

K+S Aktiengesellschaft

Annual General Meeting

on 10 May 2006

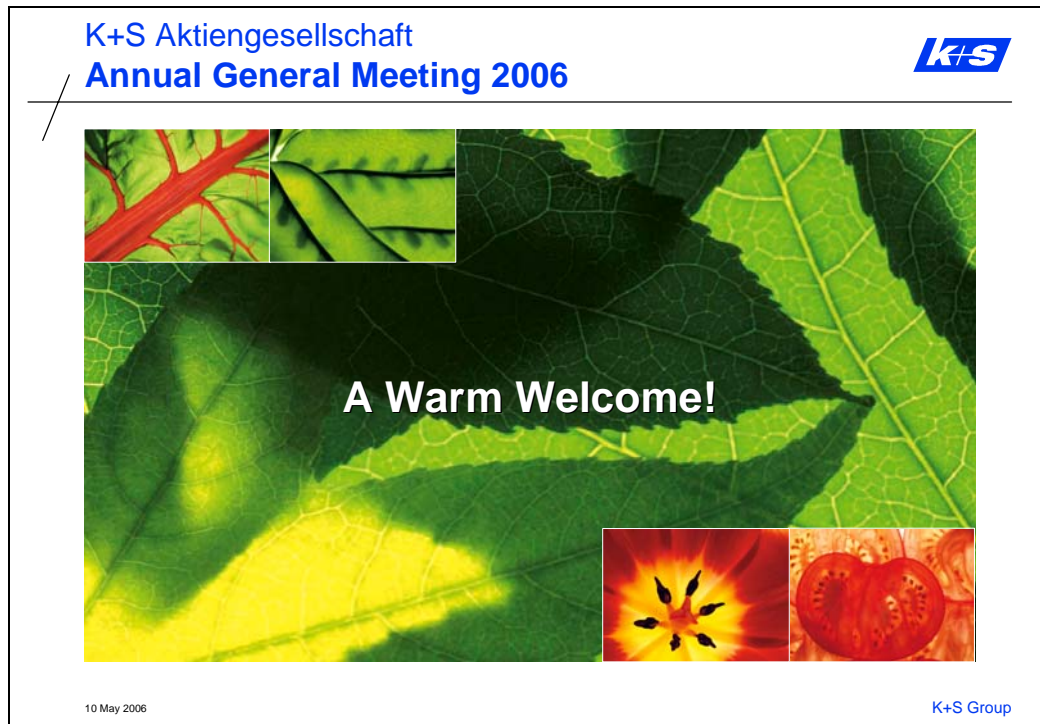
in Kassel

Speech by Dr. Ralf Bethke,

Chairman of the Board of Executive Directors

– The spoken word is binding –

Welcome



Dear Shareholders and Shareholder Representatives,
Ladies and Gentlemen,

I bid you a warm welcome to the 2006 Annual General Meeting of your K+S Aktiengesellschaft and also do so on behalf of my colleagues on the Board of Executive Directors as well as all our employees. I also extend a warm welcome to our guests and the representatives of the press.


We are pleased that so many of you took up our invitation and have come to Kassel; this demonstrates the great interest you show in our work and the development of the K+S Group. We are sure that today's Annual General Meeting and discussion will once again prove informative and constructive.

At the beginning of my report I would like to describe the market environment in which we have moved in 2005 and what measures we have implemented or initiated to further strengthen our international competitiveness above all. That we were able to use numerous opportunities offered by the market as well as internally is

demonstrated by the results and figures for 2005, the most successful financial year so far in the existence of the K+S Group.

Furthermore, I also want to address the start to new financial year 2006, our prospects for the year as a whole as well as our medium-term targets.

Slide 1 - Good Market Environment in 2005 Overall



K+S Group
Good Market Environment in 2005 Overall

Fertilizers and plant care

- Renewed increase in global potash demand
- Significant price increases for potash and nitrogen fertilizers
- High cost increases for raw materials, freight and energy
- Purchasing restraint resulting from weather and economic conditions in the COMPO consumer business

Salt

- Western European salt market on a good level
- Exceptionally robust winter road clearance service business

Waste disposal

- Competition remains intense on the disposal market, but positive impetus from flue gas cleaning residues

10 May 2006 K+S Group / 1

Firstly regarding our markets in 2005: The relevant environment for the business sectors fertilizers and plant care, salt and disposal was favourable in 2005 overall. We have profited from growing demand in many submarkets and have consolidated our positions.

Global economic growth, once again driven in large measure by the Asian countries, also impacted on the success of the K+S Group: Increased prosperity in these regions is causing the population to become more demanding with respect to food and resulting in a change in traditional eating habits with a rise in meat consumption. Rising demand for high-quality food and thus fodder is linked to greater consumption of fertilizers. In addition, economic success in these countries is driving urbanisation, resulting in a reduction in the amount of land available for agriculture.

This loss of land can only be compensated for by professional land management, which also involves the efficient and higher use of mineral fertilizers.

On the **global potash market**, sales in 2005 rose by 0.8 million tons or 1.5% to approximately 55 million tons of goods. There were significant regional differences in this regard: While there was increasing demand for potash fertilizers in China and India, sales were down on last year's higher consumption levels in regions such as North America and Latin America, but also Western Europe.

Producers in North America, Russia and Belarus have responded to muted demand in some regions towards the end of the year by cutting back output, both in the fourth quarter of 2005 as well as in the first quarter of 2006. We treat this as a clear signal to the markets that the relatively attractive price level for potash fertilizers that has been attained so far is given high priority.

Potash prices have attained a comparably high level because of the largely balanced supply and demand situation in direction worldwide and, in the case of nitrogen, because of the sharp rise in energy costs. Higher prices compared with 2004 enabled most suppliers – including ourselves – to pass on higher costs particularly for energy and freight to the markets.

However, the sharp rise in oil and gas prices has also weighed heavily on the cost accounting of all fertilizer suppliers. The even higher gas prices in North America, compared to Europe, resulted in operations being temporarily suspended at ammonia plants there, which in turn caused an even more substantial rise in the global market price of this important input material for nitrogen fertilizers. This also caused an increase in the corresponding acquisition costs for our COMPO and fertiva business segments.

In addition to the cost increases just described, the **COMPO** consumer business suffered once again from the purchasing restraint in evidence for a number of years, especially in Germany, as well as changeable weather conditions during the gardening season. We have responded to this development by streamlining our

assortment as well as by achieving structural savings in distribution. Since May 2005, all our COMPO sites in Germany have been working a 40-hour week again.


By contrast, good demand overall characterises the Western European **salt market**. As was the case in the previous year, imports from Eastern Europe caused sales opportunities in some subsegments to be fiercely fought over. The prospects for a significant increase in consumption in Western Europe are – except for the weather-based de-icing salt business – somewhat limited.

As you all know, both the first and fourth quarters of 2005 were influenced by severe winter weather conditions in Northern and Central Europe. This impacted very positively on our de-icing salt business in the Salt business segment. In this regard, our subsidiary esco was able to exploit its particular strengths in production and logistics and further develop its leading position on the European salt market.

In the disposal market, in the case of underground **waste** disposal, competition remains fierce on the European markets of relevance to us. However, the volume situation appears to be improving in the case of underground waste reutilisation, since the storage above ground of untreated residential and industrial waste in Germany is prohibited since June 2005. The resulting higher utilisation of waste incineration plants is producing a corresponding increase in the volume of flue gas cleaning residues, which mainly have to be disposed of underground because of the harmful substances they contain; all K+S reutilisation sites are profiting from this. In this segment of our disposal business, we hold significant market shares in Germany as well as in other European countries of importance to us.

Slide 2 - International Competitiveness Enhanced

K+S Group
International Competitiveness Enhanced



- Making structures and processes more efficient**
 - Implementation of 10-point programme
 - Increased Sylvinite extraction
 - Extension of working hours flexibility (Potash, COMPO)
 - Further optimisation of energy supply
 - Consistent exploitation of freight cost advantages
 - Attractive US Dollar hedging until 2008
- New cooperation and market-related measures**
 - Strategic cooperation COMPO/Syngenta in plant protection
 - Enhanced presence on the important French market
 - Long-term securing of freight capacity in the Mediterranean region

10 May 2006 K+S Group / 2

Ladies and Gentlemen,

The success of K+S is also based on the fact that in addition to the growth gained in our markets, we continuously improve our internal structures and processes which will lastingly enhance our international competitiveness as well as our earnings capacity.

In the Potash and Magnesium Products business segment – after having successfully realised our 10-point efficiency programme, which was geared toward efficiency improvements in the power plant and laboratory fields as well as more efficient underground flow of operations, we launched Sylvinite extraction on the Werra, made working hours more flexible –and realised further projects in 2005. They include for example optimising the energy supply at one of our potash sites by 2008 in conjunction with a competent partner as well as further improvements in raw material exploitation and the additional conserving of our operating resources.

In the COMPO business segment – as I already mentioned – we have launched numerous measures designed to achieve further optimisation and to cut costs, which will already positively impact on this year's earnings.

In 2005, we once again increased use of containers to counteract the effects of steep increases in the cost of sea freight for bulk fertilizers. In this regard, we are using the competitive edge provided by Hamburg and Antwerp for supplying important regions of consumption in Asia; both shipping ports will bring us considerable freight cost advantages over the longer term and permit us to participate in Asia's dynamic growth through both standard and speciality fertilizers to a greater extent.

In addition, as in previous years, we have hedged the US dollar at an attractive level clearly below the actual exchange rate until 2008.

At the same time, we are strengthening our group's earnings capacity through **new cooperation arrangements and other market-related measures:**

At the end of September 2005, COMPO agreed a strategic alliance with Syngenta, one of the world's leading manufacturers of plant protection products. The aim behind this is to offer our customers an innovative, full range of plant protection products and pesticides for home and garden use on Europe's consumer market. This cooperation opens up numerous new opportunities for us to generate in the less developed plant care segment higher contributions to earnings in the consumer business too over the medium term. A whole series of new products are being registered at present and will already be launched next year, mainly in 2008.

In the Potash and Magnesium Products business segment, we have further enhanced our presence particularly on the important French market, having taken over distribution activities as well as additional granulation capacity from French SCPA in 2005 and thus established new growth opportunities for our potash business. At the same time, by means of this engagement, we are demonstrating the great importance that we attach to the secure and competent supplying of European agriculture with German potash.

Through our Hamburg-based logistics provider KTG, we have concluded new, several-year freight contracts for the Mediterranean operating area in response to the future scarcity of shipping capacity and rising freight rates in these important relations for us. The contracts ensure the COMPO, Potash and Magnesium as well as fertiva business segments the freight capacity they require to supply their customers with fertilizers specialities that are shipped by sea from Hamburg and Antwerp to France, Spain, Italy and Greece. This is why we are participating in the building of 10 coasters. They have a capacity of approximately 4,000 tons each, are to go into service between 2007 and 2009, and are also to be used for our transport needs in the Mediterranean.

Slide 3 - Growth Course Retained in 2005

		2005	2004	Change
Revenues	(€ mill.)	2,815.7	2,538.6	+ 11%
Operating earnings (EBIT I)	(€ mill.)	250.9	162.9	+ 54%
Group earnings after taxes, adjusted *	(€ mill.)	161.3	103.5	+ 56%
Earnings per share, adjusted *	(€)	3.81	2.43	+ 57%
Gross cash flow	(€ mill.)	341.5	274.1	+ 25%
Capital expenditure	(€ mill.)	107.1	131.9	- 19%
Return on capital employed (ROCE)		19.5%	14.2%	

* adjusted for the effect of market value changes in exchange rate hedging transactions; 37.0% tax rate assumed

10 May 2006 K+S Group / 3

Ladies and Gentlemen,

All the financial ratios indicate that your K+S Group kept on its growth course in 2005 and generated exceptionally high increases in earnings.

K+S Group **revenues** rose by 11% to €2.8 billion mainly as a result of price factors.

At € 250.9 million, **operating earnings (EBIT I)** were up € 88 million or 54% on last year's figure. This strong rise in earnings is mainly attributable to price increases for standard and speciality fertilizers as well as higher sales of de-icing salt. It was possible to more than offset countervailing trends in costs. In addition, an important contribution to earnings was delivered by the improvements in efficiency made over the past few years which have a sustainable effect.

Earnings after taxes, adjusted for the market value changes in our currency option transactions, rose by € 58 million or 56% in financial year 2005 to total € 161.3 million.

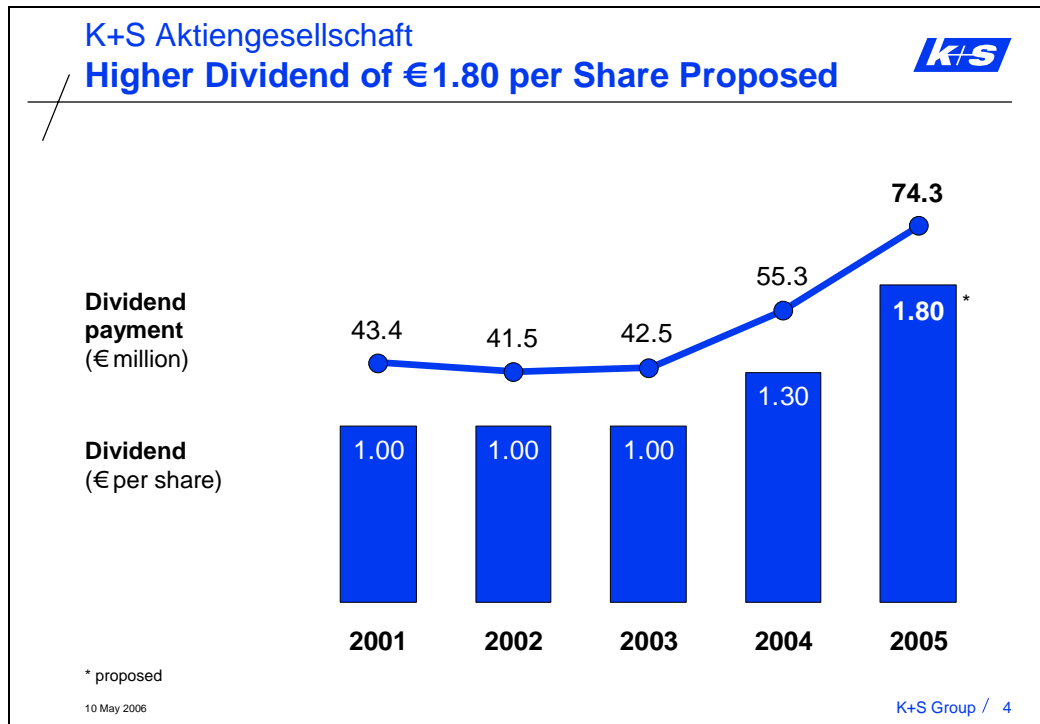
At € 3.81, adjusted **earnings per share** were up by € 1.38 or 57% year on year.

The dynamic nature of K+S Group earnings is also reflected in **gross cash flow**, which rose by € 67 million or 25% to € 341.5 million in 2005.

The **volume** of our **capital expenditure** attained € 107.1 million and was thus about 19% lower than in 2004. This was attributable to the costly brine field expansion in the Salt business segment finished last year and the completion of the Sylvinite project in the Potash and Magnesium Products business segment. In addition, at the end of the year, there was a capital expenditure surplus relating to uncompleted investment undertakings totalling approximately € 20 million which will be completed this year.

The increased earnings capacity of the K+S Group is also reflected in the returns achieved. All the financial indicators reached an attractive level. We were able to increase our ROCE, which attracts particular attention on the capital market, by more than 5 percentage points to 19.5%.

Slide 4 - Higher Dividend of €1.80 per Share Proposed

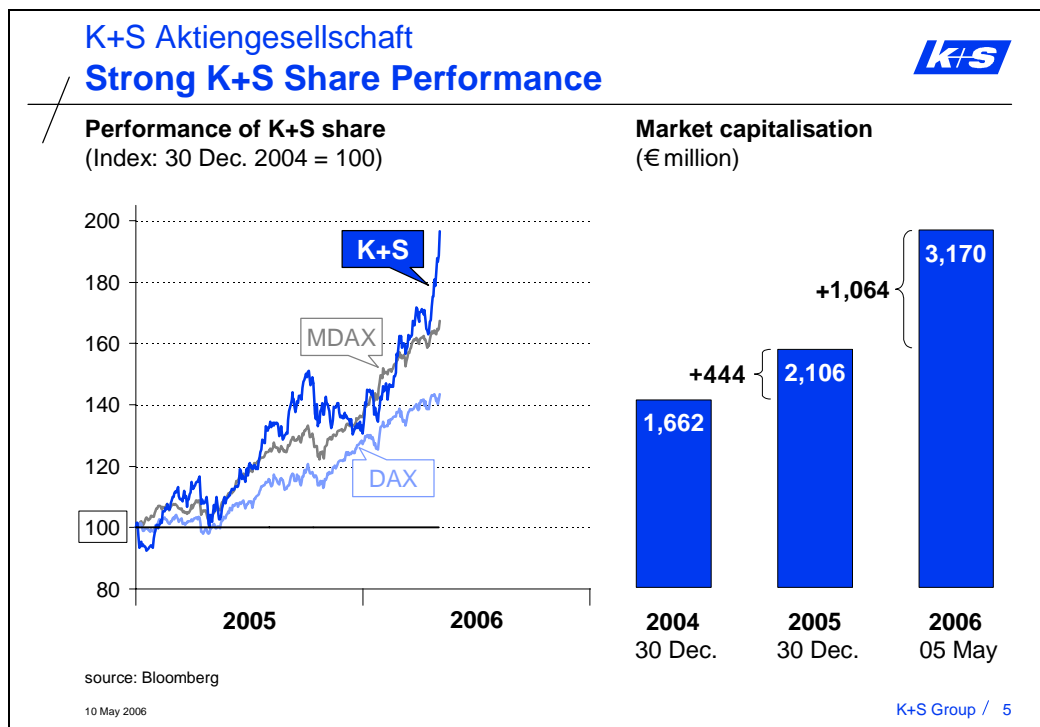


Ladies and Gentlemen,

You know that we at K+S essentially pursue an earnings-based **dividend** policy. As a result of the marked increase in earnings as well as the positive outlook, the Board of Executive Directors and the Supervisory Board today propose, under item 2 of the agenda, a dividend increase of 50 cents or 38% to € 1.80 per share. This corresponds to a payout of € 74.3 million. Thus, with a distribution ratio of 46%, we are within our target range of 40% to 50% of adjusted group earnings. Compared to last year's financial statements according to German Commercial Law (HGB), the distribution ratio was just under 40%. On the basis of the 2005 year-end closing price of € 51.05, our proposal will result in a dividend yield of 3.5%. Thus, the K+S share remains an investment offering a high yield.

In addition, in the fourth quarter of 2005, we bought back 1.25 million K+S shares on the basis of our existing authorisation to repurchase own shares. As a result of the cancellation of these shares, which has been entered in the commercial register in the meantime, the number of issued shares of K+S Aktiengesellschaft has declined to now 41.25 million. On this basis, our proposed dividend corresponds to a payout of € 74.3 million.

Slide 5 - Strong K+S Share Performance



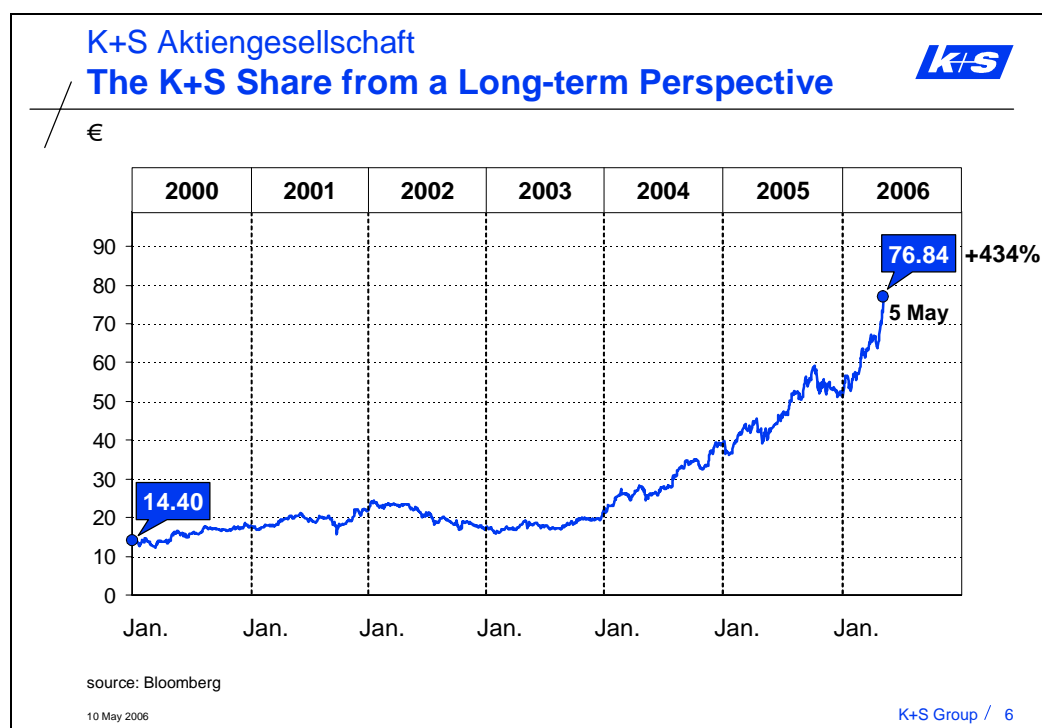
The K+S share performed strongly over almost all of 2005. Attractive quarterly earnings that exceeded capital market expectations, and our proven interlinked portfolio – in comparison with the rest of industry – when I think of the influence of the weather on our business, for example, ensured that last year’s rise was greater than that of the DAX and just missed the MDAX, which was very dynamic once again.

Towards the end of the year 2005, profit taking set in – a frequent occurrence over the past two years – with the result that the share was “only” quoted at € 51.05 at the end of the year, which still represented an increase of 31% for the year. If the dividend that was paid is also taken account, the gain even amounted to 34%.

As a result of favourable prospects and corporate news, our share has once again displayed a strong upward trend since the beginning of the year.

The market capitalisation or stock exchange value of our company has risen to more than €3 billion in the meantime.


Slide 6 - The K+S Share from a Long-term Perspective



Last week, the price of our share reached a new historic high of just above the €76 mark. Although the trend in share prices on global stock exchanges during the years 2000 to 2002 was a declining one, an investment in K+S shares over a five-year period has brought particularly good returns. Including the reinvestment of dividends paid, an annual increment of more than 28% was achieved on average.

Slide 7 - AGM Authorisations Sought

K+S Group
AGM Authorisations Sought



- **Purchase, sale and cancellation of own shares**
- **Creation of authorised capital**
- **Issuing of convertible bonds and bonds with warrants in addition to simultaneous creation of conditional capital**
- **Further amendments to Articles of Association**

10 May 2006 K+S Group / 7

Dear Shareholders and Shareholder Representatives,

Under agenda items 6, 7 and 8, authorisations have been proposed that should enable the Board of Executive Directors to adjust the capital structure rapidly and flexibly if necessary.

The authorisation proposed under agenda item 6 to buy, sell and cancel own shares is intended to replace the authorisation that is limited until October 2006. As I already mentioned, we made partial use of this authorisation last year to buy 1.25 million of own shares at a total price of €66.7 million. As a result of the cancellation of the shares implemented at the beginning of the year, the number of K+S shares has declined to 41.25 million; the amount of share capital remains unchanged at €108.8 million. The new authorisation, limited until 31 October 2007, should enable us to continue to be able to use this instrument if necessary.

The authorisation to create authorised capital (agenda item 8) is also intended to replace the existing authorisation, which is only valid until 1 May 2007. I want to point out that there are no concrete plans to implement a capital increase at present, however, we want to ensure that we have the capacity to respond quickly and flexibly if need be.



This essentially also applies to the authorisation proposed for the first time under agenda item 7 to issue convertible bonds and bonds with warrants along with the simultaneous creation of conditional capital. Again I would like to point out that we have 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 these attractive financing possibilities at short notice.

These authorisations mean that we would have the necessary instruments at hand in addition to the existing financing possibilities of own cash flow as well as the taking out of customary bank loans, so as to be able to use all options for external growth to strengthen our business sectors efficiently and in a manner oriented towards the capital market.

With regard to the amending of Article 21 of the Articles of Association proposed under agenda item 9 among other things, there are also no concrete plans for an in-kind distribution. Rather, we do not want to leave out any structuring possibilities and are following the example of many listed companies. I can assure you that you do not need to fear that you will be confronted with a proposal to pay the dividend in the form of fertilizers, de-icing salt or potting soil. Rather, if at all, what would come into consideration would be a distribution of shares.

Slide 8 - Future-oriented Personnel Work

K+S Group
Future-oriented Personnel Work



- 11,000 employees worldwide with high competence and commitment
- Flexible working hours models
- Expansion of performance-related variable remuneration
- Training initiative launched
- Projects to improve health protection and health care implemented

→ Strengthening our international competitiveness

10 May 2006 K+S Group / 8

Ladies and Gentlemen,

At present, the K+S Group employs **about 11,000 people** worldwide.

Forward-thinking personnel work is the cornerstone of the successful and increasingly international further development of the K+S Group. In connection with demographic and socio-political changes as well as changes in local legal and global framework conditions, this places us before great.

One answer takes the form of our increasingly **flexible working hours models**, which among other things are oriented towards the requirements of our production and other processes as well as the needs of our employees. They make it possible to realise cost advantages as well as to better combine work and family life.

For the reason that Mr. Wolf, the chairman of the Supervisory Board, already mentioned, we have, in a parallel process, further enhanced our **performance-related variable remuneration**, to enable our employees to participate to a greater extent in the results of the K+S Group. That applies to both good and less good

times. It gives us motivation in the workforce as well as the necessary flexibility to adapt to changing economic developments in international competition and protect the jobs at the same time.

Performance pays off in our company. Thus, employees covered by collective bargaining agreements in the potash business segment received an annual bonus totalling 215% of a monthly salary payment for 2005. This was 65 percentage points more than was laid down in the collective bargaining agreement before the return of the 40-hour week. It is a reflection of our mutually constructive cooperation, based on trust, with the works councils and the IG BCE trade union, which support the underlying concept and accompany it constructively.

Many years of service and the wealth of experience that this produces are one aspect of a successful personnel policy and the training of the next generation of employees is another. This is an area in which we are already systematically laying the important groundwork for tomorrow's growth. At the end of 2005, the trainee ratio for domestic companies stood at 5.9% and was on an exceptionally high level once again.

To make it possible for young people to receive qualified vocational training at K+S to an even greater extent than has been the case hitherto, we launched a **training initiative** this year. In 2006, we are offering training positions for a further 27 young people in addition to the 145 positions agreed under collective bargaining agreements. In total, more than 600 young people will be trained in 22 modern industrial, technical and commercial occupations at K+S.

Ladies and Gentlemen,

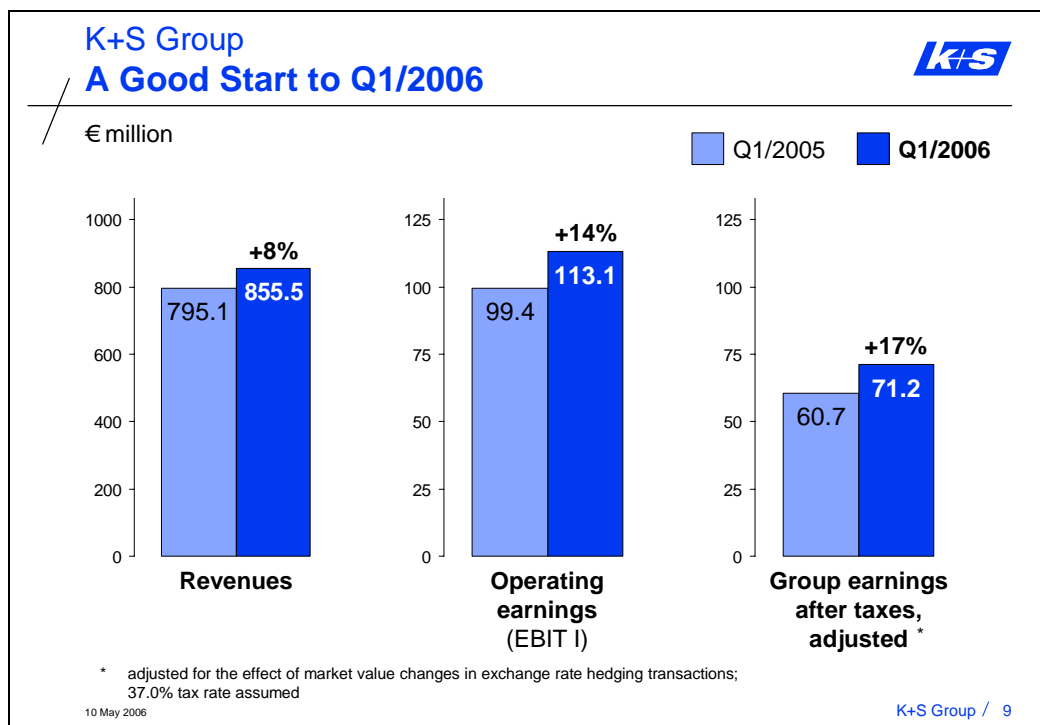
Active, healthy and motivated employees are the basis for operating successfully as a company. The promotion of health and health care in the workplace is therefore a fixed component of our corporate culture.

The focus is on regular check-ups to facilitate the early detection of health defects and to minimise the risk of vocational diseases and work-related health risks. Internal

company check-ups, which guarantee extended health protection for our employees, go well beyond the statutory requirements in this regard.

All these things give us support in the successful mastering our greatest challenge, the strengthening of our international competitiveness. The elements shaping the corporate culture at K+S are team spirit, competence, high commitment and flexibility. Last year, our employees displayed great commitment and motivation in working for the success of the group. This extends from the demanding day-to-day work, engaging in special projects to particular efforts in laying the strategic groundwork for the future of the K+S group. On behalf of my colleagues too I would like to extend particular thanks to each of our employees for their performance and I certainly can do so on behalf of you as well.

Slide 9 - A Good Start to Q1/2006



Ladies and Gentlemen,








I would now like to turn to the current year and to our interim report for the first quarter of 2006. At € 855.5 million, **revenues** were up € 60.4 million or 8% on the figure for the same period last year: In addition to volume and currency effects, the increase was primarily attributable to price effects. The Salt business segment managed to increase revenues once again in relation to the very good quarter of a year ago thanks to exceptional winter weather conditions in the first quarter. The Potash and Magnesium Products, fertiva as well as Waste Management and Recycling business segments also posted significant revenue increases.

We achieved an increase of € 13.7 million or 14% to € 113.1 million in **operating earnings** (EBIT I) for the first quarter of 2006.

After-tax group earnings adjusted for the effect of market value changes reached € 71.2 million in the first quarter, which represents a marked increase of € 10.5 million or 17%.

Let's now turn to the individual business segments:

Slide 10 - Operating Earnings (EBIT I) in Q1/2006

K+S Group			
Operating Earnings (EBIT I) in Q1/2006			
€ million		Δ to Q1/2005:	
Potash and Magnesium Products	 42.1	+ 15%	
COMPO	 16.3	- 11%	
fertiva	 3.8	- 30%	
Salt	 47.5	+ 22%	
Waste Management and Recycling	 3.6	>100%	
Services and Trading	 7.3	+ 20%	
Reconciliation	-7.5		
K+S Group:	113.1	+ 14%	

A look at Q1 operating earnings by business segment shows that the Salt business segment posted the strongest gain in absolute terms. But also the Potash and Magnesium Products, Waste Management and Recycling as well as Trading and Services business segments also achieved pleasing increases.

In terms of operating earnings, the COMPO and fertiva business segments were not quite able to attain the figures of a year ago as a result of weather and cost factors. However, a lot can still happen over the course of the year.

Following this good start of 2006, how do we assess the prospects for our individual operating areas for the year as a whole?

Slide 11 - Potash and Magnesium Products: Prospects 2006

K+S Group
Potash and Magnesium Products: Prospects 2006 



- Higher revenues and increase in operating earnings
- Continued high global demand for potash
- Consistent implementation of processing strategy
- Moderate price increases
- Implementation of further efficiency enhancements
- Steep energy cost increases
- Adequate protection against unfair trading practices expected

10 May 2006 K+S Group / 11

While the first quarter was characterised by what was rather muted international demand for potash fertilizers, demand can be seen to be picking up now, especially in South-East Asia and in Latin America.

As a result of higher average prices, the Potash and Magnesium Products business segment was able to increase both revenues and earnings in the first quarter. We also expect revenues for 2006 as a whole to be higher than last year. Our forecast is mainly based on the price effects that will be felt this year. At the same time, we assume that demand for potash fertilizers will consolidate in the second half of 2006.

Under these framework conditions, operating earnings should, despite steep energy cost increases, rise as a result of higher average prices and the anticipated more favourable hedging of the US dollar. Additional support for earnings should come from Sylvinite capacity, which has not been fully utilised thus far, as well as the further realisation of our cost-cutting efforts launched in previous years.

We will continue to implement our processing strategy consistently, because it enables us in particular to exploit our raw materials potential in the case of magnesium and sulphate in a manner that is particularly positive for income.

With regard to the review of anti-dumping rules to protect the Western European potash industry from unfair trading practices on the part of Russian and Belarussian potash producers, the EU Commission has found once again that the two Russian producers have been engaging in dumping. Agreement has been reached with the EU Commission in the meantime on the undertakings offered by the Russian producers to supply potash to the EU only if certain conditions regarding price and volume are observed.

We expect a decision shortly on the two reviews still pending. Speaking here, I would like to once again call on the EU Commission to continue to provide the European potash industry in England, Spain and Germany with sufficient protection against unfair trading practices over the coming years, mainly given the obvious substantial subsidies for gas and energy prices in both Russia and Belarus. I also expect political solidarity from the new member countries in this regard.

I am confident that the EU Commission and the majority of the 25 EU member countries will soon again ensure fair framework conditions for the European potash market.

Slide 12 - COMPO: Prospects 2006

K+S Group
COMPO: Prospects 2006



→ Moderate rise in revenues and improvement in operating earnings

- Slight rise in consumer business
- Further increases in professional business
- Ammonia price on a high level
- Efficiency enhancements taking effect

10 May 2006K+S Group / 12

In the case of the COMPO business segment, the long winter delayed the start of the European gardening and fertilizer season. Nevertheless, we are confident that we will still be able to achieve our targets from the perspective of the year as a whole. In the case of the consumer segment, we expect increases again in the large markets of Europe following a slack 2005. The good listing situation in the trade sector, product and packaging innovations as well as well as attractive promotion articles to market the company's 50th anniversary provide a good starting position in this regard.

The professional area should continue to grow mainly through stabilised fertilizers and speciality mineral fertilizers outside Europe. In the case of stabilised fertilizers, our ENTEC[®] products merit particular mention, as they will have a significant impact on the further development of the business given their innovative properties.

Despite raw material costs, especially for ammonia, remaining high compared with 2005, operating earnings should rise on the previous year. The key factors in this regard are expected to be efficiency enhancement measures in the consumer business already mentioned as well as price increases in the professional business.

Slide 13 - fertiva: Prospects 2006

K+S Group
fertiva: Prospects 2006



→ Slight revenue increase;
Decline in operating earnings

- Rising global demand for nitrogen fertilizers
- Price increases for complex and straight nitrogen fertilizers
- Rising raw material costs

10 May 2006K+S Group / 13

The fertiva trading business with nitrogenous fertilizers was largely satisfying at the beginning of the year. Weather-related sales shifts in our European markets were almost completely compensated by volume increases overseas.



For 2006, we expect fertiva to achieve a slight increase in revenues. In the case of complex and straight nitrogen fertilizers we expect further price increases, as we anticipate a further increase worldwide in demand for nitrogen fertilizers. However, as it will probably not be possible to fully pass on higher raw material costs to the market, we expect operating earnings to decline.

Ladies and Gentlemen,

Our COMPO / fertiva operations, which we bought as a package and which must therefore always be viewed together, were and are successful. However, we can and will be even better. We are very aware that we have not yet achieved all targets, especially in the COMPO consumer business, but we are heading in the right direction.

Slide 14 - Salt: Prospects 2006

K+S Group
Salt: Prospects 2006



→ Revenues on previous year's level;
Operating earnings expected to be
down slightly on previous year's high level

- Very good start with products for winter road clearance services
- Volume and price increases in other segments
- Rising energy costs

10 May 2006 K+S Group / 14

As a result of weather factors, the Salt business segment exceeded the hitherto record value of the first quarter of 2005 with high de-icing salt deliveries once again and thus created the basis for 2006 being another very good year. We assume further volume and price increases in the remaining segments too.

We expect revenues for 2006 as a whole to attain last year's level. Operating earnings are expected to be down slightly on the previous year, as even higher revenues and cost savings will probably not fully make up for the considerable energy cost increases.

It remains to be seen to which extent the winter business will provide an additional impetus in the fourth quarter once again.

Slide 15 - New Position in International Salt Business

K+S Group 
New Position in International Salt Business

K+S takes over leading South American salt producer "Sociedad Punta de Lobos" (SPL)



- Acquisition of 99.3% of the shares
- Purchase price of US\$ 477 million (about €390 million) on debt-free basis
- Transfer of business should take place with economic effect as of 1 May 2006
- Cartel authorities approval expected
- Closing still expected in Q2/2006

10 May 2006 K+S Group / 15

Ladies and Gentlemen,

One of our key strategic goals is to leverage external besides organic opportunities for growth. With the acquisition of Chilean salt producer **Sociedad Punta de Lobos** (SPL), we will tap new market and earnings potential outside Europe as a producer.

As you will have already learned from the press, we signed an agreement to acquire 99.3% of the shares of SPL on 22 April. Assuming a debt-free enterprise value of US\$ 480 million, K+S AG will acquire the shares for US\$ 477 million or just under € 390 million. An offer to buy the remaining minority shareholders will be made shortly.

The business is to be transferred to K+S with economic effect from 1 May 2006. The closing, meaning the actual transfer of the shares as well as the payment of the purchase price, will take place a little later, as it requires cartel authorities' approval in the United States, in Brazil and in Germany. We do not expect any problems in this regard and assume that the closing will take place in the second quarter of 2006.

Slide 16 - SPL: Optimal Strategic Complement for K+S

K+S Group
SPL: Optimal Strategic Complement for K+S



The map shows South America with a red dot in Chile (Atacama desert) and another red dot in Brazil (sea salt facility). Labels include 'SOUTH AMERICA', 'IQUIQUE P. PATILLOS', and 'SANTIAGO'.

- Production capacity of over 6 million tons of crystallised salt:
 - Open-cast extraction in Chilean Atacama desert
 - Sea salt facility in Brazil
- Production of complete assortment for all needs
- Main sales areas are North America's east coast and South America
- Key figures 2005:
 - Sales (crystallised salt) 5.7 mill. tons
 - Revenues US\$ 350 mill. (€290 mill.)
 - Operating earnings US\$ 48 mill. (€ 40 mill.)
- 850 Employees

10 May 2006 K+S Group / 16

SPL is an **optimal strategic complement** for the K+S Group. Following the acquisition of Dutch Frisia Zout B.V. and the acquisition of all of esco – european salt company, which was formed as a joint venture together with Solvay, Brussels, K+S is already the most efficient producer on the European salt market. With the bold leap to South America, we are opening up excellent opportunities for further growth in new markets for us.

SPL currently possesses a production capacity of over 6 million tons of crystallised salt. Most of the production takes place in the Chilean Atacama desert, with a smaller part produced at a Brazilian sea salt facility. Production costs in the Atacama desert are very cost effective, as the salt can be extracted in an open-cast mine; the relatively energy- and personnel-intensive underground extraction encountered at most competitors is not required here. In addition, the availability of a deep-sea port just a few kilometres away ensures cost-effective loading on own and chartered ships. This provides SPL with a cost position up to the ocean-going vessel without parallel in the world and which can gain in relative importance over the coming years as energy costs continue to rise.

As a result of the high purity of the salt extracted, SPL produces a complete assortment of rock and sea salt products for all needs in all segments of consumption. SPL's current main sales areas are South America and the North American east coast. On the Chilean market, the company is the market leader with its consumer products marketed under the "Sal Lobos" brand. Besides industrial salts and salts for chemical transformation, mainly de-icing salt are exported to North America: The de-icing salt business in the United States, compared over many years, is less susceptible to fluctuations than Europe's because of weather conditions and will thus result in a reduction in the dependence of the K+S salt sector on weather conditions in the future.

Financially, SPL is very healthy: Last year, the company achieved operating earnings of more than US\$ 48 million on revenues of about US\$ 350 million. With sales of 5.8 million tons of crystallised salt in 2005, SPL is the largest salt producer in South America. About 850 people are employed at the production plants, distribution companies and logistics units of the SPL Group. We intend to manage the SPL Group along with esco as an independent company and by means of a streamlined, powerful international management body.

Slide 17 - SPL: Production and Logistics in Chile

K+S Group
SPL: Production and Logistics in Chile

Salt extraction in the Atacama desert

10 May 2006

K+S Group / 17

These pictures show the simple but all the more effective value chain leading from extraction in the Chilean Atacama desert to loading on ships. The salt is gradually mined in terraces each 10 metres high, with holes drilled for explosive charges first and then the salt removed by detonation, ground to the desired grain size and transported by lorry to the company's own port located only a few kilometres away. It is then loaded onto ships. As you can see, it's very simple, hardly susceptible to disruptions and thus extremely efficient.

The dimensions of the Salar Grande deposit in the Atacama desert are impressive: Covering an area of 500 square kilometres and with a depth of up to 100 meters, the salt reserves are sufficient for an inconceivably long period of time. SPL holds a concession for about 97% of this area.

Slide 18 - Good Prospects for the Salt Business

K+S Group
Good Prospects for the Salt Business



SPL enjoys:

- strong market positions in America
- very cost-effective production
- attractively located sites for logistics
- high growth and earnings potential



We are delighted that we will be working together with the management team and employees of SPL to rapidly expand our salt business worldwide.

10 May 2006 K+S Group / 18

Ladies and Gentlemen,

SPL enjoys excellent market positions. In particular, the further growth of South America as an economic region and the continued industrialisation of Asia will create new, promising opportunities for the K+S Group through SPL. Thus, the goal of K+S can only be to seek a new role in the global salt business through SPL and to extend its salt activities, which have hitherto focussed on Europe, in a growth- and earnings-oriented way, especially to Asia.

SPL's cost-effective production and logistics structures establish best prerequisites for this. We are confident that together with the management team and employees of SPL, we will be able to build on what is already a very good earnings level and rapidly exploit the potential for growth in the global salt business. We are delighted with the new opportunities and we want to make very intensive use of them.

Slide 19 - Supplementary Business Segments: Prospects 2006

K+S Group
Supplementary Business Segments: Prospects 2006 



Waste Management and Recycling:

→ Increase in revenues and operating earnings

Services and Trading:

→ Revenues and operating earnings on previous year's good levels

10 May 2006

K+S Group / 19

Ladies and Gentlemen,


Let's now take a look at our two supplementary business segments, also important cornerstones of our interlinked portfolio:

In the case of the **Waste Management and Recycling** business segment, we expect higher revenues in 2006 as well as a further improvement in operating earnings. In the case of the disposal of flue gas cleaning residues, due to the change in the legal situation in Germany and the increase in our processing capacity it should be able to participate to a greater extent in the significant growth. In addition, we expect higher contributions to earnings from the recycling business, especially from the sale of the aluminium granulate which considerably gained in price.

In the case of the **Services and Trading** business segment, we expect the course of business to remain stable in 2006. Revenues and operating earnings for this year should once again attain the good levels of the previous year.

Slide 20 - K+S Wants To Continue to Grow!

K+S Group
K+S Wants To Continue to Grow!



- Further revenue increase to about €2.9 billion for 2006 expected *
- Operating earnings (EBIT I) should also improve further *
- Consolidation of SPL in the third quarter 2006

Our challenge: Identifying opportunities early on and exploiting them consistently

- Organic growth and simultaneous strict cost management
- Healthy growth through further acquisitions and cooperations

* without inclusion of SPL yet

10 May 2006 K+S Group / 20

Ladies and Gentlemen,

The K+S Group is very well prepared to further increase the enterprise value in 2006 as well, doing so in growing markets and with its competent and committed employees.


Without taking into account SPL, which will probably be included in the consolidation in the third quarter, we expect revenues to increase further to about €2.9 billion this year; operating earnings should also improve again.

Ladies and Gentlemen,

K+S wants to continue to grow. The challenges are great. As has been the case hitherto, we will identify our opportunities as early as possible and subsequently exploit them consistently. We will continue to do this with passion in the future while keeping a cool head. We are well prepared for the accompanying stronger internationalisation.

Internally, we will continue to focus on an effective cost management as well as the optimisation of our value chains, especially in the case of our specialities. In addition, we will remain resolutely customer-oriented and look to achieve growth through acquisitions and cooperation in the future too.

Slide 21 - Experience Growth - The History of the K+S Group

K+S Group
Experience Growth - The History of the K+S Group 



1856 - 2006

We invite you,
to experience 150 years of change and growth: from the beginnings of the potash and fertilizer industry to the development of the K+S Group into a worldwide specialist for fertilizers, plant care and salt products.

10 May 2006 K+S Group / 21

Ladies and Gentlemen,

Finally, I would like to draw your attention to one further matter: After lengthy, costly but also careful work, a chronicle of the K+S Group has been produced which we would like to present to you today.

In 1856, potash salt was mined for the first time in Staßfurt, in what is today Saxony-Anhalt. Within a few years, energetic businessmen, hard-working miners and resourceful chemists here in Germany developed the first potash deposits of the world and began to produce potash fertilizers on an industrial scale. Thus, our potash industry made a key contribution to the emergence of a modern German fertilizer industry. Our history is about growth – that of plants, agriculture as well as our and other industries in Germany and is therefore simultaneously an important part of German industrial and economic history.

Our current theme – “Experience growth” – is also the title of the book. It reflects the development, demands and goals of the company and ultimately its history too. With this book, we would like to invite you to accompany us on a journey through time and to experience 150 years of change and growth for our company: From the beginnings of the potash industry in Germany to the development of the K+S Group into a successful specialist for fertilizers, plant care and salt products operating worldwide.

We considered it to be right, to map out and record for us and for future generations, with the greatest degree of objectivity, this development process with its diverse events, especially against the background of the far-reaching changes that have occurred in our recent history.

We would like to present each of you with a copy of our chronicle today. You will receive the book on leaving the Kongresspalais. I wish you an exciting and stimulating read.

I have now come to the end of my address:

Dear Shareholders,

I would like to thank you personally and on behalf of my colleagues for the trust you have placed in us. We assure you that what has been achieved to date provides us with the motivation to become even better in the future.

Thank you very much and Glückauf!