



Interim Report January – September 2002

Revenues and EBIT Higher Year-on-Year

COMPO and esco More Than Make Up for Lower Earnings in Other Business Segments

Outlook for Operating Profit Favourable; Financial Result Expected To Depress Net Profit

People. Nature. Our World.



Interim Report January – September 2002

Key Business

Development Data

€ million	3rd Quarter			Jan. – Sept.		
	2002	2001	%	2002	2001	%
Revenues	486.5	482.6	+ 1	1,742.3	1,672.5	+ 4
Earnings before interest and taxes (EBIT)	19.8	18.4	+ 8	112.6	108.7	+ 4
EBIT margin in %	4.1	3.8		6.5	6.5	
Earnings before income taxes	6.3	15.2	- 59	97.7	106.3	- 8
Earnings after taxes	5.1	16.1	- 68	89.5	100.1	- 11
DVFA earnings	5.1	6.7	- 24	56.6	63.0	- 10
Gross cash flow	38.1	38.7	- 2	167.0	181.0	- 8
Capital expenditure	36.2	56.0	- 35	77.9	111.2	- 30
Outstanding shares on average (million)*	42.7	43.4	- 2	43.1	43.4	- 1
Earnings after taxes per share (€)	0.12	0.37	- 68	2.08	2.31	- 10
DVFA earnings per share (€)	0.12	0.15	- 20	1.31	1.45	- 10
Gross cash flow per share (€)	0.89	0.89	-	3.87	4.17	- 7
Outstanding shares as of 30 Sept. (million)				42.2	43.4	- 3
Book value per share as of 30 Sept. (€)				12.95	11.84	+ 9
Employees as of 30 Sept. (number)**				10,067	9,757	+ 3

* 45 million less the average number of shares held by K+S

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

Revenues and Earnings by Business Segment

€ million	3rd Quarter			Jan. – Sept.		
	2002	2001	%	2002	2001	%
Revenues	486.5	482.6	+ 1	1,742.3	1,672.5	+ 4
Potash and Magnesium Products	231.5	230.8	-	767.6	753.3	+ 2
COMPO	70.4	63.6	+ 11	392.6	352.6	+ 11
fertiva	112.2	130.1	- 14	349.4	367.7	- 5
Salt	42.8	32.6	+ 31	147.4	115.2	+ 28
Waste Management and Recycling	14.6	13.6	+ 7	44.3	48.0	- 8
Services and Trading	15.0	11.9	+ 26	41.0	35.7	+ 15
EBIT	19.8	18.4	+ 8	112.6	108.7	+ 4
Potash and Magnesium Products	9.6	8.5	+ 13	46.8	51.2	- 9
COMPO	0.5	- 3.7	-	28.3	20.1	+ 41
fertiva	0.2	0.4	- 50	5.3	0.5	> 100
Salt	3.9	1.5	> 100	19.9	14.7	+ 35
Waste Management and Recycling	2.3	0.7	> 100	6.9	9.5	- 27
Services and Trading	5.1	3.9	+ 31	14.2	12.8	+ 11
Reconciliation	- 1.8	7.1		- 8.8	- 0.1	

Revenues Rise by € 69.8 Million or 4%

The K+S Group's operating performance over the first nine months has been marked by success once again. Year-on-year revenues rose by almost € 70 million or 4% as a result of both volume and structural factors. The business segments COMPO (an increase of € 40.0 million) and Salt (an increase of € 32.2) managed to post robust growth in particular. Potash and Magnesium Products saw an improvement as a result of volume (an increase of € 14.3 million), while revenues for fertiva (a decline of € 18.3 million) and Waste Management and Recycling (a decline of € 3.7 million) fell.

Revenues January – September

€ million

2001	1,672.5
2002	1,742.3

Year-on-Year Increase in EBIT of € 3.9 Million or 4%

Earnings before interest and taxes (EBIT) succeeded in matching the growth in revenues (an increase of 4%). The higher earnings posted by COMPO (an increase of € 8.2 million), Salt (an increase of € 5.2 million) and fertiva (an increase of € 4.8 million) more than made up for the decline in Potash and Magnesium Products (a decline of € 4.4 million) as well as Waste Management and Recycling (a decline of € 2.6 million).

EBIT January – September

€ million

2001	108.7
2002	112.6

The financial result was affected by write-downs on securities: The weak state of the capital markets made an impairment of € 14.8 million necessary as of 30 September 2002. At € 97.7 million, earnings before income taxes were below their high level of a year ago. Accordingly, earnings after taxes amounted to € 89.5 million, € 10.6 million less than a year ago, with the effect of a higher income tax burden making itself particularly strongly felt in addition to the weak financial result.

Earnings per share, based on earnings after taxes, amounted to € 2.08 and were lower than a year ago. This figure has been arrived at on the basis of 43.1 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 first nine months of the year.

As of 30 September 2002, we held 2.8 million of our own shares, or 6.3% of the share capital of € 115.2 million, acquired under our share buy back program. The average price paid per share was € 19.28.

Gross Cash Flow Slightly Lower Year-on-Year

At € 167.0 million, gross cash flow for the first nine months of the year was about 8% below the previous year's figure. Cash flow from operating activities fell by € 40.8 million to € 196.0 million, because the decline in working capital during the third quarter was lower than a year ago. After taking into account payments related to investment activities, we achieved free cash flow of € 109.2 million, € 69.2 million more than a year ago. Since the beginning of 2002, cash and cash equivalents have risen by € 51.0 million to € 245.6 million.

Gross cash flow January – September

€ million

2001	181.0
2002	167.0

Business Segments of the K+S Group

Our six business segments are 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 consultancy and other services.

Potash and Magnesium Products

€ million	3rd Quarter			Jan. – Sept.		
	2002	2001	%	2002	2001	%
Revenues	231.5	230.8	–	767.6	753.3	+ 2
Earnings before interest and taxes (EBIT)	9.6	8.5	+ 13	46.8	51.2	– 9
EBIT margin in %	4.1	3.7		6.1	6.8	
Capital expenditure	24.5	42.9	– 43	52.6	79.2	– 34
Employees as of 30 September (number)				7,223	7,141	+ 1

The Potash and Magnesium Products business segment saw revenues rise by € 14.3 million, or 2% for the first nine months of the year. Despite heavy rainfall in Western Europe, it was still possible to increase sales, especially of Kieserite and other specialities, in relation to a year ago. By contrast, the weak business climate continued to impact on industrial products. Although EBIT for the third quarter was higher than a year ago, earnings for this business segment have been declining over the first nine months of 2002 (a decline of € 4.4 million or 9%). Alongside higher costs, this is also attributable to the inability to increase prices to the extent that had been planned as a result of strong competition, especially overseas.

We continue to expect the Potash and Magnesium Products business segment to post slightly higher revenues for 2002. Earnings will lie significantly below the previous year's level as a result of higher unit costs and depressed prices.

COMPO

€ million	3rd Quarter			Jan. – Sept.		
	2002	2001	%	2002	2001	%
Revenues	70.4	63.6	+ 11	392.6	352.6	+ 11
Earnings before interest and taxes (EBIT)	0.5	– 3.7	–	28.3	20.1	+ 41
EBIT margin in %	0.7	–		7.2	5.7	
Capital expenditure	6.3	3.1	> 100	13.2	7.1	+ 86
Employees as of 30 September (number)				1,038	986	+ 5

In the COMPO business segment, the positive trend that was evident during the first six months of the year continued during the third quarter which is always weaker as a result of seasonal factors. Revenues for the first nine months of the year saw a significant increase of € 40.0 million or 11%. The hobby area continued to develop positively during the third quarter, and COMPO SANA flower soil managed to show stronger growth in particular. Despite poor weather conditions, the professional area displayed a positive trend once again. In view of the excellent response from customers, the ENTEC fertilizer range will be expanded to include liquid products. It was possible to consolidate price levels in both the hobby and professional areas. EBIT rose by € 8.2 million or 41%. This was in large measure due to higher sales and in part to lower costs for raw materials as well as the absence of integration costs.

Given the positive way in which the business has evolved over the first nine months of the year, we expect the COMPO business segment to post a marked increase in both revenues and earnings for 2002 as a whole. Nevertheless, there is still a possibility that the catastrophic flooding in Germany, Austria and northern Italy might have a negative impact on the fourth quarter.

fertiva € million	3rd Quarter			Jan. – Sept.		
	2002	2001	%	2002	2001	%
Revenues	112.2	130.1	- 14	349.4	367.7	- 5
Earnings before interest and taxes (EBIT)*	0.2	0.4	- 50	5.3	0.5	> 100
EBIT margin in %	0.2	0.3		1.5	0.1	
Capital expenditure	0.2	1.3	- 85	0.5	1.6	- 69
Employees as of 30 September (number)	54	53	+ 2			

* Earnings attributable to the K+S Group

Strong competition, consumer restraint and adverse weather conditions in Germany in particular continued to characterize the relevant markets for the fertiva business segment. Nevertheless, fertiva achieved encouragingly strong sales. However, despite the growth in volume, prices showed a marked downward trend, with the result that revenues for the first nine months of the year were € 18.3 million or 5% lower than a year ago. The earnings achieved by fertiva for the K+S Group amounted to € 5.3 million as of 30 September 2002.

Given the current level of excess capacity and as prices cannot be expected to recover in the short term, it will not be possible to avoid a decline in revenues. However, we believe that prospects for the fourth quarter of maintaining the contribution to earnings achieved to date are good.

Salt € million	3rd Quarter			Jan. – Sept.		
	2002	2001*	%	2002	2001*	%
Revenues	42.8	32.6	+ 31	147.4	115.2	+ 28
Earnings before interest and taxes (EBIT)	3.9	1.5	> 100	19.9	14.7	+ 35
EBIT margin in %	9.1	4.6		13.5	12.8	
Capital expenditure	2.0	3.2	- 38	3.7	4.5	- 18
Employees as of 30 September (number)**	830	711	+ 17			

* 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

There is continued overcapacity on the Western European markets and at the same time, imports from Eastern Europe are increasing. Competition among suppliers is becoming more intense as a result. For this reason, the establishment of the esco joint venture was a strategically important step towards consolidating our position on the Western European salt markets. Revenues for the first nine months of the year rose by € 32.2 million or 28%. esco has produced a sustained increase in the share of K+S revenues attributable to consumer products while that accounted for by industrial products has fallen. EBIT has displayed a positive trend over the first nine months of the year in relation to the same period last year (an increase of € 5.2 million or 35%). Alongside an increase in deliveries of

de-icing salt at the beginning of the year, the higher share accounted for by consumer products, which are more profitable, contributed to the growth in EBIT.

We expect the Salt business segment (i.e., 62% of the esco Group) to achieve a significant increase in revenues this year. In terms of EBIT, we expect the result to be slightly below that achieved last year because of integration costs, but, as was the case in 2001, an additional boost may come from the de-icing salt business if appropriate weather is experienced during the fourth quarter.

Waste Management and Recycling

€ million	3rd Quarter			Jan. – Sept.		
	2002	2001	%	2002	2001	%
Revenues	14.6	13.6	+ 7	44.3	48.0	- 8
Earnings before interest and taxes (EBIT)	2.3	0.7	> 100	6.9	9.5	- 27
EBIT margin in %	15.8	5.1		15.6	19.8	
Capital expenditure	0.2	0.4	- 50	0.8	1.3	- 38
Employees as of 30 September (number)				242	231	+ 5

Growing competition on the domestic waste management market is putting pressure on prices. Efforts aimed at increasing our activities elsewhere in Europe met with success in this quarter too. Third quarter revenues for the Waste Management and Recycling business segment were 7% higher than a year ago, but this still could not make up for the result for the first six months of the year. EBIT as of 30 September 2002 was € 2.6 million or 27% lower than a year ago.

We expect this year's revenues and earnings for the Waste Management and Recycling business segment to be lower than the figures for last year. The effects of the completion of two major projects, of the delay in respect of a new special project and of the downward trend in market prices can only be partially offset.

Services and Trading

€ million	3rd Quarter			Jan. – Sept.		
	2002	2001	%	2002	2001	%
Revenues	15.0	11.9	+ 26	41.0	35.7	+ 15
Earnings before interest and taxes (EBIT)	5.1	3.9	+ 31	14.2	12.8	+ 11
EBIT margin in %	34.0	32.8		34.6	35.9	
Capital expenditure	2.5	1.6	+ 56	5.3	4.5	+ 18
Employees as of 30 September (number)				379	339	+ 12

The growth in revenues (an increase of € 5.3 million or 15%) posted by the Services and Trading business segment is in part attributable to the consolidation of biodata Analytik GmbH for the first time. While Catsan® granulation and logistics were able to show gains, trading suffered from declining revenues. The increase in earnings before interest and taxes of € 1.4 million or 11% was mainly due to improved earnings on the part of the logistics business.

We expect an increase in revenues for business year 2002 as a result of consolidation, although earnings will probably be lower than a year ago.

Capital Expenditure, Research and Development

As planned, we invested about 30% less in plant and equipment and intangible assets during the first nine months of 2002 than during the same period last year. The main goal of such expenditure during the course of this year is to increase production efficiency and optimize processes. Investment outlays continued to focus on the Potash and Magnesium Products business segment.

At € 9.8 million, research costs for the first nine months of the year were of a similar order to last year (€ 10.4 million).

Employees

As of 30 September 2002, K+S Group consolidated companies employed a total of 10,067 people worldwide, which represents an increase of 310 persons or 3% in relation to a year ago. This number encompasses 110 employees taken into account as a result of the consolidation of esco and 25 biodata Analytik GmbH employees, following that company's inclusion for the first time. The total esco work force of 1,338 employees was added in proportion to the 62% holding (830 employees).

As of 30 September 2002, the number of trainees had risen by a modest 8 to 547 persons on a year-on-year basis. The third quarter saw the hiring of 157 trainees, and the K+S Group trainee ratio is thus significantly above the average for German industry.

Change in the Supervisory Board

Mr Hans-Dieter Winkelhake has retired and thus stepped down from the Supervisory Board. On 14 August 2002, Mr Axel Hartmann was appointed to the Supervisory Board as a new employee representative.

Outlook for the K+S Group

In general, no significant indications of an upturn can be expected over the next few months given the weak global economic climate at present. The agricultural sector, which is important for our business, is currently operating within an environment in Europe that is unfavourable in a number of respects. Nevertheless, we assume that we will close business year 2002 successfully on an operating level. We expect to see a slight increase in both revenues and EBIT as a result of volume and structural factors. This reflects the achievements produced by our strategy of expanding the K+S product portfolio in a targeted manner.

In terms of net income, we will not achieve the good result posted last year because further write-downs on our securities can be expected at the end of the year as a result of the weakness of the capital markets. We continue to expect net profits of somewhat more than € 100 million.

Capital expenditure January – September

€ million

2001	111.2
2002	77.9

Employees

number (30 September)

2001	9,757
2002	10,067

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, November 2002
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).

These interim 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 the corresponding interim report for the third 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

€ million	3rd Quarter		Jan. – Sept.	
	2002	2001	2002	2001
Revenues	486.5	482.6	1,742.3	1,672.5
Cost of sales	337.4	328.8	1,169.2	1,130.9
Gross profit	149.1	153.8	573.1	541.6
Selling expenses	121.4	127.3	418.3	402.8
including: transport and delivery costs	65.4	64.2	226.0	210.2
General administrative expenses	12.2	9.7	40.7	35.8
Research expenses	3.4	3.8	9.8	10.4
Other operating income	27.5	32.9	64.9	72.7
Other operating expenses	19.8	27.5	56.6	56.6
Earnings before interest and taxes (EBIT)	19.8	18.4	112.6	108.7
Financial result	- 13.5	- 3.2	- 14.9	- 2.4
Earnings before income taxes	6.3	15.2	97.7	106.3
Income taxes	1.2	- 0.9	8.2	6.2
Earnings after taxes	5.1	16.1	89.5	100.1

Explanatory Note: General Administrative Expenses

General administrative expenses rose during the third quarter and during the first nine months of the year in relation to the same period last year as in addition to consolidation effects, performance-relating remuneration has been recognized in each quarter for the first time.

Balance Sheet

€ million	30.09.2002	30.09.2001	31.12.2001
Fixed assets	663.6	671.2	667.0
Inventories	206.6	195.2	239.1
Receivables	489.5	471.3	480.4
Own shares	53.2	28.5	31.6
Other securities	102.3	67.3	69.9
Cash in hand, bank balances	102.8	169.4	113.0
Current assets	954.3	931.7	934.0
ASSETS	1,618.0	1,602.9	1,601.0
Equity	498.7	442.2	457.6
Special reserves	2.3	18.1	1.6
Balance arising from capital consolidation	46.8	62.4	58.4
Provisions	727.9	775.6	712.0
Accounts payable – trade	244.1	239.0	299.5
Bank loans and overdrafts	20.9	30.3	28.2
Sundry liabilities	77.3	35.3	43.7
Liabilities	342.3	304.6	371.4
EQUITY AND LIABILITIES	1,618.0	1,602.9	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	–	–	–	+ 89.5	+ 89.5
Repurchase/disposal of own shares	–	–	+ 21.6	– 21.6	–
Consolidation effects	–	–	–	– 5.0	– 5.0
Other changes	–	–	–	–	–
Balance as of 30 September 2002	115.2	0.0	53.2	330.3	498.7

Cash Flow Statement

€ million	Jan. – Sept. 2002	2001
Earnings after taxes	89.5	100.1
Write ups/depreciation on fixed assets	79.1	86.2
Other items not affecting cash flow	– 1.6	– 5.3
Gross cash flow	167.0	181.0
Change in working capital	29.8	56.9
Result of disposals of fixed assets	– 0.8	– 1.1
Cash flow from operating activities	196.0	236.8
Payments from additions to and disposals of fixed assets and acquisitions	– 86.8	– 196.8
Cash flow from investing activities	– 86.8	– 196.8
Free cash flow	109.2	40.0
Dividend payments	– 43.4	– 37.6
Other financing measures	–	–
Cash flow from financing activities	– 43.4	– 37.6
Change in cash and cash equivalents affecting cash flow	65.8	2.4
Other items	– 14.8	– 4.0
Change in cash and cash equivalents	51.0	– 1.6

Cash and Cash Equivalents

€ million	2002	2001
Cash and cash equivalents as of 1 January	194.6	253.8
Own shares	53.2	28.5
Other short-term securities	102.3	67.3
Cash in hand, bank balances	102.8	169.4
Short-term financial liabilities	– 12.7	– 13.0
Cash and cash equivalents as of 30 September	245.6	252.2

Financial Calendar

Dates

Report on business in 2002	13 March 2003
Annual report press and analyst conference	13 March 2003
Annual General Meeting 2003, Kassel	7 May 2003
Interim report 31 March 2003	7 May 2003
Interim report 30 June 2003	August 2003
Interim report 30 September 2003	November 2003
Press and analyst conference	November 2003

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