



Report on business
January to December 2000

Very successful growth strategy

75% increase in sales to € 2,088 million

EBIT at record level of € 126.8 million

Proposed dividend increased by 50% to € 0.85

Promising outlook for 2001

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K+S Group		4th quarter		Changes	
		2000	1999	absolute	%
Sales	€ million	548.3	288.9	259.4	90
Potash and Magnesium Products	€ million	238.4	214.0	24.4	11
COMPO*	€ million	71.3	–	71.3	100
fertiva*	€ million	168.7	–	168.7	100
Salt	€ million	39.7	43.4	– 3.7	– 9
Waste Management and Recycling	€ million	18.4	20.8	– 2.4	– 12
Services and Trading	€ million	11.8	10.7	1.1	10
Earnings before interest and taxes (EBIT)	€ million	22.1	14.5	7.6	52
Earnings before income taxes	€ million	20.6	15.2	5.4	36
Earnings after income taxes	€ million	18.9	19.7	– 0.8	– 4
Capital expenditures	€ million	43.9	37.0	6.9	19
Earnings after income taxes per share	€	0.45	0.46	– 0.01	– 2
DVFA-earnings	€ million	10.8	15.7	– 4.9	– 31
DVFA-earnings per share	€	0.25	0.35	– 0.10	– 29

K+S Group		January to December		Changes	
		2000	1999	absolute	%
Sales	€ million	2,087.9	1,191.9	896.0	75
Potash and Magnesium Products	€ million	963.2	935.6	27.6	3
COMPO*	€ million	331.6	–	331.6	100
fertiva*	€ million	552.2	–	552.2	100
Salt	€ million	114.9	147.8	– 32.9	– 22
Waste Management and Recycling	€ million	76.8	67.2	9.6	14
Services and Trading	€ million	49.2	41.3	7.9	19
Earnings before interest and taxes (EBIT)	€ million	126.8	88.5	38.3	43
Earnings before income taxes	€ million	130.4	95.9	34.5	36
Earnings after income taxes	€ million	119.8	98.5	21.3	22
Capital expenditures	€ million	123.7	100.7	23.0	23
Number of employees as of December 31		9,402	9,176	226	2
Earnings after income taxes per share	€	2.72	2.04	0.68	33
DVFA-earnings	€ million	69.8	63.5	6.3	10
DVFA-earnings per share	€	1.58	1.32	0.26	20

*not included in 1999 K+S Group sales

Increase in sales to € 2,088 million

The K+S Group was most successful in the year 2000, and recorded a 75% increase in sales to € 2,087.9 million. The growth was due to a large degree to the incorporation of our new COMPO and fertiva business segments, but our classical business also recorded pleasing growth. We furthermore benefited from the stronger US-dollar compared with the previous year.

EBIT at record level of € 126.8 million

Earnings before interest and taxes (EBIT) grew by 43% in 2000 to a record level of € 126.8 million. The main reasons for the strong growth are the contribution to the earnings from the new COMPO activities and the pleasing improvement in the earnings of the Potash and Magnesium Products segment. This therefore more than compensate for the sharp decline in the salt business due to the mild weather. In addition, EBIT was burdened to a lesser degree by special influences than in 1999. Earnings before income taxes of € 130.4 million were 36% higher than last year, thanks to the significant improvement in the operative business. Despite the changed tax situation, the net income of the K+S Group went up to € 119.8 million, an improvement of 22%.

The successful development of the business is also reflected in the earnings per share. Earnings after income taxes improved in 2000 by 33% to € 2.72 per share. The smaller improvement in the DVFA-earnings of 20% to € 1.58 per share compared with the earnings after income taxes results in particular from taking into account fictitious income taxes.

Proposed dividend increased by 50%

We want our shareholders to participate in the gratifying development of the earnings, and will therefore be proposing to the Annual Meeting that the dividend be increased by some 50% to € 0.85 per share. In addition, domestic shareholders will receive a corporation tax credit of € 0.29 per share, while the foreign shareholders will on application receive a tax credit of € 0.17 per share.

High gross cash flow

The gross cash flow generated by the K+S Group amounted to € 241.4 million. The even stronger improvement in cash provided by operating activities

Cash flow statement	2000 € million	1999 € million
Earnings after income taxes	119.8	98.5
Write-ups / depreciation of fixed assets	127.1	118.3
Other items not affecting cash flow	- 5.5	11.5
Gross cash flow	241.4	228.3
Change in working capital	48.5	18.0
Result from disposal of fixed assets	- 5.1	- 4.1
Cash provided from operating activities	284.8	242.2
Payments resulting from additions to and disposals of fixed assets	- 133.6	- 130.0
Acquisitions	- 97.1	- 148.7
Cash used in investing activities	- 230.7	- 278.7
Reduction in capital	- 69.4	0
Dividend payments	- 25.6	- 17.9
Other financing measures	8.2	0
Cash used in financing activities	- 86.8	- 17.9
Change in cash and cash equivalents affecting cash flow	- 32.7	- 54.4
Other items	- 1.3	- 1.7
Change in cash and cash equivalents	- 34.0	- 56.1

is due in particular to the change in working capital as a result of the inclusion of COMPO and fertiva. Despite higher investments in intangible and tangible fixed assets, cash used for investing activities fell compared with the previous year. This is due to the lower expenditures on financial assets and for the acquisition of consolidated companies. The overall investing activities were financed completely out of cash provided by operating activities. Cash used for financing activities includes the first-time share buy-back programme and the dividend payment.

Potash and Magnesium Products

Sales in the Potash and Magnesium Products segment increased by 3% in 2000 to € 963.2 million. This was primarily due to higher sales of the more profitable special industrial potash products and better foreign exchange rates compared with the previous year. EBIT improved by 42% to € 82.8 million.

We have a good 13% of the world potash market, and are the European market leader by a considerable margin. We have succeeded in extending our lead in the market for fertilizers containing magnesium.

COMPO

The sales of € 331.6 million in the COMPO segment exceeded our expectations. Both the branded products in the hobby sector and the professional business contributed to this. The innovative ENTEC fertilizers in particular enjoyed great success in the market. The EBIT of € 21.8 million was in line with our ambitious targets.

As of December 31, 2000, we purchased the Gesal plant programme from Reckitt Benckiser plc, London, and the related sales units in Italy and Switzerland. We have also acquired the French company Algoflash S.A. with effect from January 1, 2001. The Algoflash Group produces liquid and special mineral fertilizers, garden mould and plant protection products for home and garden. These steps have enabled us to broaden our product offering selectively and to expand our market position for specialities and innovative branded products for leisure and sport.

fertiva

We achieved our target for fertiva with sales of € 552.2 million. The situation in the nitrogen market improved as the year progressed, thanks to the closure of plants by some Western European manufacturers. As a result of the new balance in the market, the prices could be increased in recent months faster than the cost increases. The higher US-dollar exchange rate had a further favourable impact on the €-revenues from overseas exports. fertiva streamlined and partially restructured its sales system abroad during 2000. With the new companies in Singapore and Argentina, fertiva created the necessary presence in important target markets.

Sales by business segments 2000



Salt

Sales in the Salt segment were perceptively lower at € 114.9 million, due to the mild weather, because much less de-icing salt to ensure the safety of the traffic was sold than in the previous year. Our sales of table salt however increased pleasingly compared with the previous year. These include the products for end-consumers and table and pickling salts for the manufacture of foodstuffs. We also recorded increases in the sales of our industrial salts for water-softening and for tablet, compact and dish washer salts.

The establishment of Frisia Zout B.V. has strengthened our position perceptively with regard to industrial salts for the chemical industry and, at the same time, has rounded off our product offering and given our salt business a broader basis.

Waste Management and Recycling

Our Waste Management and Recycling segment generated record sales of € 76.8 million. This was mainly due to large volume increases in the depository business and pleasing increases in recycling.

We once again succeeded in increasing the volume of business in our Waste Management and Recycling services in the financial year. The volume of waste disposed underground increased by 12% to 481,600 t. We strengthened our position as the German market leader for the management of fly ashes, and also considerably built up our volume of business in the recycling of aluminium smelting salts and building rubble.

Services and Trading

Sales in the Services and Trading segment increased by 19% to € 49.2 million. The successful development of the business of UBT See- und Hafenspedition GmbH Rostock, which was acquired in 2000, was largely responsible for the improved revenues.

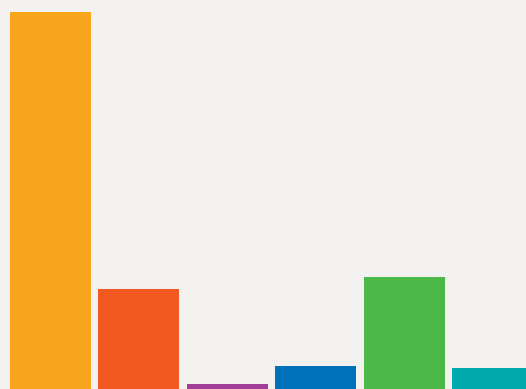
At the end of 2000, we acquired an investment in the analysis company, Bio-Data GmbH, in order to broaden our analytical offering. This will enable us to increase our presence in the market for analysis services and to exploit new know-how in this field of activities.

Employees

The number of employees in the K+S Group went up as of December 31, 2000, by 226 to 9,402. The increase is due to the expansion of the scope of the consolidation, especially through the inclusion of the foreign COMPO-companies and Frisia Zout B.V.

We once again involved our employees in 2000 in the success of the company. The annual bonus was increased by 10 percentage points to 150% of a monthly salary. In addition, the staff were able to acquire employee shares at an attractive discount.

EBIT by business segments 2000



	2000 € million	1999 € million
Potash und Magnesium Products	82.8	58.4
COMPO	21.8	-
fertiva	0.3	-
Salt	4.9	18.5
Waste Management and Recycling	24.6	23.8
Services and Trading	4.5	5.2
Transitional amounts*	- 12.1	- 17.4
Total EBIT	126.8	88.5

* Contrary to the previous year, the information on business segments is presented before consolidation. In addition, expenses and revenues that cannot be allocated to the business segments are shown separately. Both effects are reported in the line "transitional amounts" and provide the bridge to the figures for the group. The prior year figures have been adjusted accordingly.

Capital expenditures

The K+S Group invested € 123.7 million in tangible fixed assets in the year under review. The increase of € 23.0 million compared with the previous year is due to two major projects involving the construction of the new production facility for magnesium sulfate ("Kieserite production") at the Sigmundshall plant and the building of the new head office building in Kassel.

Promising outlook for 2001

We believe that overall demand in the global potash market is favourable. Medium-term growth will amount to a good 2% per year. Demand in the European fertilizer market will soften slightly over the next few years, but will be maintained for us at a continued high, attractive level.

We are expecting intensified competition in 2001 both in the hobby and the professional area for the COMPO-business. However, market will grow by a good 3%. We are well prepared to face this competition and are confident of being able to achieve our targets, which are higher than the market growth, on the basis of our good starting-off position with regard to the product range and customer ties, and our acquisitions.

We believe that the general environment in the nitrogen market is more favourable than last year. We expect a largely balanced equilibrium between supply and demand in Western Europe in 2001, with fair competitive conditions. These developments will benefit fertiva's business.

Our Salt business will grow in the industrial area as a result of the newly acquired Frisia Zout B.V. The planned joint venture with Solvay should represent a further step towards the strengthening of the salt business. The broad assortment of the planned new company and the special proximity to the European customers will strengthen our position in the market. The business with de-icing salt has so far been better than last year.

The German Waste Management business will also be under competitive pressure in 2001, since the capacities for the disposal of waste above and underground considerably exceed the available volume of waste. We will however also succeed in holding our own in this market in the future and will selectively exploit the technical and economic advantages of our underground waste depository sites.

We expect the favourable business trends in our Service and Trading activities to continue in 2001. Following the expansion of our activities in 2000 in the field of seaport forwarding and ship's agency and clearance, we are expecting increases in particular in the logistics area.

We are optimistic that we will once more generate above-average earnings in the year 2001. On account of the favourable US-dollar exchange rate, especially at the end of 2000, we have already hedged the majority of our expected US-dollar receipts for the year 2001 at attractive rates of exchange.

We will continue to pursue our growth strategy through further selected co-operation or acquisition projects, which match our strategic demands and competence.

Kassel, March 2001
K+S Aktiengesellschaft

The Board of Executive Directors

Future-oriented statements

This report includes information and forecasts relating to the future development of the K+S Group and its companies. The forecasts represent estimations, which we have made on the basis of all of the information available to us at the present time. Should the assumptions on which these forecasts are based fail to materialise, the actual results could vary from the expectations described at the present time.

Annual financial statements of the K+S Group (condensed version)

Profit and loss account (€ million)	4th quarter		January to December	
	2000	1999	2000	1999
Sales	548.3	288.9	2,087.9	1,191.9
Cost of sales	369.6	183.0	1,417.9	731.6
Gross profit on sales	178.7	105.9	670.0	460.3
Selling expenses ¹⁾	133.2	83.8	495.0	317.1
General administrative expenses	4.8	8.0	34.2	25.8
Research and development expenses	7.0	2.7	14.8	8.2
Other operating income	54.9	29.5	118.9	73.5
Other operating expenses	66.5	26.4	118.1	94.2
Earnings before interest and taxes	22.1	14.5	126.8	88.5
Financial result	- 1.5	0.6	3.6	7.4
Earnings before income taxes	20.6	15.1	130.4	95.9
Income taxes ²⁾	1.7	- 4.6	10.6	- 2.6
Earnings after income taxes	18.9	19.7	119.8	98.5

¹⁾ including freight costs

²⁾ The partial use of previously untaxed equity (old reserves) for the dividend distribution has resulted, contrary to the previous year, in a corporation tax charge in 2000. Furthermore, especially foreign income taxes have been incurred, which primarily relate to the COMPO-companies that have been included for the first time.

Balance sheet (€ million)		
Assets	Dec. 31, 2000	Dec. 31, 1999
Fixed assets	631.3	568.1
Inventories	187.1	154.6
Receivables and other assets	505.1	358.8
Own shares	36.7	65.4
Other securities	100.5	87.9
Cash on hand, bank balances, cheques	119.4	102.7
Current assets	948.8	769.4
	1,580.1	1,337.5

Equity and liabilities	Dec. 31, 2000	Dec. 31, 1999
Subscribed capital	115.2	128.0
Capital surplus	70.9	72.3
Reserve for own shares	36.7	65.4
Other revenue reserves and profit retained	225.0	171.7
Minority interests	-	0.5
Equity	447.8	437.9
Special reserves	17.5	13.0
Balance arising from capital consolidation	74.3	91.7
Provisions	699.9	649.4
Liabilities	340.6	145.5
	1,580.1	1,337.5

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Financial Timetable	
Interim report March 31, 2001	May 9, 2001
Annual Meeting 2001, Kassel	May 9, 2001
Dividend payment	May 10, 2001
Interim report June 30, 2001	August 10, 2001
Interim report September 30, 2001	November 15, 2001
Press and analyst conference	November 15, 2001
Report on business in 2001	March 2002
Annual report press conference and analyst conference	March 2002
Annual Meeting 2002, Kassel	May 8, 2002

