K+S Aktiengesellschaft

Annual General Meeting on May 9, 2001 at 10:00 a.m.,

Stadthalle, Kassel

Observations on Agenda Point 1

Dr. Ralf Bethke

Chairman of the Board of Executive Directors

- The spoken word is what counts -
Dear Shareholders,  
Dear Guests,  

I should like to welcome you most cordially, also in the name of my colleagues on the Board, to this year’s Annual General Meeting of K+S Aktiengesellschaft.

The increasing interest in the development of our company is especially gratifying to us. Our organization team for this meeting was delighted to focus on this aspect.

We can report to you today, ladies and gentlemen, on an encouraging financial year in 2000 and a good start altogether to the current year 2001.

We prepared our Annual Report under the theme:

"People,  
Nature,  
Our World.  
K+S"

This keynote characterizes our corporate philosophy in an outstanding manner.

Figure 2  - The K+S Group

My dear Shareholders,  

Your K+S Group once again grew strongly and became more valuable.

The past financial year was a further important phase along this road.

We have oriented the business deliberately towards growth fields and regions with better than average earnings opportunities, and therefore not only met our ambitious targets, but even exceeded them in some areas.

We succeeded in integrating the COMPO and fertiva segments, which we acquired at the end of 1999, smoothly into our group.

We have therefore once again demonstrated our ability to bring together other companies and other people in our K+S Group and then to realign ourselves together successfully.

In addition, we were able to broaden and strengthen the K+S brand portfolio selectively with further acquisitions.

We broke down our expanded company in the past financial year into six business segments, with profit responsibility; they are closely linked in manifold ways. This is also encouraged by management teams, which transcend the business segments.
All business segments, both the classical ones and those that have been added, work hand in hand and are intermeshed, both technically and economically; in a word, they complement one another ideally.

In particular, we work together again and again jointly and on an overlapping basis in marketing and sales, in logistics and procurement, in capital expenditure planning and in new product research.

The technical intermeshing and functional networking of all business segments creates a favourable competitive environment in the markets, in the technologies and on the cost side.

The economic effects of our efforts are reflected by our earnings in 2000.

I turn now to the business in 2000:

We have once again sharply increased our sales and in particular our earnings compared with the already very good prior year figures.

Our sales of Euro 2.088 billion and also our earnings before interest and taxes (EBIT) of Euro 127 million were in both cases record figures.

The net income of the K+S Group improved by 22 % to Euro 120 million.

The good gross cash flow was sufficient to finance the increased investments in tangible fixed assets and the acquisitions in full.

The sales growth results to a large extent from the first-time inclusion of our new COMPO and fertiva segments.

With the exception of the weather-related decline in Salt, our classical business also succeeded in recording gratifying increases.

Potash and Magnesium Products, Waste Management and Recycling and Services and Trading achieved figures, which in some cases exceeded our own expectations.

Consequent marketing and customer-oriented sales behaviour were here, in addition to the relatively favourable conditions in the marketplace, the main factors for success.
Both our sales structure and the structure of our earnings have changed considerably compared with 1999, as a result of the selective broadening of our portfolio.

The previous dominance of our potash business has been significantly reduced in the enlarged K+S Group. In addition, the influence of individual external factors, such as for instance weak winter maintenance business or, as was the case this year, a wet spring, has declined.

We have in turn got much closer to our aim of making the K+S Group in general more robust.

We succeeded with our acquisitions in expanding the especially attractive European business in 2000. Our sales to European customers increased altogether to Euro 1.6 billion. The share of our target market, Europe, in the total sales of the K+S Group therefore amounts to 77%.

We also however succeeded in increasing our overseas sales to Euro 489 million, thanks primarily to the business with nitrogenous fertilizers from fertiva.

Our largest markets in Europe are Germany and France, followed by Belgium, Spain and Italy.

Europe is the K+S Group’s home market. We are particularly familiar with this market, and enjoy many advantages here, compared with our competitors, in sales, in logistics and in other areas.

Our largest overseas markets are Brazil, Malaysia, USA, China and Indonesia. The positions maintained in these countries have, in addition to their economic importance, a key strategic significance for us.

I should now like to turn to the most important earnings figures:

As I already mentioned, earnings before interest and taxes (EBIT) reached a new record figure of Euro 127 million. The new COMPO activities and the Potash and Magnesium Products segment were mainly responsible for this increase.

We however had to accept a reduction in the earnings from Salt, on account of the weak de-icing salt business.
What is important is however that we do not have any structural problems; all business segments recorded positive results.

Decisive for our successful work was the fact that we exploited our opportunities in the market consequently and concentrated on profitable segments and markets.

To this can be added our tight cost management, not only in production, but also in all links in the added value chains.

**Figure 10 - Employees in 1999 and 2000**

A further 226 employees found jobs in the K+S Group during the past year.

The increase to 9,402 persons is due primarily to the inclusion of the COMPO companies and the new subsidiary in the Salt segment, Frisia Zout B. V.

Ladies and Gentlemen,

In past years I was able to report to you on the increasing number of trainees in our group. I am delighted to be able to inform you that we have intensified our effects once again here.

As of December 31, 2000, 479 young persons were undergoing vocational training with us. Our trainee ratio of over 5 % was much higher than the average for German industry.

As regards our older staff, we have since the previous year been offering them the opportunity to participate in pre-pension part-time work.

In my opinion, we are making an important contribution, with both these measures, to the providing of new opportunities for in particular young and unemployed persons.

**Figure 11 - Measures in the personnel and social area in 2000**

We once again allowed our employees to participate in the earnings growth of the K+S Group. We paid an annual bonus of 150 % of a monthly salary and enabled them to purchase K+S shares at an attractive purchase price.

We are working on the inclusion of further groups of employees in profit-oriented remuneration systems.

We are continuing with the virtual stock option programme for the top management and the members of the Board of Executive Directors.

Our employees have contributed with high competence, dedication and an outstanding performance to the success of K+S. I should like to express my heartfelt thanks, also in the name of my colleagues, and I believe, too, in the name of the shareholders, for this.
We invested Euro 124 million in tangible fixed assets during the past financial year, or Euro 23 million more than in the previous year. As a result of two major projects, capital expenditures will this year increase in fact to some Euro 190 million.

Further main focuses are extensions to our production plants and improvements in our service offering, and the decentralized expansion of the capacity close to the market for COMPO's innovative ENTEC fertilizers.

Capital expenditures will decline again in the medium term, because we will largely complete the special efforts aimed at optimizing our location and production structures in the current year.

A project of particular significance is the construction of a production facility for Kieserite in Sigmundshall near Hanover. The increasing need for sulfur as a plant nutrient also opens up additional demand opportunities in European agriculture.

The construction of this new Kieserite factory has prepared us for this development in good time and at a reasonable price.

The second major project is the construction of our new head office. The continuously increasing need for space on the part of our landlords, Wintershall AG, in recent years had the consequence that we were working with far in excess of a hundred staff at eight different leased locations spread around the Kassel area.

For this reason we have for the first time constructed a new building of our own at a logistically outstanding location for us close to the Kassel-Wilhelmshöhe intercity railway station. The reuniting of the employees and also of the various activities will bring us many advantages compared with the past situation.

We will celebrate the move into the new building on June 19 with our staff, our partners and also personalities from public life.

I will turn now to the acquisitions:
We attach great importance to the COMPO segment in the future development of the K+S Group. COMPO has an attractive range of branded products in a market environment with above-average growth opportunities.

We have augmented COMPO by further profitable components with the acquisitions of the Gesal plant care programme as of December 31, 2000 and the French Algoflash Group as of January 1, 2001.

The two new companies generate sales of some Euro 65 million and have 165 employees.

These brands too have an attractive image and are very familiar in their markets. We are convinced that the two acquisitions will make the above average contributions to the growth and earnings expected by us.

Other important aims of these acquisitions are the further strengthening of the COMPO brand portfolio, the expansion of COMPO market position in Europe and also the exploitation of cost advantages in sales, marketing, logistics and in administration.

Ladies and Gentlemen,

So that you too can test your COMPO products personally, we will be presenting you with a COMPO plant care set at the end of this meeting. You will be thrilled by the advantages of the COMPO products, and I would be thrilled to win you as new customers for COMPO.

With Potash and Magnesium products and the COMPO and fertiva product ranges, we have built up the K+S Group into the second largest supplier of field fertilizers and the largest supplier of special fertilizers in Europe.

Of all the competitors, we are the supplier with the broadest product range, and we are working on further innovative solutions.

We used our joint appearance at the field days organized by the German Agricultural Society in Magdeburg to demonstrate the K+S Group’s efficiency as an all-round supplier of fertilizers and a competent partner for our agricultural customers.

Because all segments are working closely and intermeshed, we already in Year 1 succeeded in achieving additional advantages for our customers and for us.
Figure 17 - Broadening of the salt product portfolio

We are also moving forwards in the Salt segment.

With our newly established subsidiary, Frisia Zout B. V., into which we have brought the activities acquired from the Dutch company, Frima, we are strengthening our industrial salt business and at the same time reducing the dependence of the earnings of the Salt segment on the de-icing salt business, which we are positioning in the market to a greater degree as "Traffic Safety De-icing System". For, the safe flow of traffic on our motorways and roads under winter weather conditions is impossible without the albeit thrifty and differentiated use of salt.

We are now better positioned in all segments of the salt business. This applies to the markets, the products, and also to the manufacturing and logistical costs of our in part highly specialized product range.

Figure 18 - Main European crystallized salt suppliers

A second step towards the further strengthening of our salt business is the planned joint venture with Solvay, in which K+S is to hold 62 % and Solvay 38 % of the shares.

The new company would combine outstandingly the strengths of K+S and Solvay throughout Europe.

It is intended that the company will market some 5 million tonnes of crystallized salt, have sales of almost Euro 300 million and employ approximately 1,400 staff throughout Europe; the salt company would then become, alongside Akzo, the largest supplier in Europe.

It is planned that the documents will be submitted to the EU anti-trust authorities within the next few weeks.

Figure 19 - Development of the K+S share price compared with the DAX and MDAX

Ladies and Gentlemen,

All this has resulted in the top values already explained in the business year 2000.

The favourable development of our earnings, our enhanced substance and our healthy financial structure have also been expressed to an increasing degree in the development of our share price.

Decisive for the development of our share price is also certainly the improvement in our net income per share; this figure has reached Euro 2.72, and has thus increased by 33 % compared with the previous year.

This chart shows that your K+S share - the red line – has developed significantly better than the DAX and the MDAX since 1998.
Figure 20 - Valuation of K+S Aktiengesellschaft by the stock market

Your K+S has once again become more valuable.

K+S was valued on the stock market on May 7, with a share price of Euro 20.20, at over Euro 900 million; an increase of 27% compared with the previous year, and more than twice the value in 1997.

I should now like to provide a few facts about our share buy-back programme:

As you know, we withdrew altogether 5 million of our own shares in May 2000.

We started the second share buy-back programme last June. As planned, we used a small portion of the shares from this programme for the acquisition of the Algoflash Group at the beginning of this year.

At the end of the quarter, we held own shares representing 5% of the subscribed capital of our company. The average purchase price amounted to Euro 16.64 per share. In the meantime, we have sold 1.5 million or 3.3% own shares, exercising the approval by last year’s AGM with the consent of the Supervisory Board, to an investor, who is interested in a long-term engagement.

Today we want to ask you under Agenda Point 7 for further permission to buy back our own shares. The intention is that our company will then be placed in the position, also beyond the timeframe foreseen by the previous permission, of acquiring further shares of its own of up to 5% of the current subscribed capital by October 31, 2002.

We should also like to use these shares or some of them, as appropriate, for the acquisition of investments or possibly pass them on to investors, who are interested in a long-term engagement. A withdrawal can also not be excluded, depending on the situation at the time.

Figure 21 - Dividend

Ladies and Gentlemen,

We want to orientate our dividend payment primarily to the earnings.

The Supervisory Board and the Board of Executive Directors propose to you that Euro 38.25 million be distributed from the profit retained by K+S Aktiengesellschaft of Euro 38.28 million for a dividend of Euro 0.85 per share entitled to participate in dividends; this would be an increase of some 50% compared with previous year.

Deducting the amount attributable to our own shares, this would mean that Euro 37.6 million would be paid out to you, our shareholders.

Including the corporate income tax credit of 29 cents, domestic shareholders would then receive a gross dividend of Euro 1.14 per share.
In relation to the year-end share price of Euro 17.70, this means a gross dividend yield of 6.4%. In relation to yesterday's price of Euro 20.20, this would still be a yield of 5.6%.

I turn now to the business in the current year.

**Figure 22 - Sales and earnings in the first quarter**

Ladies and Gentlemen,

Despite the unusually wet spring weather, we have made a good start altogether to the new year; the development of the business in the first quarter was in turn, taken as a whole, pleasing.

The sales of Euro 656 million exceeded the previous year's figure by Euro 76 million or 13%.

The highest growth rate was achieved by COMPO; this was affected by the acquisitions of Algoflash and Gesal and the expansion of the scope of the consolidation by further foreign COMPO subsidiaries. In addition, our salt business benefited from the favourable winter weather conditions and the new business of Frisia Zout B. V.

Earnings after taxes improved from Euro 54 to 62 million, an increase of 14%.

Because of the strong seasonal nature of the business, especially with regard to de-icing salt and COMPO, it would be unrealistic to project the first quarter earnings over the year 2001 as a whole. We are nevertheless confident with regard to 2001 as a whole.

Our present assessment of the situation in the individual business segments is as follows:

We cannot exclude that the continuing wet weather in Western Europe will also continue to have a negative effect on the potash and nitrogenous fertilizer business. We still want to achieve our ambitious sales and earnings targets both for potash and for fertiva to as full an extent as possible.

We expect the altogether favourable development of the COMPO business to continue. The Gesal and Algoflash acquisitions will provide an additional boost to the sales. The new brands are extremely familiar and have a good quality image in many European countries. The growth will be borne by the entire product range, and especially by the innovative ENTEC-fertilizers.

We expect further increases in the Salt business on account of the good start and the Frisia acquisition.
We will be unable to repeat last year's extraordinary record figures in the depository business, which were due to large non-recurring projects. On the other hand, we expect business at the previous year's level in the reutilization of waste and in recycling.

We want to maintain last year's favourable trends in our Services and Trading activities.

**Figure 23 - Healthy growth of the K+S Group**

Ladies and Gentlemen,

We will exploit the move into the new building as an opportunity to link together the cooperation of the employees and their knowledge to a greater degree in conjunction with organized knowledge management. We are always looking for new ideas, not only for new products but also for better solutions in our services. The customer should be the very first to benefit from this, but the company will too, through profitable customer relationships and cost savings in our business processes.

Our strategy of healthy growth of the K+S Group will remain unchanged for the foreseeable future:

We want to increase our productivity in the added value chains and to achieve a further strengthening of our earnings power through a series of product and service innovations in special fertilizers, COMPO and waste management.

We are represented in our target markets with strong positions and competitive products, and have with these a good basis for further, clever cooperation agreements and acquisitions, which will make K+S even more robust and profitable.

We also want to generate good earnings in the future with all our activities, which will enable us in turn to pay attractive dividends to you, our shareholders, and to allow our employees to participate appropriately in the earnings.

Ladies and Gentlemen,

I am convinced that we are on the right way to continuing the success of our K+S Group.

Thank you for your attention.