Experience growth.

K+S Aktiengesellschaft

Press and Analyst Conference

16 March 2006

Frankfurt am Main

Speech by Norbert Steiner,

Vice Chairman of the Board of Executive Directors

– The spoken word is binding –

Ladies and Gentlemen,

Following the comments about the course of business for the K+S Group and the individual business segments, I would now like to provide you with some more in-depth information concerning the financial position of our company. The figures for 2005 and the preceding years were prepared – as was already the case with last year's quarterly reports – under the IFRSs.

Slide 1 - Revenues and earnings as of 31 December

K+S Group

Revenues and earnings as of 31 December

€ million

	2005	2004	Δ
Revenues	**2,815.7**	**2,538.6**	**+ 277.1**
Operating earnings (EBIT I)	**250.9**	**162.9**	**+ 88.0**
Earnings after market value changes (EBIT II)	271.7	136.5	+ 135.2
Financial result	- 12.1	- 13.1	+ 1.0
Earnings before income taxes (EBT)	**259.6**	**123.4**	**+ 136.2**
Income taxes	85.1	36.6	+ 48.5
of which deferred taxes	35.5	14.1	+ 21.4
Net income	**174.5**	**86.8**	**+ 87.7**
Group earnings after taxes and minority interests	**174.4**	**86.8**	**+ 87.6**
Elimination of market value changes	- 13.1	+ 16.7	- 29.8
Group earnings, adjusted *	**161.3**	**103.5**	**+ 57.8**

* 37.0 % tax rate assumed

16 March 2006 K+S Group / 1

As our point of departure, what you see here once again is an overview of the very good development of the revenues and earnings of the K+S Group. This should serve us as an outline picture that I would like to fill out with some further figures.

Slide 2 - Change in revenues as of 31 December 2005

K+S Group

Change in revenues as of 31 December 2005

€ million

Revenues as of 31 December 2004:	**2,538.6**
Revenues as of 31 December 2005:	**2,815.7**
Changes:	**+ 277.1**
• resulting from consolidation	+ 31.6
• resulting from prices	+ 236.5
• resulting from volume/structural factors	+ 9.7
• resulting from exchange rates	- 0.7

16 March 2006

K+S Group / 2

In 2005, we were able to post a further clear rise in revenues of € 277 million. Of this sum, about € 32 million was attributable to the first-time consolidation of certain companies; those are the French SCPA Group as well as two COMPO companies.

At € 236 million, by far the greatest share of the rise in revenues came from the price improvements that have already been discussed and which we achieved in the Potash and Magnesium Products as well as fertiva business segments in particular.

Just under € 10 million came from volume increases, which were essentially attributable to the very good de-icing salt business.

Currency-related effects barely impacted on revenues. This is because at 1.24 US dollars per euro, the average exchange rate for 2005 was almost identical to that for 2004. However, these circumstances are more the exception than the rule, as can be seen from looking at the closing rate of 1.36 US dollars per euro in 2004 and 1.18 dollars per euro in 2005.

Slide 3 - US dollar currency management 2005 - 2008

Potash and Magnesium Products

US dollar currency management 2005 - 2008

- **After deducting overseas freight costs and a safety margin, revenues are hedged approx. 3 years in advance by double-barrier options**
- **Double-barrier options: No classic hedge, only valid within certain barriers (currently ≤ USD/EUR 1.13 and ≥ USD/EUR 1.35); possible restructuring in event of impending loss**
- **Ø Hedging 2005: USD 480 million at USD/EUR 1.15 incl. option premium (average spot rate: USD/EUR 1.24)**
- **Receipts from 2006 to 2008 also hedged by means of double-barrier options:**

Ø Hedging 2006:	**USD 500 million at USD/EUR 1.07 incl. option premium**
Ø Hedging 2007:	**USD 520 million at USD/EUR 1.04 incl. option premium**
Ø Hedging 2008:	**USD 480 million at USD/EUR 1.06 incl. option premium**

16 March 2006 K+S Group / 3

Because this is so and the level of our revenues depends on the development of exchange rates to a not insignificant extent, we continue to pursue, especially in the potash business, an active exchange rate hedging policy that covers our medium-term planning period. Accordingly, we here hedge our net positions about three years in advance.

Many of you know that we have been using what are known as double-barrier options for some years now. As has already been explained on an earlier occasion, they are not classic hedging instruments. However, the options we have contracted are only really effective as long as the exchange rate moves within certain barriers while they apply. At the present time, the upper knock-out rates for our hedges apply between 1.35 to 1.42 US dollars per euro, depending on duration, and the lower knock-out values range from 1.03 to 1.13 US dollars per euro. If the exchange rate moves close to a knock-out value, we restructure our hedging transactions if need be, so as to avoid their loss.

Such restructuring was required on a substantial scale in 2005, as the US dollar exchange rate – in contrast by taking an average view – fluctuated significantly over the course of the year. Despite the associated premium expenses, we were able to achieve an average hedged exchange rate of 1.15 US dollars per euro in 2005 for a hedged volume of 480 million US dollars. Thus, by means of this instrument, we achieved a contribution to earnings of about € 31 million for the period in the case of the Potash and Magnesium Products business segment.

The anticipated net receipts for the years 2006 to 2008 are also hedged by means of double-barrier options. In this case, we would arrive at, provided no further adjustments are necessary, an average hedged exchange rate, including premiums, of 1.07, 1.04 and 1.06 US dollars per euro.

Slide 4 - Development of costs in the period ended 31 Dec.

K+S Group

Development of costs in the period ended 31 Dec.

€ million

	2005	2004	Δ
Cost of materials and purchased services	1,203.0	1,134.6	+ 68.4
Personnel expenses	671.1	613.3	+ 57.8
Energy costs	157.7	124.7	+ 33.0
Outward freight costs	377.9	339.3	+ 38.6

16 March 2006 K+S Group / 4

As you have already seen, the increase in revenues was also reflected in much better operating earnings.

Although the most important cost items rose without exception, this was more than made up for by the revenue improvements discussed.

The following can be stated about the most important cost items:

Materials and external services account for by far the biggest item, and rose by about € 68 million to a good € 1.2 billion. Increases in the cost of raw materials, especially of ammonia, had a particular impact in this regard. We were able to pass on the costs through price increases to a large extent.

We also saw a significant increase of almost € 58 million or just under 10 % in the case of personnel expenses too. One of the reasons for this was a marked rise in the level of performance-related remuneration paid to our employees. Over the past few years, we have successively extended the variable components of remuneration from the Board of Executive Directors through managerial personnel to the industrial employees of the K+S Group. In this way, we are achieving a situation where personnel expenses are to a certain extent automatically adjusted to the earnings position of the company, which results in correspondingly higher payments to employees when earnings are good. In terms of both profitability and socio-political responsibility for jobs, we consider the flexibility on personnel expenses we have thus obtained to be indispensable and will therefore continue to develop remuneration structures in the direction of greater variability.

In addition, measures related to providing for semi-retirement are also reflected in personnel expenses. We now assume, for example, that there is a greater likelihood of semi-retirement being taken up.

In the case of energy costs, general price increases are now impacting on our natural gas supplies too. This largely explains the increase of € 33 million or 26 %. We are naturally seeking to counteract this trend by means of price agreements as well as through other forms of sourcing energy. Nevertheless, in an environment in which prices are generally rising, more expensive energy supplies can scarcely be avoided.

The increase in outward freight costs is also in large part price-related. In this case too, we were able to make up the increase in costs through higher prices.

I would now like to turn to the financial result, the structure of which has changed significantly under the IFRSs.

Slide 5 - Financial result as of 31 December

K+S Group

Financial result as of 31 December

€ million

	2005	2004	Δ
Interest and similar income	11.4	10.6	+ 0.8
Current interest expenses	- 4.9	- 5.8	+ 0.9
Interest expenses in allocations to provisions for mining obligations	- 13.9	- 12.8	- 1.1
Interest expenses in allocations to provisions for pensions and jubilee benefits	- 10.4	- 10.6	+ 0.2
Income from the disposal of financial assets	5.3	2.6	+ 2.7
Income from the measuring of financial assets at market value	0.4	2.9	- 2.5
Financial result	**- 12.1**	**- 13.1**	**+ 1.0**

16 March 2006

K+S Group / 5

Interest income was above last year's level by almost € 1 million and current interest expenses were down by just under € 1 million, causing net interest income to improve to this extent. In addition to expenses related to the accrual of interest for pensions and other long-term personnel obligations, which was already practiced under HGB, net interest income under the IFRSs also includes expenses related to the accrual of interest for mining provisions. This has caused the structure of net interest income to be negative overall.

In addition, the financial result under the IFRSs also includes gains and losses realised on the disposal of financial assets as well as the earnings effects of measuring financial assets at market value as of the reporting date.

The gains on the disposal of financial assets are mainly attributable to the fact that under the IFRSs we have to include an externally managed special fund – like a subsidiary – in our consolidated figures.

Income taxes have risen appreciably in line with the development of earnings.

Slide 6 - Income taxes as of 31 December

K+S Group

Income taxes as of 31 December

€ million

	2005	2004	Δ
Domestic trade tax	27.3	7.7	+ 19.6
Domestic corporation income tax	14.6	5.9	+ 8.7
Foreign income taxes	7.7	8.9	- 1.2
Deferred taxes	35.5	14.1	+ 21.4
- out of the use of tax loss carryforwards	17.1	7.6	+ 9.5
Income taxes	**85.1**	**36.6**	**+ 48.5**

16 March 2006 K+S Group / 6

There has been a particularly marked rise in the domestic trade tax, as the related loss carryforward of K+S Aktiengesellschaft was fully utilised in the preceding year. We now have to bear the full burden. In the case of corporate income tax, the current burden is limited to the so-called minimum tax, as we still have loss carryforwards available that can be expected to last into 2007. By contrast, foreign income taxes were somewhat lower than in the previous year.

A key difference between accounting treatment under the IFRSs compared with German GAAP is the more comprehensive reporting of deferred taxes under the IFRSs. In particular, we must take account of deferred taxes resulting from the use of the corporate income tax loss carryforwards that are still available.

Slide 7 - Earnings per share

K+S Group

Earnings per share

€ million

	2005	2004	Δ
Group earnings after taxes and minority interests	**174.4**	**86.8**	**+ 87.6**
Elimination of market value changes (gross)	- 20.8	+ 26.5	- 47.3
Elimination of deferred taxes on market value changes *	+ 7.7	- 9.8	+ 17.5
Group earnings after taxes and minority interests, adjusted	**161.3**	**103.5**	**+ 57.8**
Average number of shares (in million)	42.3	42.5	- 0.2
Earnings per share, adjusted (in €) *	**3.81**	**2.43**	**+ 1.38**

* Tax rate of 37,0 % assumed

16 March 2006

K+S Group / 7

The positive development of earnings is also reflected in a significant increase in earnings after taxes and minority interests. However, the doubling of earnings after taxes disclosed in the income statement is in part only based on the measurement effects of derivatives that are not yet mature and which we concluded to hedge future foreign currency positions. We consider adjusted earnings after taxes to be more suitable for determining meaningful earnings per share for the relevant period. We adjust them by eliminating the effects of the reporting date measurement of derivatives, which have given rise to the reporting of unrealised book gains of € 20.8 million as of 31 December 2005. A year earlier, however, this item resulted in also unrealised measurement losses of € 26.5 million. In other words, a year-on-year earnings increase of more than € 47 million resulted solely from such reporting date measurement. Under the logic of the IFRSs, these hypothetical contributions to earnings attract just as hypothetical deferred taxes, which we also eliminate in determining adjusted earnings after taxes.

For 2005, this resulted in adjusted earnings after taxes of € 161.3 million, which represents an increase of € 57.8 million on the previous year.

At € 3.81 per share as of 31 December 2005, adjusted earnings per share were also up € 1.38 or 57 % on the result for the previous year.

The improvement in earnings is also reflected in gross cash flow, which rose by € 67.4 million to € 341.5 million in 2005.

Slide 8 - Cash flow statement

K+S Group

Cash flow statement

€ million

	2005	2004	Δ
Gross cash flow	**341.5**	**274.1**	**+ 67.4**
Cash flow provided by operating activities	220.8	201.7	+ 19.1
Cash flow used in investing activities	- 94.3	- 224.6	+ 130.3
Free cash flow	**+ 126.5**	**- 22.9**	**+ 149.4**
Cash flow used in financing activities	- 113.3	- 39.7	- 73.6
Other items	- 5.2	+ 0.2	- 5.4
Change in cash and cash equivalents	**+ 8.0**	**- 62.4**	**+ 70.4**
Net cash and cash equivalents	**69.8**	**61.8**	**+ 8.0**

16 March 2006 K+S Group / 8

At € 220.8 million, cash flow from operating activities is lower and just € 19.1 million up on the previous year's figure. A key reason behind this is the increase in receivables, resulting from the significant rise in revenues. In addition, it also reflects premium payments for the currency options that we have expensed for the hedging of future US dollar receipts.

In 2005, cash outflow from investing activities was significantly lower than a year ago. This is mainly due to the fact that we did not record any acquisition-related expenditure in the past year, while the 2004 figures included expenditure related to the purchase of the remaining 38 % in esco. In addition, we also spent less cash on capital expenditure in property, plant and equipment.

The improvement in operating cash flow as well as lower disbursements on investing activities and acquisitions meant that free cash flow of € 126.5 million was generated for the period ended 31 December 2005. This was more than enough to cover the disbursements for financing activities. Cash flow from financing activities in 2005 mainly covered expenditure on the repurchase of own shares totalling € 66.6 million in addition to the dividend payment.

After taking into account other, essentially consolidation-related items, cash and cash equivalents rose by € 8 million to € 69.8 million in 2005. In this regard, it should be noted that cash and cash equivalents under the IFRSs only include liquid funds available at short notice and which are not subject to fluctuations in value. They do not, on the other hand, include securities.

I would now like to make a few comments about the K+S Group balance sheet.

Slide 9 - Balance sheet figures as of 31 December

K+S Group

Balance sheet figures as of 31 December

€ million

	2005	2004	Δ
Fixed assets	904.6	921.3	- 16.7
Net liquid funds	206.1	266.2	- 60.1
Equity	942.1	880.6	+ 61.5
Provisions	817.0	798.4	+ 18.6
Bank loans and overdrafts	29.5	57.8	- 28.3
Balance sheet total	2,259.1	2,147.7	+ 111.4
Working Capital	455.1	333.1	+ 122.0

16 March 2006

K+S Group / 9

As of 31 December 2005, the fixed assets disclosed in the K+S Group balance sheet declined slightly to € 904.6 million, as the comparatively low volume of capital expenditure was lower than depreciation.

Cash and cash equivalents declined by about € 60 million to € 206.1 million. This figure is higher than the cash and cash equivalents in a narrower sense just referred to above, because it also includes securities.

Equity as of 31 December 2005 rose by € 61.5 million to € 942.1 million. The reason for this increase is that net income for 2005 plus further increases in value that are not reported in earnings exceeded disbursements connected with the dividend payment and the repurchasing of shares. The equity ratio increased slightly from 41 % to just under 42 %.

Provisions rose in total by € 18.6 million to € 817 million. While pension provisions declined by a good € 40 million as a result of the partial out-financing through a so-called contractual trust arrangement, higher sums had to be recognised as provisions especially for semi-retirement obligations as well as performance-related remuneration that will be payable in April and May.

As of 31 December 2005, bank loans and overdrafts were scaled back to just under € 30 million and almost exclusively relate to our subsidiaries in Brazil, Chile and Mexico, which mainly finance their business locally in the respective local currency.

The increase in working capital, as was already explained in connection with the cash flow statement, is primarily attributable to higher receivables and the premiums paid for hedging transactions.

As a result of the very good results, our yields showed a very tangible improvement in 2005.

Slide 10 - Yields as of 31 December

K+S Group

Yields as of 31 December

	2005	2004
Return on equity after taxes	17.8 %	12.1 %
Return on total investment	12.7 %	9.1 %
EBIT margin	8.9 %	6.4 %
ROCE	19.5 %	14.2 %

16 March 2006 K+S Group / 10

As of 31 December 2005, the return on equity leapt to just under 18 % after a good 12 % in the previous year. In computing the return on equity, we relate adjusted earnings after taxes to average equity, which is also adjusted for the effects of measuring derivatives at market value after taxes. Otherwise, the development of the return on equity compared over the time would scarcely be meaningful.

Return on total investment also improved markedly, from about 9 % to almost 13 %. In this case, we proceed from earnings before interest and taxes, which is also adjusted for the effects of measuring derivatives at market value.

Both the EBIT margin and the ROCE also improved.

Slide 11 - ROCE as of 31 December

K+S Group

ROCE as of 31 December

€ million

	Operat. earnings	Net * assets	ROCE	
	2005	2005	2005	2004
Potash and Magnesium Products	151.8	778.4	19.5%	9.8%
COMPO	25.0	267.8	9.3%	9.2%
fertiva	14.8	- 92.7	-	-
Salt	62.7	254.0	24.7%	22.7%
Waste Management and Recycling	8.1	23.7	34.2%	34.6%
Services and Trading	20.1	22.1	-	-
Reconciliation	- 31.6	36.6	-	-
K+S Group	**250.9**	**1,290.0**	**19.5%**	**14.2%**

*) average (1.1. + 31.12.) : 2

16 March 2006 K+S Group / 11

At 19.5 %, we were able to significantly increase the return on capital employed in 2005.

A major contribution in this regard was made by the Potash and Magnesium Products business segment, which saw its ROCE practically double from almost 10 % to 19.5 %. The measures instituted since 2004 to cut costs and enhance efficiency and positive market influences have significantly improved the business segment's profitability.

At 9.3 %, the COMPO business segment achieved a return that was on about the same level as last year. In this regard we are confident that the measures instituted to cut costs in conjunction with market successes will be bearing fruit and will result in an improvement in return levels.

In the case of the Salt business segment, we were able to increase last year’s already high return level once again and achieved a ROCE of almost 25 %.

There was scarcely any change in the return for the Waste Management and Recycling business segment, which retained a very high value at 34 %. However, the ROCE for this segment benefits from the fact that we have very little capital tied up in it, because use is made of underground caverns created by the Potash and Magnesium Products and Salt business segments.

In the case of the fertiva and Services and Trading business segments, we have not calculated a ROCE as the ratio would say very little in the light of their structure.

Slide 12 - Proposed dividend

K+S Group

Proposed dividend

	2005	2004
Dividend per share	1.80 €	1.30 €
Total dividend payment	74.25 Mio. €	55.25 Mio. €
Group earnings, adjusted	161.3 Mio. €	103.5 Mio. €
Net income distributed	46.0 %	53.4 %
Dividend yield [1]	3.5 %	3.3 %

[1] based on share price on 31 Dec. (2005: € 51.05; 2004: € 39.10)

16 March 2006 K+S Group / 12

We have used the very satisfying increase in earnings for 2005 as an opportunity to increase our dividend proposal by just under 40 % to € 1.80 per share.

With 41.25 million shares entitled to dividend, this will result in a dividend payout of a good € 74 million. In terms of the distribution level, this is in keeping with the continuity of our dividend policy of distributions to shareholders of between 40 % and 50 % of our earnings after taxes. Last year, the distribution level, under the relevant HGB rules applied at the time, amounted to just under 40 %.

On the basis of the year-end closing price for the K+S share, the dividend yield is 3.5 % and thus somewhat higher than last year's figure of 3.3 %. On a current basis, the dividend yield, in view of the good performance of the K+S share over the past few weeks, is in fact just under 3 %, but even at that level the K+S share is close to the yield for 10-year Bunds and even exceeds it when viewed after taxes.

Slide 13 - AGM authorisations sought

K+S Group

AGM authorisations sought

1. **Authorisation to acquire own shares**
   - existing authorisation partially used
   - new authorisation: up to max. 10 % of share capital (= 4.125 million shares), limited until 31 October 2007
   - further use of share repurchase instrument as required
2. **Authorised capital**
   - up to max. 50 % of share capital (= 20.625 million shares), limited until 9 May 2011
   - replaces current authorisation, valid until 1 May 2007
   - secures ability to act as required
3. **Conditional capital**
   - up to max. 50 % of share capital (= 20.625 million shares), limited until 9 May 2011
   - servicing of conversion and option rights if necessary
   - use of attractive financing possibilities as required

16 March 2006 K+S Group / 13

Ladies and Gentlemen,

At the upcoming Annual General Meeting, we will also ask our shareholders to approve certain authorisations that should enable us to adjust the capital structure rapidly and flexibly if need be.

The new authorisation to repurchase shares should replace the existing authorisation which is limited until October 2006. We have made partial use of this authorisation by buying 1.25 million shares for a total of € 66.6 million.

As a result of cancellation, which has been carried out and entered in the commercial register in the meantime, the number of shares of K+S Aktiengesellschaft has declined to 41.25 million. The new authorisation, limited until 31 October 2007, should enable us to continue to make use of this instrument as required.

The authorisation to create authorised capital is also intended to replace the relevant existing authorisation, which is valid until 1 May 2007. Even if there are no concrete plans to implement a capital increase at present, we want to ensure that we have the capacity to respond quickly and flexibly if need be.

This also applies to the authorisation concerning conditional capital. This should serve the purpose of servicing conversion and option rights if necessary. Here the same is true: K+S Aktiengesellschaft has not issued any convertible bonds or bonds with warrants and no concrete plans for appropriate issues exist at present. However, we are of the opinion that, should the need arise, the Board of Executive Directors should be able to make use of the attractive financing possibilities provided by convertible bonds and bonds with warrants.

Overall, this means that in addition to the existing financing possibilities of own cash flow as well as borrowing, we would have the necessary instruments at hand so as to be able to use all options for strengthening our business sectors in the interest of all concerned in the future too.