Report on Business January – December 2002

Revenues Rise 4% to € 2.26 Billion

EBIT of € 132.8 Million Shows 10% Year-on-Year Increase

Weaker Financial Result and Higher
Taxes Depress Net Income

Dividend of € 1.00 Per Share Proposed Again

People. Nature. Our World.

Report on Business January – December 2002

Key Business Development Data

€ million	4th Quarter 2002	4th Quarter 2001	%	Jan. – Dec. 2002	Jan. – Dec. 2001	%
Revenues	516.2	506.9	+ 2	2,258.5	2,179.4	+ 4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	48.4	53.6	– 10	240.1	248.4	– 3
EBITDA margin in %	9.4	10.6		10.6	11.4	
Earnings before interest and taxes (EBIT)	20.2	11.9	+ 70	132.8	120.6	+ 10
EBIT margin in %	3.9	2.4		5.9	5.5	
Earnings before income taxes	16.2	14.8	+ 9	113.9	121.1	– 6
Net income	14.3	18.2	– 21	103.8	118.3	– 12
DVFA earnings	12.8	7.2	+ 78	69.4	70.2	– 1
Gross cash flow	49.9	43.6	+ 14	216.9	224.6	– 3
Capital expenditure	51.1	46.7	+ 9	129.0	157.9	– 18
Average number of shares (million)[1]	41.9	43.4	– 3	42.8	43.4	– 1
Net income per share (€)	0.34	0.42	– 19	2.43	2.73	– 11
DVFA earnings per share (€)	0.31	0.17	+ 82	1.62	1.62	0
Gross cash flow per share (€)	1,19	1.00	+ 19	5.07	5.18	– 2
Outstanding shares as of 31 Dec. (million)				41.5	43.3	– 4
Book value per share as of 31 Dec. (€)				13.47	11.94	+ 13
Employees as of 31 Dec. (number)[2, 3]				10,610	10,346	+ 3

[1] 45 million less the average number of own shares held by K+S

[2] The number of employees indicated above includes a pro rata number of esco employees commensurate with the equity interest in esco held by K+S

[3] Total workforce, including fixed-term employees (excluding students and interns)

Revenues and Earnings by Business Segment

€ million	4th Quarter 2002	4th Quarter 2001	%	Jan. – Dec. 2002	Jan. – Dec. 2001	%
Revenues	516.2	506.9	+ 2	2,258.5	2,179.4	+ 4
Potash and Magnesium Products	224.7	214.1	+ 5	992.3	967.4	+ 3
COMPO	88.4	83.6	+ 6	481.0	436.2	+ 10
fertiva	120.1	132.5	– 9	469.5	500.2	– 6
Salt	56.0	49.9	+ 12	203.4	165.1	+ 23
Waste Management and Recycling	14.3	15.5	– 8	58.6	63.5	– 8
Services and Trading	12.0	11.3	+ 6	51.8	47.0	+ 10
Reconciliation	0.7	0.0		1.9	0.0	
EBIT	20.2	11.9	+ 70	132.8	120.6	+ 10
Potash and Magnesium Products	8.8	15.7	– 44	55.6	66.9	– 17
COMPO	2.5	– 0.4	–	30.8	19.7	+ 56
fertiva	1.0	0.1	> 100	6.3	0.6	> 100
Salt	6.1	12.8	– 52	26.0	27.5	– 5
Waste Management and Recycling	1.4	1.7	– 18	8.3	11.2	– 26
Services and Trading	1.2	2.1	– 43	15.4	14.9	+ 3
Reconciliation	– 0.8	– 20.1		– 9.6	– 20.2	

Revenues Rise by € 79.1 Million or 4%

We increased our revenues in financial year 2002 by almost € 80 million to € 2,258.5 million. The increase was mainly attributable to higher sales of potash and magnesium products as well as a positive trend in COMPO. In addition, a shift within the salt product assortment had the effect of boosting revenues.

Revenues January – December

€ million

Year-on-Year Increase in EBIT of € 12.2 Million or 10%

K+S Group operations were once again successful in 2002. At € 132.8 million, EBIT exceeded the result obtained last year (€ 120.6 million) by about 10%, with the result that the growth in earnings exceeded that in revenues. Higher earnings for COMPO (an increase of € 11.1 million), fertiva (an increase of € 5.7 million) as well as Services and Trading (an increase of € 0.5 million) more than made up for the decreases in Potash and Magnesium Products (a decline of € 11.3 million), Waste Management and Recycling (a decline of € 2.9 million) and Salt (a decline of € 1.5 million). In addition, expenses that cannot be directly allocated to business segments and therefore are shown in the reconciliation to the EBIT were also lower.

The financial result of minus € 18.9 million was worse than a year ago. We could not escape the effects of the exceptionally weak condition of the capital markets during the past financial year, with the result that impairment charges of € 17.7 million were necessary as of 31 December 2002 and with € 5.5 million of this figure relating to our own shares. As a result, the earnings before income taxes of € 113.9 million were € 7.2 million lower than in 2001. At € 103.8 million, net income was € 14.5 million lower than a year ago, which was also due to the effects of higher income taxes.

Earnings per share, based on net income, amounted to € 2.43 and were € 0.30 lower than a year ago. This figure has been arrived at on the basis of 42.8 million no par value shares (previous year: 43.4 million shares) and thus takes account of the average number of own shares held by K+S over the year. By contrast, the DVFA earnings of € 1.62 per share were on the same level as in 2001. We will once again propose a dividend of € 1.00 per share to the Annual General Meeting.

As of 31 December 2002, we held 3.5 million of our own shares, or 7.7% of the share capital of € 115.2 million, acquired under our share buy back program. The average price paid per share was € 18.93.

EBIT January – December

€ million

Gross Cash Flow Slightly Lower Year-on-Year

At € 216.9 million, gross cash flow did not entirely attain last year's good level. Cash flow from operating activities fell by € 20.4 million to € 182.4 million, because the typical seasonal increase in working capital at the end of the year, resulting from higher sales and related increases in receivables, was higher than a year ago. After taking into account payments related to investment and acquisition activities that were significantly lower than in the previous year, we achieved free cash flow of € 46.5 million or € 61.6 million more than a year ago.

Gross cash flow January – December

€ million

Business Segments of the K+S Group

Our six business segments are closely interconnected in terms of their strategic, technical and economic aspects. In this way, we are able to offer our customers an attractive product range as well as advisory and other services too. At the same time, this form of interlinking also yields significant cost savings for our business processes.

Potash and Magnesium Products	4th Quarter			Jan. – Dec.		
€ million	2002	2001	%	2002	2001	%
Revenues	224.7	214.1	+ 5	992.3	967.4	+ 3
Earnings before interest and taxes (EBIT)	8.8	15.7	– 44	55.6	66.9	– 17
EBIT margin in %	3.9	7.3		5.6	6.9	
Capital expenditure	36.5	33.4	+ 9	89.1	112.6	– 21
Employees as of 31 December (number)				7,612	7,577	0

Revenues for the Potash and Magnesium Products business segment rose by 3% in financial year 2002 primarily as a result of volume and structural factors. Higher sales of potassium chloride, potash specialties and ESTA-Kieserite compensated for declines in industrial products. At € 55.6 million, EBIT was € 11.3 million lower than a year ago. On the one hand, start-up problems connected with the new Kieserite production facility resulted in higher costs and on the other hand, tangible increases in certain types of costs could not be passed on in the market.

Viewed from the perspective of the present, we expect revenues for the Potash and Magnesium Products business segment to be slightly higher than in 2002. Assuming that market prices only show a slight increase, higher costs connected with personnel and energy as well as inputs relating to the exploitation of the Sylvinite deposit at the Unterbreizbach mine will have a depressing effect in 2003.

COMPO	4th Quarter			Jan. – Dec.		
€ million	2002	2001	%	2002	2001	%
Revenues	88.4	83.6	+ 6	481.0	436.2	+ 10
Earnings before interest and taxes (EBIT)	2.5	– 0.4	–	30.8	19.7	+ 56
EBIT margin in %	2.8	–		6.4	4.5	
Capital expenditure	6.9	4.3	+ 60	20.1	11.4	+ 76
Employees as of 31 December (number)				1,152	1,077	+ 7

COMPO revenues for financial year 2002 were 10% higher than in 2001 and amounted to € 481 million. In addition to moderate price increases, this further above-average increase was primarily attributable to increased market penetration for ENTEC professional fertilizers and successful innovations in the hobby sector. At € 30.8 million, earnings for the COMPO business segment exceeded the previous year's figure by € 11.1 million. In addition to higher volume and revenues, the absence of the non-recurrent integration costs incurred in 2001 also had a considerable impact on the improvement in earnings.

On the basis of current economic forecasts and if conditions remain normal, we expect a further increase in revenues in 2003. In the hobby sector, we want to achieve growth through the development of innovative products. In the professional sector, higher sales of ENTEC fertilizers should contribute to the improvements that are expected.

fertiva € million	4th Quarter 2002	2001	%	Jan. – Dec. 2002	2001	%
Revenues	120.1	132.5	– 9	469.5	500.2	– 6
Earnings before interest and taxes (EBIT)	1.0	0.1	> 100	6.3	0.6	> 100
EBIT margin in %	0.8	0.1		1.3	0.1	
Capital expenditure	0	0.4	– 100	0.5	2.0	– 75
Employees as of 31 December (number)				55	55	0

As expected, fertiva revenues for 2002 fell by € 30.7 million or about 6 % to € 469.5 million. Falling prices and low product availability as a result of the closure of a BASF complex fertilizer plant could only be partly compensated for by the higher volume achieved for straight nitrogen fertilizers. fertiva posted earnings of € 6.3 million for 2002. With regard to the business deriving from the BASF agreement, the maximum possible contribution to earnings of € 5.1 million was attained. A further € 1.2 million was obtained from other business to which the contractual arrangements with BASF do not apply.

We expect fertiva to post a further drop in revenues for 2003 as a result of low prices in general.

Salt € million	4th Quarter 2002	2001*	%	Jan. – Dec. 2002	2001*	%
Revenues	56.0	49.9	+ 12	203.4	165.1	+ 23
Earnings before interest and taxes (EBIT)	6.1	12.8	– 52	26.0	27.5	– 5
EBIT margin in %	10.9	25.7		12.8	16.7	
Capital expenditure	4.2	2.1	+ 100	7.9	6.6	+ 20
Employees as of 31 December (number)**				840	729	+ 15

* Of limited comparative value only

** The number of employees indicated above includes a pro rata number of esco employees commensurate with the equity interest held by K+S

The share of revenues (62 %) consolidated by us amounted to € 203.4, which represents an increase of 23 % mainly attributable to assortment and volume factors. As the character of esco activities deviates significantly from the hitherto K+S salt business, comparisons with the preceding year are only of limited value. The EBIT allocated to the K+S Group for the year under review amounted to € 26.0 million and was therefore just under the exceptionally good figure for last year.

Our budget for 2003 assumes slightly lower revenues than in 2002 and is based on de-icing salt volume that corresponds to a normal year and is therefore lower than for 2002.

Waste Management and Recycling	4th Quarter			Jan. – Dec.		
€ million	2002	2001	%	2002	2001	%
Revenues	14.3	15.5	– 8	58.6	63.5	– 8
Earnings before interest and taxes (EBIT)	1.4	1.7	– 18	8.3	11.2	– 26
EBIT margin in %	9.8	11.0		14.1	17.6	
Capital expenditure	0.8	1.3	– 38	1.6	2.6	– 38
Employees as of 31 December (number)				238	249	– 4

Revenues for the business segment fell by 8 % year-on-year to € 58.6 million. The decline was primarily attributable to lower volumes for underground waste disposal. Overcapacity resulted in more intense competition and, to some extent, caused prices to come under strong pressure. Successful marketing activities elsewhere in Europe meant that declining revenues in Germany could in part be offset. Waste Management and Recycling posted EBIT of € 8.3 million, € 2.9 million below the figure for the preceding year, which benefited from special projects.

It should be possible to achieve slightly higher revenues in 2003.

Services and Trading	4th Quarter			Jan. – Dec.		
€ million	2002	2001	%	2002	2001	%
Revenues	12.0	11.3	+ 6	51.8	47.0	+ 10
Earnings before interest and taxes (EBIT)	1.2	2.1	– 43	15.4	14.9	+ 3
EBIT margin in %	10.0	18.6		29.7	31.7	
Capital expenditure	2.1	4.0	– 47	7.4	8.5	– 13
Employees as of 31 December (number)				401	344	+ 17

The Services and Trading business segment posted revenues of € 51.8 million for the year under review. The increase is in part attributable to the complete takeover and first-time consolidation of biodata ANALYTIK GmbH. While the logistics sector and CATSAN® granulation were able to post gains, the trading business experienced revenue losses. The increase in earnings before interest and taxes of € 0.5 million or 3 % was mainly due to improved earnings in the logistics sector.

We expect the course of business to be similar in 2003.

Capital Expenditure, Research and Development

In 2002, we invested a total of € 129.0 million in tangible and intangible fixed assets, € 28.9 million or 18 % less than in the previous year. Following the realization of large scale projects such as the Kieserite production facility, capital expenditure in 2002 was mainly connected with raising efficiency in addition to maintenance.

Expenditure on R&D activities amounted to € 13.2 million during the year under review and therefore remained stable.

Capital expenditure January – December

€ million

Employees

The K+S Group employed a total of 10,610 persons on 31 December 2002. This figure includes the core workforce, trainees and – extending our hitherto definition – fixed term employees for the first time (excluding students and interns). Thus, the number of employees rose by 264 or 3 % in relation to 31 December 2001. The total esco work force of 1,354 employees was included in proportion to our 62 % holding (840 employees). A total of 123 of the additional 264 employees at year end stemmed from the change in the scope of consolidation (esco and biodata ANALYTIK).

There were a total of 542 trainees on 31 December 2002, 9 more than a year ago. The year under review saw the hiring of 160 trainees, and the K+S Group trainee ratio (5.1 %) is thus significantly above the average for German industry once again.

Employees

number (31 December)

Change in the Board of Executive Directors

The Supervisory Board appointed Mr Joachim Vogt to the Board of Executive Directors of K+S Aktiengesellschaft with effect from 1 January 2003. Mr Vogt will be responsible for the COMPO business segment, consumer products in other business segments as well as the expansion of the K+S Group.

Outlook for the K+S Group

Given the danger of a war with Iraq and of terrorist attacks as well as their impact on the economy, forecasts about the course of business are exceptionally uncertain at present.

Nevertheless, the course of business for the K+S Group should remain positive overall in 2003 too. In view of the higher costs that can be expected, especially in Germany, we currently assume that EBIT will show a decline in 2003. The level of net income will also be affected by conditions on the capital markets. Should there be a recovery, this would result in the possibility of an increase in the value of our securities.

Forward-looking statements
This report contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct, actual events may deviate from expectations as set forth at the present time.

Kassel, March 2003
K+S Aktiengesellschaft
The Board of Executive Directors

Explanatory Notes; Structural Changes

This interim report has been prepared in accordance with Accounting Standard No. 6 (DRS 6) of the Deutsche Rechnungslegungs Standards Committee e.V. (DRSC).

The interim financial statements and the consolidated financial statements of the K+S Group have been prepared in accordance with the regulations contained in the German Commercial Code (HGB) and the German Stock Companies Act (AktG). The accounting and valuation principles used were the same as those employed for the consolidated financial statements of the K+S Group as of 31 December 2001 as well as for the corresponding interim report for the fourth quarter of 2001.

The scope of consolidation changed as of 1 January 2002 in relation to the preceding year as a result of the pro rata inclusion (62%) of the esco salt joint venture as well as the consolidation of biodata ANALYTIK GmbH for the first time.

Profit and Loss Account	4th Quarter		Jan. – Dec.	
€ million	2002	2001	2002	2001
Revenues	516.2	506.9	2,258.5	2,179.4
Cost of sales	343.5	343.9	1,512.7	1,474.8
Gross profit	172.7	163.0	745.8	704.6
Selling expenses	128.2	125.1	546.5	527.9
including: transport and delivery costs	71.6	75.3	297.6	285.5
General administrative expenses	12.6	19.0	53.3	54.8
Research expenses	3.4	3.2	13.2	13.6
Other operating income	40.8	62.4	105.7	135.1
Other operating expenses	49.1	66.2	105.7	122.8
Earnings before interest and taxes (EBIT)	20.2	11.9	132.8	120.6
Financial result	– 4.0	2.9	– 18.9	0.5
Earnings before income taxes	16.2	14.8	113.9	121.1
Income taxes	1.9	– 3.4	10.1	2.8
Earnings after taxes/net income	14.3	18.2	103.8	118.3

Balance Sheet

€ million	31.12.2002	31.12.2001
Fixed assets	684.6	667.0
Inventories	238.7	239.1
Receivables	527.8	480.4
Own shares	60.4	31.6
Other securities	102.6	69.9
Cash in hand, bank balances	52.6	113.0
Current assets	982.1	934.0
ASSETS	1,666.7	1,601.0
Equity	513.4	457.6
Special reserves	0.3	1.6
Balance arising from capital consolidation	45.3	58.4
Provisions	706.0	712.0
Accounts payable – trade	253.6	299.5
Bank loans and overdrafts	47.7	28.2
Sundry liabilities	100.4	43.7
Liabilities	401.7	371.4
EQUITY AND LIABILITIES	1,666.7	1,601.0

Statement of Changes in Equity

€ million	Subscribed capital	Additional paid in capital	Reserve for own shares	Profit retained/ other revenue reserves	Equity
Balance as of 1 January 2002	115.2	0.0	31.6	310.8	457.6
Dividend for previous year	–	–	–	– 43.4	– 43.4
Surplus for period	–	–	–	+ 103.8	+ 103.8
Repurchase/disposal of own shares	–	–	+ 28.8	– 28.8	0
Consolidation effects	–	–	–	– 4.6	– 4.6
Other changes	–	–	–	–	–
Balance as of 31 December 2002	115.2	0.0	60.4	337.8	513.4

Cash Flow Statement

€ million	Jan. – Dec. 2002	2001
Earnings after taxes	103.8	118.3
Write ups (–)/depreciation (+) on fixed assets	107.9	128.8
Other items not affecting cash flow	5.2	– 22.5
Gross cash flow	216.9	224.6
Increase (–)/decline (+) in working capital	– 30.8	– 20.8
Result of disposals of fixed assets	– 3.7	– 1.0
Cash flow from operating activities	182.4	202.8
Payments from additions to and disposals of fixed assets and acquisitions	– 135.9	– 217.9
Cash flow from investing activities	– 135.9	– 217.9
Free cash flow	46.5	– 15.1
Dividend payments	– 43.4	– 37.6
Other financing measures	– 8.2	– 7.2
Cash flow from financing activities	– 51.6	– 44.8
Change in cash and cash equivalents affecting cash flow	– 5.1	– 59.9
Other items	– 21.5	0.6
Change in cash funds	– 26.6	– 59.3

Cash and Cash Equivalents

€ million	2002	2001
Cash and cash equivalents as of 1 January	194.5	253.8
Own shares	60.4	31.6
Other short-term securities	102.6	69.9
Cash in hand, bank balances	52.6	113.0
Short-term financial liabilities	– 47.7	– 20.0
Cash and cash equivalents as of 31 December	167.9	194.5

Financial Calendar

Dates

Annual General Meeting 2003, Kassel	7 May 2003
Interim report 31 March 2003	7 May 2003
Dividend payment	8 May 2003
Interim report 30 June 2003	13 August 2003
Interim report 30 September 2003	13 November 2003
Press and analyst conference, Frankfurt	13 November 2003
Report on business in 2003	March 2004
Annual report and analyst conference, Frankfurt	March 2004
Annual General Meeting 2004, Kassel	5 May 2004

Contact

K+S Aktiengesellschaft
Bertha-von-Suttner-Straße 7
34131 Kassel (Germany)
phone: +49 (0) 5 61 / 93 01-0
fax: +49 (0) 5 61 / 93 01-17 53
Internet: 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
email: investor-relations@k-plus-s.com

Communications

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