



Interim Report Third Quarter 2001

9% increase in sales to € 1.7 billion

EBIT up by 4% despite integration costs
at COMPO

Earnings per share improved to € 2.31

Negotiations with Solvay successfully
concluded

Overall outlook for 2001 continues to be
favourable

Interim Report

Third Quarter 2001

K+S Group		3rd Quarter		Changes	
		2001	2000	absolute	%
Sales	€ million	482.6	482.8	- 0.2	0
Potash and Magnesium Products	€ million	230.4	221.2	9.2	4
COMPO	€ million	63.6	69.5	- 5.9	- 8
fertiva	€ million	130.1	136.0	- 5.9	- 4
Salt	€ million	32.6	22.8	9.8	43
Waste Management and Recycling	€ million	13.6	19.9	- 6.3	- 32
Services and Trading	€ million	12.3	13.4	- 1.1	- 8
Earnings before interest and taxes (EBIT)	€ million	18.4	24.6	- 6.2	- 25
Earnings before income taxes	€ million	15.2	27.9	- 12.7	- 46
Earnings after taxes	€ million	16.1	25.4	- 9.3	- 37
Capital expenditures	€ million	56.0	35.9	20.1	56
Earnings after taxes per share	€	0.37	0.59	- 0.22	- 37
DVFA earnings ¹⁾	€ million	6.7	19.1	- 12.4	- 65
DVFA earnings per share	€	0.15	0.44	- 0.29	- 66

K+S Group		January – September		Changes	
		2001	2000	absolute	%
Sales	€ million	1,672.5	1,539.6	132.9	9
Potash and Magnesium Products	€ million	752.5	724.8	27.7	4
COMPO	€ million	352.6	260.3	92.3	35
fertiva	€ million	367.7	383.5	- 15.8	- 4
Salt	€ million	115.2	75.2	40.0	53
Waste Management and Recycling	€ million	48.0	58.4	- 10.4	- 18
Services and Trading	€ million	36.5	37.4	- 0.9	- 2
Earnings before interest and taxes (EBIT)	€ million	108.7	104.7	4.0	4
Earnings before income taxes	€ million	106.3	109.8	- 3.5	- 3
Earnings after taxes	€ million	100.1	100.9	- 0.8	- 1
Capital expenditures	€ million	111.2	80.5	30.7	38
Employees as of September 30	number	9,757	9,225	532	6
Earnings after taxes per share	€	2.31	2.27	0.04	2
DVFA earnings ¹⁾	€ million	63.0	72.1	- 9.1	- 13
DVFA earnings per share	€	1.45	1.62	- 0.17	- 10

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.

Third quarter sales at last year's good level

The past weeks were dominated worldwide by the dreadful attacks in the USA. The tragic events of September 11 have so far not had any perceptible effect on the K+S Group's operating business.

Third quarter sales amounted to € 482.6 million; we recorded a 9% increase in sales between January and September 2001 to € 1,672.5 million. This figure however includes an amount of € 89.6 million due to acquisitions and newly consolidated companies respectively.

Higher EBIT

Earnings before interest and taxes (EBIT) went up in the first nine months of 2001 by € 4.0 million to € 108.7 million. In particular the Salt business segment reported a positive trend; in addition, we also generated higher operating results with Potash and Magnesium Products and in the Services and Trading business segment. Relatively high non-recurring costs in the COMPO business segment and fewer special projects in the Waste Management business however burdened the earnings.

The developments on the stock markets led to a write-down of our short-term securities as of the balance sheet date. The consequence was a negative financial result of – € 2.4 million as of September 2001, so that the earnings before income taxes of € 106.3 million were € 3.5 million lower than the corresponding prior year's figure. Earnings after taxes of € 100.1 million on the other hand almost reached last year's very good level, because of lower payable income taxes.

Earnings after taxes per share improved as of September 2001 by 2% to € 2.31. The calculation is based on 43.4 million no par value shares (previous year: 44.5 million shares), and reflects the average number of own shares held by K+S. As of September 30, 2001, the company held 1,591,127 of its own shares, or some 3.5% of the subscribed capital of € 115.2 million. The average purchase price amounted to € 17.90 per share.

Higher gross cash flow

The gross cash flow of € 181.0 million almost reached the previous year's very high figure of € 191.0 million. The usual seasonal reduction in working capital was lower this year, due to the consolidation of new companies, so that our cash flow provided from operating activities fell to € 236.8 million.

Cash flow statement as of September 30	2001 in € million	2000 in € million
Earnings after taxes	100.1	100.9
Write-ups/depreciation on fixed assets	86.2	94.6
Other items not affecting cash flow	– 5.3	– 4.5
Gross cash flow	181.0	191.0
Change in working capital	56.9	110.2
Result from disposals of fixed assets	– 1.1	– 3.6
Cash provided from operating activities	236.8	297.6
Payments resulting from additions to and disposals of fixed assets and acquisitions	– 196.8	– 158.6
Cash used in investing activities	– 196.8	– 158.6
Reduction in capital	–	– 69.4
Dividend payments	– 37.6	– 25.7
Other financing measures	–	–
Cash used in financing activities	– 37.6	– 95.1
Change in cash and cash equivalents affecting cash flow	2.4	43.9
Other items	– 4.0	– 1.6
Change in cash and cash equivalents	– 1.6	42.3

The cash used in investing activities and the dividend payments were nevertheless fully compensated. As a result of the write-down of securities as of the balance sheet date, cash and cash equivalents fell slightly by € 1.6 million as of September 30, 2001.

Potash and Magnesium Products

We recorded a 4% increase in sales in the Potash and Magnesium Products business segment between January and September 2001 to € 752.5 million. We sold considerably more potassium chloride in the quarter under review. The trends in our industrial potash business also continued to be favourable. We had however to accept a decline in sales of fertilizer specialities, which we sell largely in Europe, in the third quarter due to the weather. The good grain harvest blocked the trading warehouses and generally hampered the advance storage of fertilizers. In total, however, we achieved our ambitious targets. EBIT of € 51.2 million exceeded the previous year's figure by 11% as of September 30, 2001. Stronger demand for products with a high value added, improved foreign currency parities and lower special depreciation under the Development Areas Act encouraged this development.

COMPO

In the COMPO business segment, we increased our sales in the first nine months of 2001 by 35% to € 352.6 million. Of the increase of € 92.3 million, € 69.2 million were due to the consolidation. The hobby business was affected in the third quarter by the unfavourable weather conditions in September, and therefore only reported moderate growth. In the professional business, we fell marginally short of last year's sales figure in the quarter under review, due to the postponement of a large order until the fourth quarter. EBIT of € 20.1 million was considerably lower than last year's figure. This was due in particular to the integration costs at Algoflash, which was acquired at the beginning of this year.

fertiva

The sales of the fertiva segment were some 4% below last year's figure as of September 30, 2001. The reason for this was the lower demand due to the weather conditions for single nitrogen and multi-nutrient fertilizers, of which our customers partly still held large stocks at the end of the season. In addition, many warehouses in Europe are still blocked by the good grain harvest. fertiva generated a profit. In accordance with the contractual agreements, BASF will be solely entitled to these earnings for the last time in 2001.

Sales by business segments
January – September 2001



	2001 € million	2000 € million
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Potash and Magnesium Products	752.5	724.8
COMPO	352.6	260.3
fertiva	367.7	383.5
Salt	115.2	75.2
Waste Management and Recycling	48.0	58.4
Services and Trading	36.5	37.4

K+S Group	1,672.5	1,539.6
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Salt

We recorded a sharp increase of 53% in sales in the Salt business between January and September 2001 to € 115.2 million. In the third quarter, we benefited in particular from much higher early deliveries of de-icing salt. We furthermore succeeded in price increases for consumer and industrial products. The sales moreover include € 20.4 million as a result of the consolidation of Frisia Zout B.V. EBIT went up to € 14.7 million.

We successfully concluded the contract negotiations with Solvay at the end of October. The contracts will be submitted to the EU Commission for review. Following approval, it is intended that the joint venture will commence with economical effect from January 1, 2002. This will strengthen our position considerably in the European salt business.

Waste Management and Recycling

We recorded sales of € 48.0 million in the Waste Management and Recycling business segment in the first nine months of 2001. As expected, we did not repeat last year's exceptionally high sales, due to the completion of a major environmental pollution project. The decline in sales has been partly compensated by increases in the underground reutilization business and in recycling. Following the normalisation of our waste management activities, EBIT with € 9.5 million was at the planned level.

Services and Trading

The Services and Trading business segment generated sales of € 36.5 million as of September 2001, a decline of 2% compared with last year. Increases in the trading business with winter service products at the beginning of the year and a favourable business trend in the granulation of the Catsan® animal hygiene product were not quite able to compensate the decline in the logistics business. The sharp increase in EBIT, in contrast to the revenues trend, from € 7.0 to € 12.8 million is due in particular to the contribution to the earnings from our IT subsidiary, data process.

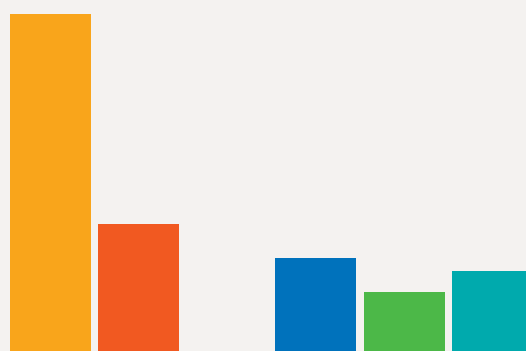
Capital expenditures

By September 30, 2001, K+S had invested, with € 111.2 million, altogether € 30.7 million more in tangible and intangible fixed assets than last year. The new production plant for special fertilizers containing magnesium and sulphur at the Sigmundshall site near Hanover came into operation on September 21, 2001; the plant's annual capacity amounts to 300,000 tonnes. The increase in capacity has reinforced our position with this product as the global market leader; the investment volume amounted to € 42 million.

Change in the Board at K+S AG

Mr. Axel Hollstein retired on October 3, 2001 at the end of his period of office.

EBIT by business segments
January – September 2001



	2001 € million	2000 € million
Potash and Magnesium Products	51.2	46.2
COMPO	20.1	24.6
fertiva	0.5	0.0
Salt	14.7	-0.5
Waste Management and Recycling	9.5	21.1
Services and Trading	12.8	7.0
Transitional amounts*	-0.1	6.3
K+S Group	108.7	104.7

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

Employees

The K+S Group employed 9,757 staff worldwide as of September 30, 2001, an increase of 532 employees compared with last year. In addition to the increase in the scope of the consolidation, this is due to the larger number of trainees. At the present time, 539 young people are undergoing vocational training at K+S. We are therefore facing up to a particular social responsibility and, with our exceptionally high trainee ratio of 5.5%, are supporting in particular the regions in which our plants are situated.

Outlook

The altogether positive development of the business during 2001 is expected to continue in the fourth quarter. We continue to expect good earnings for the current financial year, despite some turndowns.

We will achieve further increases in the sales of our Potash and Magnesium Products in 2001. Switches in quantities in favour of higher priced products and exchange rate effects will encourage this development. We have hedged the US dollar receipts expected for the current year at attractive exchange rates; the same applies to 2002 and 2003.

COMPO will maintain the sales growth achieved as a result of the inclusion of the 'Gesal' and 'Algoflash' acquisitions throughout 2001; internal growth, without the acquisitions, will amount to some 5%. We expect average sales growth over the next few years at higher than the average market growth of 3% to 4%. This would mean that we would further increase our market share, both in the hobby and the professional business. We expect considerable improvements in the earnings in the coming years, due to the planned quantity growth, the non-incurrence of integration costs and the synergy effects from the acquisitions.

The slowdown in sales in the fertiva business segment due to the unfavourable weather for fertilization will not be compensated till the end of the year. We expect a weaker development of sales and volumes next year due to availability. From 2002 onwards, K+S will be entitled to part of fertiva's results for the first time, in accordance with the contractual arrangements. We expect a positive contribution to the earnings.

In the Salt business, we will considerably exceed last year's sales and earnings as a result of the high deliveries of de-icing salt in 2001 as a whole. The fourth quarter could boost this further. Our attractive product offering in line with the demands of the market will ensure our good market position even with an unchanged strong competitive situation in Europe.

We will achieve our targets in the Waste Management and Recycling business, however without repeating last year's very high figures, which were influenced by favourable special effects.

We expect a similar favourable business trend for our Services and Trading activities to last year.

The systematic integration of our new business segments with our traditional fields of activities offers new perspectives, compared with the competition, in the markets and on the costs side, so that we will also be successful in the future as the K+S Group. The high capital expenditures, which will further strengthen our substance and are important components for the growth for which we are aiming, will also contribute to this.

Kassel, November 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 materialize, the actual results could vary from the expectations described at the present time.

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

Profit and loss account (€ million)	3rd Quarter		January – September	
	2001	2000	2001	2000
Sales	482.6	482.8	1,672.5	1,539.6
Cost of sales	328.8	336.9	1,130.9	1,048.3
Gross profit on sales	153.8	145.9	541.6	491.3
Selling expenses ¹⁾	127.3	116.5	402.8	361.8
General administrative expenses	9.7	8.9	35.8	29.4
Research and development expenses	3.8	0.8	10.4	7.8
Other operating income	32.9	21.4	72.7	64.0
Other operating expenses	27.5	16.5	56.6	51.6
Earnings before interest and taxes	18.4	24.6	108.7	104.7
Financial result	- 3.2	3.3	- 2.4	5.1
Earnings before income taxes	15.2	27.9	106.3	109.8
Income taxes	- 0.9	2.5	6.2	8.9
Earnings after taxes	16.1	25.4	100.1	100.9

¹⁾ including freight costs

Balance sheet (€ million)		
	Sept. 30, 2001	Sept. 30, 2000
Fixed assets	671.2	589.2
Inventories	195.2	155.6
Receivables	471.3	440.7
Own shares	28.5	32.9
Other securities	67.3	99.9
Cash on hand, bank balances	169.4	197.2
Current assets	931.7	926.3
Assets	1,602.9	1,515.5
Subscribed capital	115.2	115.2
Capital surplus ¹⁾	2.8	80.2
Reserve for own shares	28.5	32.9
Other revenue reserves and profit retained	295.7	212.1
Equity	442.2	440.4
Special reserves	18.1	14.0
Balance arising from capital consolidation	62.4	78.6
Provisions	775.6	699.1
Liabilities	304.6	283.4
Equity and liabilities	1,602.9	1,515.5

¹⁾ In 2001, the goodwill of € 71.6 million on the acquisition of Algoflash S.A. was set off against the capital surplus.

Contact

K+S Aktiengesellschaft
Bertha-von-Suttner-Straße 7
34131 Kassel
phone: ++49 (0) 5 61/93 01-0
fax: ++49 (0) 5 61/93 01-17 53
<http://www.k-plus-s.com>

Investor Relations

phone: ++49 (0) 5 61/93 01-16 87
fax: ++49 (0) 5 61/93 01-24 25
e-mail: investor-relations@k-plus-s.com

Communication

phone: ++49 (0) 5 61/93 01-17 22
fax: ++49 (0) 5 61/93 01-16 66
e-mail: pr@k-plus-s.com

Financial Timetable	
Press conference, Kassel	November 15, 2001
Analyst conference, Frankfurt	November 16, 2001
Report on business in 2001	March 14, 2002
Annual report press conference, Kassel	March 14, 2002
Analyst conference, Frankfurt	March 15, 2002
Annual Meeting 2002, Kassel	May 8, 2002
Interim report March 31, 2002	May 8, 2002
Interim report June 30, 2002	August 9, 2002
Interim report September 30, 2002	November 15, 2002
Press and analyst conference	November 15, 2002

