COMPO, coming for the current declining trend in the price of ammonia. Despite energy and freight costs remaining high and in the light of Sylvinit project preparatory work scheduled to end in the third quarter of 2004, we expect EBIT to attain its 2003 level and a slight increase might be possible. In addition, we are also working intensively on the rapid implementation of the cost-cutting and efficiency-enhancing programmes that have already been started.

EU eastward expansion poses a particular challenge to us. Now that Russia has been recognized as a market economy by the EU, Russian producers could seek a review of the anti-dumping regulation for potassium chloride in force since May 2000. These rules, which will initially apply until May 2005, are of great importance for us because they provide protection against possible unfair trading practices on the part of these competitors. We are confident that such rules directed against unfair competition will essentially continue to apply in the future, too.

Slide 13 – Short- and Medium-Term Goals

Ladies and gentlemen,

We have demanding goals that consist in further strengthening the K+S Group over the short and medium terms and keeping it on a successful course over the long term.

In order to further boost our earnings above all, we are currently pursuing an aggressive policy on pricing, especially in the case of potash products. We see there being good chances, especially for our speciality assortment. The price increase that we implemented over the past year make us confident and we see there further opportunities over the coming months to at least pass on our higher cost in full in the marketplace.

With the acquisition of Solvay's 38% interest in the esco joint venture, we will further enhance our position on the European salt market. The negotiations concerning the acquisition are drawing to a close. We already signed an appropriate letter of intent with Solvay in February 2004.

In all areas, especially in potash and magnesium products, we will make further progress in the future on process and cost management as well as sensible profit-sharing arrangements for employees. Dismissals are not being contemplated despite a planned, albeit limited reduction in staffing levels. We are making use of fluctuation in this regard as well as all other personnel policy instruments.

We will in future also continue to review growth opportunities that would enable us to develop our existing business sector as a result of organic growth and external possibilities. This also includes the penetration of new geographical markets. All this should contribute to achieving a significant improvement in earnings once again as of 2005.

Ladies and gentlemen,

With its strong market positions, the interlinking of its business segments as well as its excellent competencies, the K+S Group will continue to be successful in the future and consistently post strong earnings.

Thank you for your attention, and I will now hand over to Mr. Steiner, who will comment on the financial data for our group.