



Report on business
January to December 2001

4% increase in sales to € 2.2 billion

Net income reaches last year's record level

Increase in dividend to € 1.00 proposed

Salt joint venture approved by EU Commission

Overall outlook for 2002 favourable

Report on business

January to December 2001

K+S Group		4th quarter		Changes	
		2001	2000	absolute	%
Sales	€ million	506.9	548.3	- 41.4	- 8
Potash and Magnesium Products	€ million	214.9	238.4	- 23.5	- 10
COMPO	€ million	83.6	71.3	12.3	17
fertiva	€ million	132.5	168.7	- 36.2	- 21
Salt	€ million	49.9	39.7	10.2	26
Waste Management and Recycling	€ million	15.5	18.4	- 2.9	- 16
Services and Trading	€ million	10.5	11.8	- 1.3	- 11
Earnings before interest and taxes (EBIT)	€ million	11.9	22.1	- 10.2	- 46
Earnings before income taxes	€ million	14.8	20.6	- 5.8	- 28
Earnings after taxes	€ million	18.2	18.9	- 0.7	- 4
Capital expenditures	€ million	46.7	61.2	- 14.5	- 24
Earnings after income taxes per share	€	0.42	0.45	- 0.03	- 7
DVFA-earnings ¹⁾	€ million	7.2	15.1	- 7.9	- 52
DVFA-earnings per share	€	0.17	0.36	- 0.19	- 53

K+S Group		January to December		Changes	
		2001	2000	absolute	%
Sales	€ million	2,179.4	2,087.9	91.5	4
Potash and Magnesium Products	€ million	967.4	963.2	4.2	0
COMPO	€ million	436.2	331.6	104.6	32
fertiva	€ million	500.2	552.2	- 52.0	- 9
Salt	€ million	165.1	114.9	50.2	44
Waste Management and Recycling	€ million	63.5	76.8	- 13.3	- 17
Services and Trading	€ million	47.0	49.2	- 2.2	- 4
Earnings before interest and taxes (EBIT)	€ million	120.6	126.8	- 6.2	- 5
Earnings before income taxes	€ million	121.1	130.4	- 9.3	- 7
Earnings after taxes	€ million	118.3	119.8	- 1.5	- 1
Capital expenditures	€ million	157.9	141.7	16.2	11
Employees as of 31.12.	number	9,775	9,402	373	4
Earnings after taxes per share	€	2.73	2.72	0.01	0
DVFA-earnings ¹⁾	€ million	70.2	87.2	- 17.0	- 19
DVFA-earnings per share	€	1.62	1.98	- 0.36	- 18

¹⁾ The DVFA [German Association for Financial Analysis and Investment Consultancy] changed the method for determining the DVFA earnings in May 2001. Contrary to the previous calculation method, proceeds from the release of the balance arising from capital consolidation are no longer eliminated. The prior year figures have been adjusted accordingly.

Further revenues growth

We once again increased our sales in the business year 2001, despite very unfavourable conditions, especially for fertiva nitrogen fertilizers. At € 2,179.4 million, the revenues were € 91.5 million or 4% higher than last year's figure. Of the increase in revenues, a major portion of € 75.9 million results from acquisitions in the COMPO and Salt business segments. We also, however, recorded an increase in our traditional business, where we profited in particular from stronger deliveries of de-icing salt for the winter service due to the weather.

EBIT at high level

Earnings before interest and taxes (EBIT) of € 120.6 million were close to last year's record level of € 126.8 million. The Salt business segment, which benefited in particular from the strong de-icing salt business, recorded a sharp increase in earnings. The high prior year figures in the Waste Management business and in the Potash and Magnesium Products business segment could not, however, be repeated, as expected.

The financial result of € 0.5 million was significantly lower (2000: € 3.6 million). The reason for this is the lower interest income, net. This was due in particular to the smaller cash balances as a result of the financing of our acquisitions and the lower interest rates. Earnings before income taxes of € 121.1 million were € 9.3 million or 7% lower than the previous year's level. As a consequence of the lower tax payments, earnings after taxes of € 118.3 million almost reached last year's high figure of € 119.8 million.

Earnings after taxes per share of € 2.73 were in fact slightly higher than the level in 2000 (€ 2.72 per share), because the average number of 43.4 million outstanding shares entitled to dividends was lower than in the previous year (44.1 million). As of December 31, 2001, we held 1,717,125 own shares or 3.8% of the share capital. The average purchase price amounted to € 18.42 per share.

Dividend increase proposed

We will propose an increase in the dividend to € 1.00 per share for 2001 to the Annual General Meeting; this would be an increase of 18% compared with the previous year.

Cash flow statement as of 31.12.	2001 € million	2000 € million
Earnings after income taxes	118.3	119.8
Write-ups / depreciation of fixed assets	128.7	127.1
Other items not affecting cash flow	- 22.4	- 5.5
Gross cash flow	224.6	241.4
Change in working capital	- 20.8	48.5
Result from disposal of fixed assets	- 1.0	- 5.1
Cash provided from operating activities	202.8	284.8
Payments resulting from additions to and disposals of fixed assets and acquisitions	- 217.9	- 230.7
Cash used in investing activities	- 217.9	- 230.7
Reduction in capital ¹⁾	0.0	- 69.4
Dividend payments	- 37.6	- 25.6
Other financing measures	- 7.2	8.2
Cash used in financing activities	- 44.8	- 86.8
Change in cash and cash equivalents affecting cash flow	- 59.9	- 32.7
Other items	0.6	- 1.3
Change in cash and cash equivalents	- 59.3	- 34.0

¹⁾ Withdrawal of own shares

Once again high gross cash flow

We once again generated a high gross cash flow of € 224.6 million in 2001. The cash flow provided from operating activities declined as a result of the larger amount of funds tied up in working capital on account of the acquisitions. The funds generated by the operating business were not quite sufficient to also finance the acquisitions, on top of the relatively high capital expenditures. Taking into account the financing activities, the balance of cash and cash equivalents declined in 2001 by € 59.3 million.

Potash and Magnesium Products

Sales quantities of our fertilizer products were slightly lower than the high level in 2000. The animal diseases, BSE and foot and mouth, and the unfavourable weather conditions affected sales of fertilizers. By contrast, the business with industrial products once again improved, in particular on account of intensive marketing efforts in Europe.

Sales of this business segment went up slightly to € 967.4 million. This was mainly due to a switch of the product portfolio in favour of higher priced potassium sulphate and industrial potash. Improved prices also supported the good sales trend. At € 66.9 million, EBIT did not reach the previous year's level, which had also benefited from lower energy costs.

COMPO

The hobby business grew significantly in the reporting period, also supported by the Algoflash and Gesal acquisitions. The portfolio was strengthened with well-known brands as a result of these purchases. The professional business could also be expanded further. The expected slight decline in sales of special mineral fertilizers was more than compensated by the positive development of the new, nitrogen-inhibited ENTEC-fertilizers.

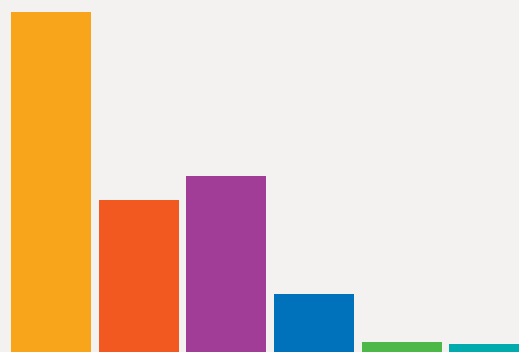
Sales increased in 2001 by almost a third to € 436.2 million. Of the increase of € 104.6 million, € 59.7 million was due to the consolidation of new companies. EBIT failed to achieve last year's figure as a result of nonrecurring costs for the integration of the acquisitions and higher raw material costs.

fertiva

The very unfavourable weather in Western Europe during the spring season and the BSE and foot and mouth problems inhibited the demand for nitrogen single and multi-nutrient fertilizers in 2001. In addition, many customers still held large inventories at the end of the season in the autumn so that the advance stocking was lower.

Sales of € 500.2 million were 9% below the previous year's figure. Better prices partly compensated the reduction in quantities. fertiva's EBIT amounted to € 0.6 million; under the contractual agreements, BASF was entitled to the earnings generated in addition to this for the last time.

Sales by business segments
January to December 2001



Salt

The significant growth of our salt business was due in particular to the strong demand for de-icing salt. In addition, the first full-year inclusion of the salt business of Frisia Zout B.V., which largely supplies industry, had a positive effect.

Altogether, sales increased by € 50.2 million or 44% to € 165.1 million compared with the previous year; the effect relating to acquisitions amounted to € 16.2 million. EBIT went up sharply to € 27.5 million.

Waste Management and Recycling

As expected, the quantities disposed of in the underground depositories did not reach the record volumes of the previous year, as a major environmental pollution project was completed in 2001. The quantities reutilised could be increased as a result of the increased market penetration in the rest of Europe. The recycling business also improved.

The business segment's sales of € 63.5 million were 17% below the previous year's figure, and the EBIT of € 11.2 million was 55% lower. This development is due to the expected weaker trends in the underground disposal business.

Services and Trading

Growth in the trading business with winter service products and favourable business trends in the granulation of the CATSAN® animal hygiene product led to increased sales. We achieved the previous year's sales with our IT consulting services, while the logistics business was slightly weaker.

Sales of the business segment amounted altogether to € 47.0 million compared with € 49.2 million in the previous year. The increase of 46% in EBIT to € 14.9 million is mainly due to the improved earnings contribution from our IT activities from services within the K+S Group.

Higher capital expenditures

We invested altogether € 157.9 million in 2001 in tangible and intangible fixed assets, € 16.2 million more than in the previous year. Two major projects were to the fore. The first of these was the production plant for the fertilizer speciality Kieserite at the Sigmundshall site; with € 42 million, this was the largest individual project in 2001. The second was the new head office building in Kassel. In addition, we increased the capacity for the industrial potash product, potassium chloride 99%. Two logistics projects for the COMPO business and preparations for the exploitation of a new brine field at Frisia Zout B.V. commenced.

Employees

The number of employees increased by 373 persons compared with the previous year. The increase is due to the expansion of the consolidation scope, the conversion of employment contracts concluded for a limited period of time into unlimited contracts and the greater commitment to vocational training. As of December 31, 2001, we employed 9,775 employees worldwide.

We also enabled our employees to participate in the success of the company in 2001. The annual bonus amounted to 145% of a monthly remuneration (2000: 150%). In addition, we once again offered the staff of domestic group companies employee shares on favourable terms.

Change in the Board of Executive Directors of K+S AG

Mr. Markus Haug left the company by mutual consent on October 31, 2001.

EBIT by business segments
January to December 2001



	2001 € million	2000 € million
Potash und Magnesium Products	66.9	77.2
COMPO	19.7	21.8
fertiva	0.6	0.3
Salt	27.5	4.8
Waste Management and Recycling	11.2	24.6
Services and Trading	14.9	10.2
Transitional amounts*	- 20.2	- 12.1
Total EBIT	120.6	126.8

*The information on business segments is presented before consolidation. Expenses and income that cannot be allocated to the business segments are recorded separately. Both effects are combined in the line 'transitional amounts' and provide the bridge to the figures for the group. The prior year figures have been adjusted accordingly.

esco - european salt company

On January 10, 2002, the EU competition authorities approved the formation of the salt joint venture esco-european salt company. No conditions are attached to the approval. The necessary steps to amalgamate the companies commenced immediately. esco will be proportionately included from January 1, 2002 onwards in the consolidated financial statements of the K+S Group as a joint venture company. In line with our share of capital, 62% of esco's assets and liabilities will be reflected in our consolidated balance sheet. The profit and loss account of the K+S Group will include the corresponding percentage share of the individual items.

Outlook

In our opinion, favourable conditions will prevail to a large degree in our most important market in Europe.

In the Potash and Magnesium Products business segment, we once again expect demand for special potash products to increase again in 2002, because consumption of potash in Europe during the past year was significantly lower than the long-term market trend. We, however, expect stronger competition for potassium chloride and also for potassium sulphate. We want to expand the business with industrial products; this could however be affected by cyclical weaknesses.

The COMPO business segment is entering the year 2002 with an ambitious sales and earnings plan. Altogether, we are planning a further increase in sales. The non-incurrence of one-off costs, synergy effects with Algoflash, price and quantity increases and tight cost management should result in an increase in earnings.

The fertiva business will slow down, also due to the reduced availability of production quantities. While demand for nitrogenous fertilizers in Europe will decline somewhat, we expect increasing requirements in overseas markets. The existing surplus of urea burdens the worldwide market and price situation. We will participate in the earnings of fertiva for the first time in 2002.

We expect good business trends in the Salt business. We are confident to attain the goals placed in our salt joint venture and manifold synergies will result in an increase in earnings at the latest in 2003 through the optimisation of our organisation and structure.

In the Waste Management and Recycling business segment, we returned to the normal level again in the reporting period after the record year 2000, and expect that the business will continue in 2002 at the level of quantities and sales that has been achieved.

In our Services and Trading business, we are optimistic for the year 2002 on account of good demand in almost all sectors.

The cross-linking of our new business segments with our classical fields of activities offers us, compared with the competition, very good prerequisites in the markets and also on the cost side for future success as the K+S Group. Capital expenditure, which will further strengthen our substance and earnings power and which, in addition to acquisitions and cooperation agreements, will provide important components for our aspired controlled growth, will also contribute to this.

Kassel, March 2002
K+S Aktiengesellschaft

The Board of Executive Directors

Future-related 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 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	
	2001	2000	2001	2000
Sales	506.9	548.3	2,179.4	2,087.9
Cost of sales	343.9	369.6	1,474.8	1,417.9
Gross profit on sales	163.0	178.7	704.6	670.0
Selling expenses ¹⁾	125.1	133.2	527.9	495.0
General administrative expenses	19.0	4.8	54.8	34.2
Research and development expenses	3.2	7.0	13.6	14.8
Other operating income	62.4	54.9	135.1	118.9
Other operating expenses	66.2	66.5	122.8	118.1
Earnings before interest and taxes	11.9	22.1	120.6	126.8
Financial result	2.9	- 1.5	0.5	3.6
Earnings before income taxes	14.8	20.6	121.1	130.4
Income taxes	- 3.4	1.7	2.8	10.6
Earnings after taxes	18.2	18.9	118.3	119,8

¹⁾ Including freight costs

Balance sheet (€ million)		
	31.12.2001	31.12.2000
Fixed assets	667.0	631.3
Inventories	239.1	187.1
Receivables	480.4	505.1
Own shares	31.6	36.7
Other securities	69.9	100.5
Cash on hand, bank balances	113.0	119.4
Current assets	934.0	948.8
Assets	1,601.0	1,580.1
Subscribed capital	115.2	115.2
Capital surplus ¹⁾	0.0	70.9
Reserve for own shares	31.6	36.7
Other revenue reserves and profit retained	310.8	225.0
Equity	457.6	447.8
Special reserves	1.6	17.5
Balance arising from capital consolidation	58.4	74.3
Provisions	712.0	699.9
Liabilities	371.4	340.6
Equity and liabilities	1,601.0	1,580.1

¹⁾ In 2001, the goodwill on the acquisition of Algoflash S.A. was set off against the capital surplus

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Financial Calendar

Annual General Meeting 2002, Kassel	May 8, 2002
Interim report March 31, 2002	May 8, 2002
Dividend payment	May 10, 2002
Interim report June 30, 2002	August 9, 2002
Interim report September 30, 2002	November 2002
Press and analyst conference, Frankfurt am Main	November 2002
Annual General Meeting 2003, Kassel	May 7, 2003

