

Quarterly Report 04|03

October - December

4

- > Revenues Show Moderate Increase in 2003
- > At € 101.3 million, Net Income Is Down Slightly on 2002
- > EBIT Falls 13% Due to Cost Factors
- > Proposed Dividend of € 1.00 per Share

Key Data Business Development

Key Data	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	551.2	516.2	+6.8	2,287.8	2,258.5	+1.3
EBITDA	44.7	48.4	- 7.6	223.7	240.1	- 6.8
EBITDA margin in %	8.1	9.4		9.8	10.6	
EBIT	19.1	20.2	- 5.4	115.7	132.8	- 12.9
EBIT margin in %	3.5	3.9		5.1	5.9	
Earnings before income taxes	18.8	16.2	+ 16.0	111.6	113.9	- 2.0
Pre-tax return on revenues in %	3.4	3.7		4.9	5.0	
Earnings after taxes / net income	18.2	14.3	+ 27.3	101.3	103.8	- 2.4
Return on revenues in %	3.3	2.8		4.4	4.6	
DVFA earnings	13.7	12.8	+7.0	64.1	69.4	- 7.6
Gross cash flow	51.2	49.9	+2.6	209.1	216.9	- 3.6
Cash and cash equivalents as of 31 Dec.	-	-	-	215.4	167.9	+ 28.3
Capital expenditure ¹⁾	37.3	51.1	- 27.0	126.6	129.0	- 1.9
Depreciation and amortization ¹⁾	25.6	28.2	- 9.2	108.0	107.3	+ 0.7
Earnings after taxes per share (€)	0.43	0.34	+ 26.5	2.42	2.43	- 0.4
DVFA earnings per share (€)	0.32	0.31	+ 3.2	1.53	1.62	- 5.6
Gross cash flow per share (€)	1.21	1.19	+ 1.7	5.00	5.07	- 1.4
Book value per share as of 31 Dec. (€)	-	-	-	13.76	12.42	+ 10.8
Total number of shares as of 31 Dec. (million)	-	-	-	42.5	45.0	- 5.6
Outstanding shares as of 31 Dec. (million) ²⁾	-	-	-	42.5	41.5	+ 2.4
Average number of shares (million) ³⁾	42.4	41.9	+ 1.2	41.8	42.8	- 2.3
Employees as of 31 Dec. (number) ^{4) 5)}	-	-	-	10,627	10,610	+ 0.2
Employees (average; number) ^{4) 5)}	10,615	10,589	+ 0.3	10,610	10,511	+ 0.9
Personnel expenses	133.6	120.5	+ 10.9	550.3	527.8	+ 4.3
Closing price (XETRA) as of 31 Dec. (€)	-	-	-	21.76	17.35	+ 25.4
Market capitalization as of 31 Dec.	-	-	-	924.8	780.8	+ 18.4
Enterprise Value as of 31 Dec.	-	-	-	882.3	788.1	+ 12.0

1) for or in connection with tangible fixed and intangible assets

2) total number of shares less the own shares held by K+S as of the balance sheet date

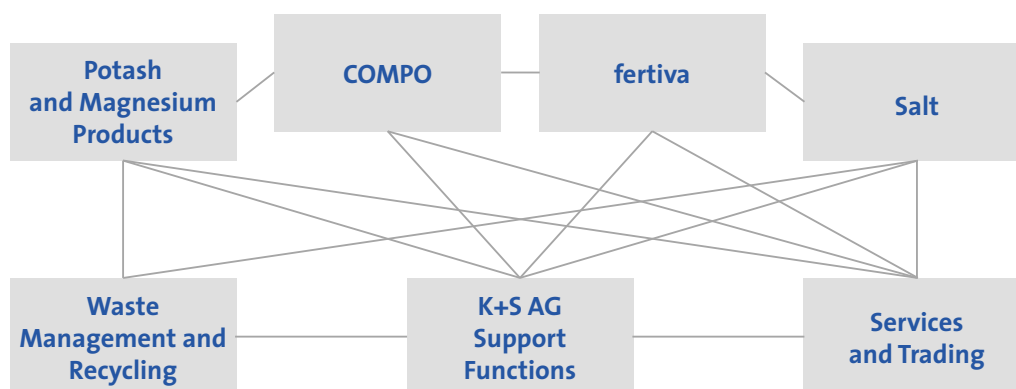
3) total number of shares less the average number of shares held by K+S over the period

4) workforce including temporary employees (without students and interns)

5) the number of employees includes a prorated number of esco employees commensurate with the equity share in esco held by K+S

Interlinking of K+S business segments pays off

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 and serves to bolster our earnings.



Management's Analysis

Fourth quarter sees strong rise in revenues

At € 551.2 million, fourth quarter revenues were up 6.8% or € 35.0 million year-on-year. Revenues for the year totalled € 2,287.8 million, up 1.3% year-on-year.

During the fourth quarter, a significant rise in sales combined with price increases more than made up for the currency-related decreases in revenues. Revenues posted by the business segments Potash and Magnesium Products, COMPO and fertiva in particular were markedly up year-on-year while the Salt and the Waste Management and Recycling business segments fell short of the good levels of a year ago.

Accounting for about 44% of total 2003 revenues, the Potash and Magnesium Products business segment has the highest revenues of all the K+S Group's business segments. It is followed by COMPO, fertiva and Salt. We generated about 78% of our revenues in Europe. The European market is particularly important for us because it enables us to exploit our logistical advantages. Revenues for overseas markets fell year-on-year and now account for about 22% of the total.

Fourth quarter EBIT down € 1.1 million

At € 19.1 million, fourth quarter EBIT was down year-on-year (€ 20.2 million). While earnings for the Salt as well as the Services and Trading business segments rose, the fourth quarter performance of the remaining business segments was weaker. Higher costs related to potash and magnesium products as well as the high price of ammonia in the case of COMPO had a particularly strong impact on earnings.

At € 115.7 million, EBIT for the year as a whole was down € 17.1 million, or about 13%, on last year's very good figure. This was mainly due to increases in energy and personnel costs, higher prices for raw materials as well as outlays connected with the development of a new, very rich potash deposit. In addition, from the third quarter onwards, the US dollar was no longer hedged on the more attractive terms that had applied previously. By contrast, consolidation effects caused EBIT to rise.

Financial result recovers significantly in 2003

The financial result for the fourth quarter amounted to € -0.3 million, up € 3.7 million. At € -4.1 million, the financial result for the year as a whole also showed a significant improvement on the previous year (2002: € -18.9 million). High write-downs on securities depressed the figure for the previous year. Increases in equity prices over 31 December 2002 resulted in write-ups on short-term securities. However, these improvements as well as gains realised on sales of securities (totaling € 9.4 million) are not recognised in the financial result but are reported under other operating income and thus included in EBIT.

Fourth quarter earnings after taxes up significantly year-on-year

Fourth quarter earnings after taxes totalled € 18.2 million, up € 3.9 million or 27% year-on-year. The increase was attributable to the improvement in the financial result as well as a lower tax burden. Earnings after taxes for the year as a whole totalled € 101.3 million, just slightly less (€ 2.5 million) than the previous year. The improved financial result also had an impact in this regard, almost completely making up for the decrease in earnings from operations.

The Board of Executive Directors and the Supervisory Board intend to propose once again a dividend of € 1.00 per share to the Annual General Meeting.

Fourth quarter and 2003 earnings per share € 0.43 and € 2.42 respectively

At € 0.43 per share, fourth quarter earnings for each share entitled to participate in the dividend were up 27% year-on-year. This figure has been arrived at on the basis of an average 42.4 million no-par value shares (2002: 41.9 million) and does not include the average number of shares held by K+S. Earnings per share for the year as a whole amounted to € 2.42 and were thus just one euro cent down on the previous year.

DVFA fourth quarter earnings amounted to € 0.32 per share, up slightly on the figure for the same period last year. For the year as a whole, DVFA earnings amounted to € 1.53 per share, compared to € 1.62 for 2002.

We cancelled 2.5 million of our own shares in the first quarter of 2003. This means that 42.5 million no-par value bearer shares now comprise the total number of K+S shares outstanding and that the share capital has been reduced to € 108.8 million. As of 31 December 2003, we held no shares of our own under our share buy-back programme.

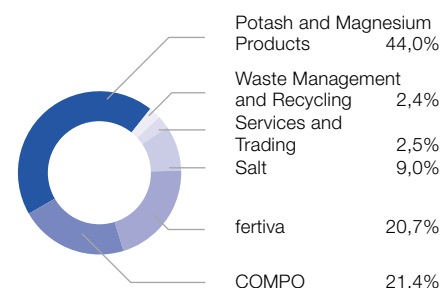
Free cash flow up significantly in 2003

Cash flow from operating activities in the fourth quarter amounted to € -12.7 million (fourth quarter of 2002: € -13.6 million). There was almost no change in the tying up of working capital. After taking into account the approximately 15% drop in payments related to investment activities, this yielded negative free cash flow of € -54.6 million for the fourth quarter, a figure in line with what is seasonally typical for our company and an improvement of € 8.1 million.

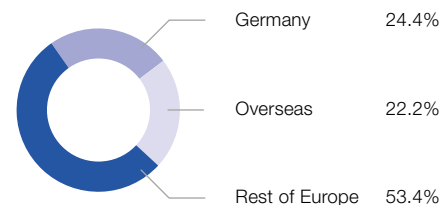
Cash flow from operating activities for 2003 as a whole improved by 38% to € 251.7 million. The significant reduction in the tying up of working capital is in part attributable to a lower increase in receivables for 2003. In the light of how they expected exchange rates to change, some overseas customers preferred not take advantage of the payment terms offered by us. With expenditure on investment activities down by about 9%, we generated free cash flow of € 127.4 million, up € 80.9 million on the previous year.

€ million	2003	
	Q4	12M
Revenues	551.2	2,287.8
Change in revenues	+ 35.0	+ 29.3
resulting from volume/structural factors	+ 40.0	+ 44.6
resulting from prices	+ 13.6	+ 39.2
resulting from exchange rates	- 18.6	- 54.5
resulting from consolidation	± 0.0	± 0.0

Revenues by business segment Jan. – Dec. 2003



Revenues by region Jan. – Dec. 2003



Management's Analysis

After the cancellation of € 43.4 million in own shares during the first quarter as well as the dividend payment of € 41.5 million made on 8 May 2003 (€ 1.00 per share), net cash and cash equivalents amounted to a total of € 215.4 million as of 31 December 2003, an increase of € 47.5 million.

Fourth quarter capital expenditure down according to plan

Fourth quarter capital expenditure amounted to € 37.3 million and was thus 27% down year-on-year.

At € 25.2 million, the Potash and Magnesium Products business segment accounted for the bulk of the capital expenditure. Rapid progress was made on installing the conveyor system infrastructure needed to develop the rich Sylvinitic deposits on the Werra and in addition, the first stage in the construction of a new underground storage facility for crude salt was completed. In response to increased demand, the COMPO business segment invested in expanding capacity at a facility for the production of a fertilizer speciality at Ludwigshafen. For the year as a whole, capital expenditure totalled € 126.6 million, a decrease of about 2% despite the special projects.

Fourth quarter research and development costs totalled € 3.3 million and were on the same level as a year ago: Expenditure for the year under review totalled € 13.2 million as it did in 2002.

Personnel

As of 31 December 2003, the K+S Group employed 10,627 people worldwide, up by 17 or 0.2% year-on-year. The number of trainees as of 31 December 2003 rose by 8 to 550 people.

Fourth quarter personnel expenses amounted to € 133.6 million, up € 13.1 million year-on-year. This was mainly due to higher outlays related to the social security system as well as the accrual basis treatment of higher annual bonus provisions. Personnel expenses for 2003 as a whole totalled € 550.3 million, up 4.3% year-on-year.

Acquisition of entire salt joint venture planned

We intend to acquire Solvay's 38% holding in esco and signed an appropriate letter of intent with Solvay at the beginning of February. Further negotiations concerning the details of the transfer were started immediately. The goal is to conclude the transaction as soon as possible and to give it economic effect from 1 January 2004. As a result of wholly owning esco, the K+S Group would then become Western Europe's largest supplier of rock and evaporated salts.

Outlook

We expect the business operations of the K+S Group to develop positively during the year. However, as a result of the less favourable terms on which the US dollar exchange rates have been hedged, we anticipate revenues to be slightly down on 2003. EBIT should attain the same level as last year in part as a result of price increases and despite energy prices remaining high, Sylvinitic project initial outlays being incurred for the last time this year as well as the less attractive hedging arrangement already referred to.

From 2005 onwards, revenues and EBIT should increase tangibly, with our cost-cutting programme and the Sylvinitic project effecting a lasting improvement in the earnings capacity of the K+S Group.

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 those expected at the present time.

Business Segments of the K+S Group

Potash and Magnesium Products	October – December (Q4)			Januar – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	236.1	224.7	+ 5.1	1,004.7	992.3	+ 1.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	21.8	26.2	- 16.8	104.1	126.9	- 18.0
EBITDA margin in %	9.2	11.7		10.4	12.8	
Earnings before interest and taxes (EBIT)	4.9	8.8	- 44.3	31.6	55.6	- 43.2
EBIT margin in %	2.1	3.9		3.1	5.6	
Capital expenditure	25.2	36.5	- 31.0	81.6	89.1	- 8.4
Employees as of 31 Dec. (number)	-	-	-	7,575	7,612	- 0.5

Global demand for potash fertilizers continued to be strong in the fourth quarter of 2003. At the end of the year, producer inventories as reported were in part significantly lower than a year ago at the end of the year.

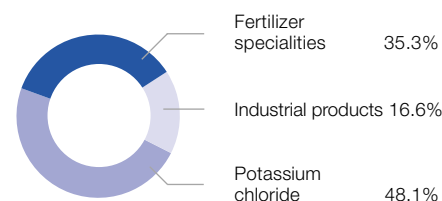
Our fourth quarter revenues were up about 5% to total € 236.1 million. Potassium chloride revenues were up 6% to € 107.2 million, in part because of more overseas business. The lower dollar exchange rate as well as changes in freight pricing (fob instead of cif delivery) that have no effect on earnings reduced the increase in revenues. Volume factors also caused fertilizer speciality revenues to rise by 4% to € 86.1 million. The industrial products business (€ 42.7 million) too developed positively in the fourth quarter as a result of higher sales of industrial potash overseas. At € 1,004.7 million, 2003 revenues for the Potash and Magnesium Products business segment were slightly up year-on-year. The positive effects of higher sales volume, price increases as well as a more highly-priced product mix were partially offset by lower revenues attributable to currency-related factors.

As a result of higher energy, freight and personnel costs and outlays connected with the Sylvinit project, EBIT fell by € 3.9 million to € 4.9 million. As a result of cost factors, EBIT for the year under review decreased by a total of € 24.0 million to € 31.6 million.

We expect 2004 revenues to be on the same level as in 2003. Earnings should also almost reach the same level as in 2003 insofar as we can implement appropriate price increases to offset the effects of less favourable hedging arrangements for the US dollar, rising freight and energy costs and final outlays related to the Sylvinit project. The measures that have been instituted as part of the cost-cutting programme should help in this regard.

€ million	2003	
	Q4	12M
Revenues	236.1	1,004.7
Change in revenues	+ 11.4	+ 12.4
Potassium chloride	+ 5.8	+ 6.0
Fertilizer specialities	+ 3.4	+ 0.7
Industrial products	+ 2.2	+ 5.7

Revenues by product group Jan. – Dec. 2003



COMPO	October – December (Q4)			Januar – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	94.0	88.4	+ 6.3	490.4	481.0	+ 2.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	- 0.1	4.6	-	35.9	40.7	- 11.8
EBITDA margin in %	-	5.2		7.3	8.5	
Earnings before interest and taxes (EBIT)	- 1.8	2.5	-	25.4	30.8	- 17.5
EBIT margin in %	-	2.8		5.2	6.4	
Capital expenditure	6.7	6.9	- 2.9	16.8	20.1	- 16.4
Employees as of 31 Dec. (number)	-	-	-	1,199	1,152	+ 4.1

Fourth quarter demand for COMPO products in the home and hobby area as well as in the case of speciality fertilizers was positive. The professional area in particular saw revenue growth in all important European countries.

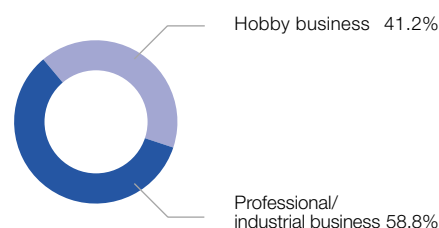
The business segment posted revenues of € 94.0 million for the fourth quarter of 2003 as a result of both volume and price factors. Hobby area revenues reached € 28.7 million and the professional/industrial business grew by 6% to € 65.3 million as a result of a positive trend in sales in Southern Europe and Latin America. There was no slackening of the strong demand for ENTEC® fertilizers, which have been patented and are the product of research conducted by us in cooperation with BASF. Although the environment was a difficult one, COMPO generated revenues of € 490.4 million for the year as a whole, an increase of 2%.

COMPO business segment EBIT for the quarter amounted to € - 1.8 million. A key reason for the decrease is the extremely sharp increase in the price of ammonia on the world market. Its price during the fourth quarter was about 35% higher than a year ago. The last time the price was so high was during the 1974 oil crisis. For the year as a whole, COMPO generated EBIT of € 25.4 million. The decrease in EBIT of just under 18% was a result of the fact that it was not possible to fully offset the effects of higher costs despite the successful implementation of price increases.

COMPO plans a further rise in revenues for 2004. Both the hobby and professional areas should contribute to revenue growth. Assuming that the price of ammonia will normalise, EBIT should see a year-on-year increase once again. However, the current declining trend in the price of ammonia still does not point to the normalisation that we expect.

€ million	2003	
	Q4	12M
Revenues	94.0	490.4
Change in revenues	+ 5.6	+ 9.4
Hobby business	+ 2.0	+ 4.9
Professional/industrial business	+ 3.6	+ 4.5

Revenues by product group Jan. – Dec. 2003

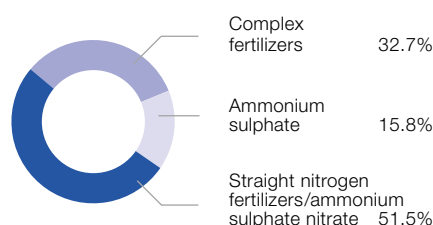


Business Segments of the K+S Group

fertiva	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	141.5	120.1	+ 17.8	474.1	469.5	+ 1.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	0.9	1.2	- 25.0	6.9	6.7	+ 3.0
EBITDA margin in %	0.6	1.0		1.5	1.4	
Earnings before interest and taxes (EBIT)	0.9	1.0	- 10.0	6.6	6.3	+ 4.8
EBIT margin in %	0.6	0.8		1.4	1.3	
Capital expenditure	0.0	0.0	± 0	0.0	0.5	- 100.0
Employees as of 31 Dec. (number)	-	-	-	56	55	+ 1.8

€ million	2003	
	Q4	12M
Revenues	141.5	474.1
Change in revenues	+ 21.4	+ 4.6
Complex fertilizers	- 1.4	- 30.9
Straight nitrogen fertilizers/ ammonium sulphate nitrate	+ 21.7	+ 38.8
Ammonium sulphate	+ 1.1	- 3.3

Revenues by product group Jan. – Dec. 2003



Fourth quarter demand for nitrogenous fertilizers was brisk, because suppliers were building up substantial stocks for the coming season at the attractive prices for early stocking up currently on offer. However, logistical problems have resulted in a backlog of orders in the months that followed.

As a result of volume and price factors, the business segment posted revenues of € 141.5 million for the fourth quarter of 2003, up about 18% year-on-year. Revenues for complex fertilizers fell 3% to € 44.1 million as a result of product availability factors. Straight nitrogen fertilizers increased sharply in the fourth quarter, growing by 40% to € 75.8 million. This was mainly due to price factors but volume factors also contributed to the rise. Demand in this segment increased significantly as a result of the anticipated trend in the price of ammonia and thus of nitrogenous fertilizers. Ammonium sulphate revenues rose by 5% to € 21.6 million as a result of price factors. For the year as a whole fertiva generated slightly higher revenues of € 474.1 million despite reduced availability of complex fertilizers.

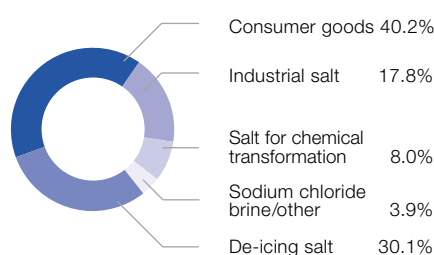
The maximum possible earnings of € 5.1 million provided for under the contractual arrangements with BASF were already attained during the first half of the year while new business with other partners yielded additional earnings of € 1.5 million for 2003. Thus fertiva EBIT amounted to € 6.6 million, up about 5%.

In the case of 2004, we expect revenues to decline as a result of volume and price factors. On the basis of current cost estimates, however, we expect EBIT to reach about the same level as in 2003.

Salt (62% esco)	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	53.1	56.0	- 5.2	206.2	203.4	+ 1.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10.6	9.1	+ 16.5	38.5	36.9	+ 4.3
EBITDA margin in %	20.0	16.3		18.7	18.1	
Earnings before interest and taxes (EBIT)	7.1	6.1	+ 16.4	27.2	26.0	+ 4.6
EBIT margin in %	13.4	10.9		13.2	12.8	
Capital expenditure	3.7	4.2	- 11.9	18.7	7.9	+ 136.7
Employees as of 31 Dec. (number)	-	-	-	846	840	+ 0.7

€ million	2003	
	Q4	12M
Revenues	53.1	206.2
Change in revenues	- 2.9	+ 2.8
Consumer goods	- 0.4	+ 1.6
Industrial salt	+ 0.6	+ 0.2
Salt for chemical transformation	+ 0.6	- 0.2
De-icing salt	- 3.0	+ 1.1
Sodium chloride brine/other	- 0.7	+ 0.1

Revenues by product group Jan. – Dec. 2003



Demand on the Western European salt market during the fourth quarter was stable. Nevertheless, competition over price in individual segments is increasing as a result of rising imports from overseas and Eastern Europe.

Fourth quarter revenues for our Salt business segment (62% esco) amounted to € 53.1 million, down € 2.9 million year-on-year. The consumer goods business fell by 2% to € 21.2 million as a result of volume factors. By contrast, revenues generated by industrial salt (€ 9.9 million) and salt for chemical transformation (€ 4.5 million) rose by a total of 9% during the fourth quarter as a result of volume factors. Fourth quarter business involving the safety product de-icing salt fell by € 3.0 million to € 15.5 million as a result of good stocking up during the two preceding quarters and a less severe winter. Overall, the Salt business segment generated revenues of € 206.2 million for 2003, an increase of 1.4%.

Despite a decline in revenues, Salt business segment EBIT for the fourth quarter amounted to € 7.1 million. The absence of further integration costs as well as additional synergy effects contributed to the increase of 16%. EBIT for the year as a whole amounted to € 27.2 million, an increase of just under 5%.

Our plan for 2004 envisages slightly lower revenues than in 2003 and assumes that de-icing salt volume, which is dependent on weather conditions, will be in line with the average level for a number of years. Given this cautious assumption and despite further successes relating to synergies, earnings are expected to fall short of the very good level for 2003.

Waste Management and Recycling	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	14.0	14.3	- 2.1	54.6	58.6	- 6.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1.7	2.5	- 32.0	8.4	12.5	- 32.8
EBITDA margin in %	12.1	17.5		15.4	21.3	
Earnings before interest and taxes (EBIT)	0.7	1.4	- 50.0	4.2	8.3	- 49.4
EBIT margin in %	5.0	9.8		7.7	14.1	
Capital expenditure	0.4	0.8	- 50.0	1.5	1.6	- 6.3
Employees as of 31 Dec. (number)	-	-	-	236	238	- 0.8

Fierce competition characterised the waste management business during the fourth quarter of 2003. In Germany, waste disposal sites located above ground in particular are competing aggressively for quantities of waste that are declining. As a result, market prices are at a low level.

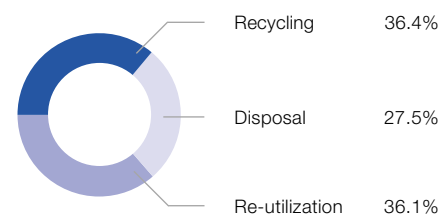
Fourth quarter revenues totalled € 14.0 million, down € 0.3 million year-on-year. In the case of underground waste disposal, revenues rose by 5% to € 4.5 million. A special project that had been previously postponed and was finally started in the fourth quarter had a positive impact in this regard. Underground waste re-utilisation posted revenues of € 4.9 million, which was not quite on the same level as a year ago, as the effects of higher volume were offset by lower prices. The recycling business declined by € 0.2 million to € 4.6 million as a result of volume factors. The Waste Management and Recycling business segment posted revenues of € 54.6 million for 2003, down about 7% year-on-year.

Business segment EBIT declined by one half in both the fourth quarter (€ 0.7 million) and for the year as a whole (by € 4.1 million to € 4.2 million). The decline is mainly attributable to decreasing waste volumes as well as lower market prices resulting from strong competition.

For 2004, we expect revenues to increase slightly as a result of a major project in the area of underground waste disposal that has already started. In the case of EBIT, we again expect to see an increase year-on-year. This assessment is based on the aforementioned increase in revenues and anticipated reductions in costs.

€ million	2003	
	Q4	12M
Revenues	14.0	54.6
Change in revenues	- 0.3	- 4.0
Disposal	+ 0.2	- 3.6
Re-utilization	- 0.3	- 0.7
Recycling	- 0.2	+ 0.3

Revenues by segment Jan. – Dec. 2003



Services and Trading	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	12.0	12.0	± 0.0	56.4	51.8	+ 8.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3.1	2.6	+ 19.2	23.9	21.9	+ 9.1
EBITDA margin in %	25.8	21.7		42.4	42.3	
Earnings before interest and taxes (EBIT)	1.4	1.2	+ 16.7	17.0	15.4	+ 10.4
EBIT margin in %	11.7	10.0		30.1	29.7	
Capital expenditure	1.7	2.1	- 19.0	7.2	7.4	- 2.7
Employees as of 31 Dec. (number)	-	-	-	393	401	- 2.0

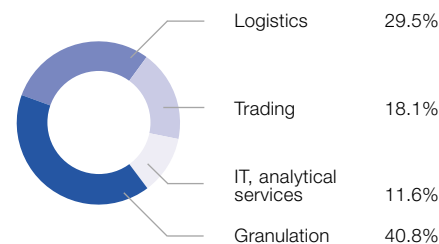
At € 12.0 million, fourth quarter revenues for the Services and Trading business segment were on the same level as a year ago. In the case of logistics, increased demand for container shipping among other factors, caused revenues to rise 22% to € 3.9 million. At € 4.3 million, revenues generated by the production of CATSAN® (granulation) were down € 0.5 million year-on-year. While the revenues of € 2.6 million posted by the trading business were up year-on-year as a result of demand factors, revenues for the IT and analysis areas were down € 0.5 million to € 1.2 million. The business segment posted revenues of € 56.4 million for the year as a whole, up about 9% year-on-year.

Business segment EBIT was up both for the quarter and for the year as a whole, increasing by 17% and 10% respectively. The strength of the logistics business was a key factor in this regard.

We assume that the course of business in the Services and Trading business segment will remain stable. Revenues and earnings for 2004 should once again attain the good levels of 2003.

€ million	2003	
	Q4	12M
Revenues	12.0	56.4
Change in revenues	± 0.0	+ 4.6
Granulation	- 0.5	+ 0.1
Logistics	+ 0.7	+ 2.8
Trading	+ 0.3	+ 1.0
IT, analytical services	- 0.5	+ 0.7

Revenues by segment Jan. – Dec. 2003



Explanatory notes; structural changes

This interim report has been prepared in accordance with Accounting Standard No 6 (DRS 6) of the German Accounting Standards Committee (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 Stock Corporation 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 2003 as well as the corresponding interim report for the fourth quarter of 2002. The inclusion of the esco joint venture in the K+S consolidated financial statements is proportionate to our share of 62%.

Profit and Loss Account	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	551.2	516.2	+ 6.8	2,287.8	2,258.5	+ 1.3
Cost of sales	380.5	343.5	+ 10.8	1,539.7	1,512.7	+ 1.8
Gross profit	170.7	172.7	- 1.2	748.1	745.8	+ 0.3
Gross margin in %	31.0	33.5		32.7	33.0	
Selling expenses	134.0	128.2	+ 4.5	554.9	546.5	+ 1.5
including: freight costs	76.3	71.6	+ 6.6	301.8	297.6	+ 1.4
General and administrative expenses	15.1	12.6	+ 19.8	56.4	53.3	+ 5.8
Research costs	3.3	3.4	- 2.9	13.2	13.2	± 0.0
Other operating income	32.6	40.8	- 20.1	102.3	105.7	- 3.2
Other operating expenses	31.8	49.1	- 35.2	110.2	105.7	+ 4.3
EBIT	19.1	20.2	- 5.4	115.7	132.8	- 12.9
EBIT margin in %	3.5	3.9		5.1	5.9	
Result from investment, net	0.1	- 0.2	-	0.9	1.2	- 25.0
Write-downs on financial assets and short-term securities	0.5	2.9	- 82.8	1.1	17.7	- 93.8
Interest income, net	0.1	- 0.9	-	- 3.9	- 2.4	- 62.5
Financial result	- 0.3	- 4.0	+ 92.5	- 4.1	- 18.9	+ 78.3
Result from ordinary operations/ earnings before income taxes	18.8	16.2	+ 16.0	111.6	113.9	- 2.0
Pre-tax return on revenues in %	3.4	3.1		4.9	5.0	
Taxes on income	0.6	1.9	- 68.4	10.3	10.1	+ 2.0
Net income/Earnings after taxes	18.2	14.3	+ 27.3	101.3	103.8	- 2.4
Return on revenues in %	3.3	2.8		4.4	4.6	

Statement of Changes in Equity	Subscribed capital	Additional paid-in capital	Reserve for own shares	Profit retained/ other revenue reserves	Equity
€ million					
Balance as of 1 January 2003	115.2	-	60.4	337.8	513.4
Dividend for previous year	-	-	-	- 41.5	- 41.5
Net income	-	-	-	101.3	101.3
Repurchase/disposal of own shares	-	-	- 17.0	17.0	0.0
Cancellation of own shares	- 6.4	6.4	- 43.4	-	- 43.4
Consolidation effects	-	- 1.8	-	27.4	25.6
Balance as of 31 December 2003	108.8	4.6	0.0	442.0	555.4
€ million					
Balance as of 1 January 2002	115.2	-	31.6	310.8	457.6
Dividend for previous year	-	-	-	- 43.4	- 43.4
Net income	-	-	-	103.8	103.8
Repurchase/disposal of own shares	-	-	28.8	- 28.8	0.0
Consolidation effects	-	-	-	- 4.6	- 4.6
Balance as of 31 December 2002	115.2	-	60.4	337.8	513.4

Balance Sheet – Assets			
€ million	31.12.2003	31.12.2002	%
Intangible assets	33.9	33.5	+ 1.2
Tangible fixed assets	625.9	565.1	+ 10.8
Financial assets	76.0	86.0	– 11.6
Fixed assets	735.8	684.6	+ 7.5
Inventories	237.3	238.7	– 0.6
Receivables and other current assets	543.4	524.5	+ 3.6
Own shares	0.0	60.4	– 100.0
Other securities	104.3	102.6	+ 1.7
Cash in hand, bank balances, cheques	130.5	52.6	+ 148.1
Current assets	1,015.5	978.8	+ 3.7
Deferred taxes	0.0	0.3	– 100.0
Prepaid expenses	3.2	3.0	+ 6.7
ASSETS	1,754.5	1,666.7	+ 5.3

Balance Sheet – Equity and Liabilities			
€ million	31.12.2003	31.12.2002	%
Subscribed capital	108.8	115.2	– 5.6
Additional paid-in capital	4.6	0.0	–
Reserve for own shares	0.0	60.4	– 100.0
Other revenue reserves and profit retained	442.0	337.8	+ 30.8
Equity	555.4	513.4	+ 8.2
Special reserves	0.0	0.3	– 100.0
Balance on capital consolidation	29.5	45.3	– 34.9
Provisions for pensions and similar obligations	172.9	175.3	– 1.4
Provisions for mining obligations	311.6	303.9	+ 2.5
Provisions for taxes	21.1	4.6	+ 358.7
Other provisions	247.6	222.2	+ 11.4
Provisions	753.2	706.0	+ 6.7
Accounts payable – trade	304.4	253.6	+ 20.0
Bank loans and overdrafts	19.4	47.7	– 59.3
Other liabilities	92.2	99.6	– 7.4
Liabilities	416.0	400.9	+ 3.8
Prepaid expenses	0.4	0.8	– 50.0
EQUITY AND LIABILITIES	1,754.5	1,666.7	+ 5.3

Financial Section

Cash Flow Statement	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million	2003	2002	%	2003	2002	%
Net income / earnings after taxes	18.2	14.3	+ 27.3	101.3	103.8	- 2.4
Depreciation on fixed assets	26.0	28.8	- 9.7	108.8	107.9	+ 0.8
Increase (+)/decrease (-) in long-term provisions	12.9	14.8	- 12.8	18.8	4.8	+ 291.7
Increase (+)/decrease (-) in special reserves	0.0	- 2.0	- 100.0	0.0	- 1.3	- 100.0
Release of liabilities-side consolidation differences	- 3.7	- 3.8	- 2.6	- 15.0	- 15.4	- 2.6
Write-ups (-)/write-downs (+) on short-term securities	- 2.2	2.3	-	- 4.8	17.1	-
Other non-cash items	0.0	- 4.5	- 100.0	0.0	0.0	-
Gross cash flow	51.2	49.9	+ 2.6	209.1	216.9	- 3.6
Gain (-)/loss (+) on disposals of fixed assets	- 2.2	- 2.9	- 24.1	1.7	- 3.7	-
Increase (-)/decrease (+) in inventories	- 26.4	- 28.4	- 7.0	1.3	4.1	- 68.3
Increase (-)/decrease (+) in receivables from operating activities	- 63.4	- 35.2	+ 80.1	- 18.7	- 46.7	- 60.0
Increase (+)/decrease (-) in short-term provisions	- 21.6	- 36.7	- 41.1	7.9	- 6.1	-
Increase (+)/decrease (-) in liabilities from operating activities	49.7	39.7	+ 25.2	50.4	17.9	+ 181.6
Cash flow used in/provided by operating activities	- 12.7	- 13.6	- 6.6	251.7	182.4	+ 38.0
Proceeds from disposals of fixed assets	9.3	15.0	- 38.0	40.1	33.2	+ 20.8
Disbursements for intangible assets	- 4.5	- 2.2	+ 104.5	- 7.0	- 4.4	+ 59.1
Disbursements for tangible fixed assets	- 40.2	- 56.1	- 28.3	- 127.1	- 131.8	- 3.6
Disbursements for financial assets	- 4.8	- 5.9	- 18.6	- 28.5	- 32.1	- 11.2
Disbursements for acquisition of consolidated companies	- 1.8	0.1	-	- 1.8	- 0.8	+ 125.0
Cash flow used in investing activities	- 42.0	- 49.1	- 14.5	- 124.3	- 135.9	- 8.5
Free cash flow	- 54.6	- 62.7	- 12.9	127.4	46.5	+ 174.0
Cancellation of own shares	0.0	0.0	-	- 43.4	0.0	-
Payment of dividends	0.0	0.0	-	- 41.5	- 43.4	- 4.4
Repayment of borrowings	0.0	- 8.2	- 100.0	0.0	- 8.2	- 100.0
Cash flow used in financing activities	0.0	- 8.2	- 100.0	- 84.9	- 51.6	+ 64.5
Change in cash and cash equivalents affecting cash flow	- 54.6	- 70.9	- 23.0	42.6	- 5.1	-
Change in value of cash and cash equivalents	2.2	- 2.3	-	4.8	- 17.1	-
Change in scope of consolidation	0.1	- 4.4	-	0.1	- 4.4	-
Change in cash and cash equivalents	- 52.3	- 77.6	- 32.6	47.5	- 26.6	-

Cash and Cash Equivalents	October – December (Q4)			January – December (12M)		
	2003	2002	%	2003	2002	%
€ million	2003	2002	%	2003	2002	%
Opening balance	267.7	245.6	+ 9.0	167.9	194.5	- 13.7
Own shares	0.0	60.4	- 100.0	0.0	60.4	- 100.0
Other short-term securities	104.3	102.6	+ 1.7	104.3	102.6	+ 1.7
Cash in hand, bank balances, cheques	130.5	52.6	+ 148.1	130.5	52.6	+ 148.1
Short-term financial liabilities	- 19.4	- 47.7	- 59.3	- 19.4	- 47.7	- 59.3
Balance as of 31 December	215.4	167.9	+ 28.3	215.4	167.9	+ 28.3

Summary by Quarter

Revenues and Earnings	2002				2003					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	%	
€ million										
Potash and Magnesium Products	287.7	248.4	231.5	224.7	295.3	247.0	226.3	236.1	+ 5.1	
COMPO	194.2	128.0	70.4	88.4	192.3	129.9	74.2	94.0	+ 6.3	
fertiva	131.2	106.0	112.2	120.1	125.1	86.3	121.2	141.5	+ 17.8	
Salt	69.3	35.3	42.8	56.0	73.7	37.0	42.4	53.1	- 5.2	
Waste Management and Recycling	15.0	14.7	14.6	14.3	13.6	14.1	12.9	14.0	- 2.1	
Services and Trading	13.4	12.0	14.4	12.0	15.8	14.0	14.6	12.0	± 0.0	
Reconciliation	0.3	0.3	0.6	0.7	0.4	0.2	0.3	0.5	-	
K+S Group revenues	711.1	544.7	486.5	516.2	716.2	528.5	491.9	551.2	+ 6.8	
Potash and Magnesium Products	28.1	9.1	9.6	8.8	20.2	2.8	3.7	4.9	- 44.3	
COMPO	22.2	5.6	0.5	2.5	21.3	7.6	- 1.7	- 1.8	-	
fertiva	2.7	2.4	0.2	1.0	4.0	1.3	0.4	0.9	- 10.0	
Salt	18.0	- 2.0	3.9	6.1	20.1	- 2.3	2.3	7.1	+ 16.4	
Waste Management and Recycling	2.4	2.2	2.3	1.4	1.4	1.7	0.4	0.7	- 50.0	
Services and Trading	5.0	4.1	5.1	1.2	6.5	3.9	5.2	1.4	+ 16.7	
Reconciliation	- 6.3	- 0.7	- 1.8	- 0.8	- 5.7	3.3	0.2	5.9	-	
K+S Group EBIT	72.1	20.7	19.8	20.2	67.8	18.3	10.5	19.1	- 5.4	

Profit and Loss Account	2002				2003				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	%
€ million									
Revenues	711.1	544.7	486.5	516.2	716.2	528.5	491.9	551.2	+ 6.8
Cost of sales	467.4	364.4	337.4	343.5	466.7	344.3	348.2	380.5	+ 10.8
Gross profit	243.7	180.3	149.1	172.7	249.5	184.2	143.7	170.7	- 1.2
Selling expenses	152.8	144.1	121.4	128.2	157.9	145.2	117.8	134.0	+ 4.5
General and administrative expenses	13.8	14.7	12.2	12.6	15.0	14.6	11.7	15.1	+ 19.8
Research costs	2.8	3.6	3.4	3.4	3.3	3.6	3.0	3.3	- 2.9
Balance of other operating income/expenses	- 2.2	+ 2.8	+ 7.7	- 8.3	- 5.5	- 2.5	- 0.7	+ 0.8	-
EBIT	72.1	20.7	19.8	20.2	67.8	18.3	10.5	19.1	- 5.4
Financial result	- 0.9	- 0.5	- 13.5	- 4.0	- 6.4	+ 4.4	- 1.8	- 0.3	+ 92.5
Result from ordinary operations / earnings before income taxes	71.2	20.2	6.3	16.2	61.4	22.7	8.7	18.8	+ 16.0
Taxes on income	9.0	- 2.0	1.2	1.9	6.8	2.6	0.3	0.6	- 68.4
Net income / earnings after taxes	62.2	22.2	5.1	14.3	54.6	20.1	8.4	18.2	+ 27.3

Other Key Data	2002				2003				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	%
Capital expenditure (€ million) ¹⁾	15.7	26.0	36.2	51.1	20.1	23.4	45.8	37.3	- 27.0
Depreciation and amortization (€ million) ¹⁾	27.5	25.6	26.0	28.2	27.8	26.6	28.0	25.6	- 9.2
Gross cash flow (€ million)	85.5	43.4	38.1	49.9	86.1	35.7	36.1	51.2	+ 2.6
Earnings after taxes per share (€)	1.43	0.51	0.12	0.34	1.32	0.48	0.20	0.43	+ 26.5
DVFA earnings per share (€)	0.93	0.25	0.12	0.31	0.85	0.28	0.08	0.32	+ 3.2
Gross cash flow per share (€)	1.97	1.00	0.89	1.19	2.07	0.86	0.87	1.21	+ 1.7
Book value per share (€)	12.73	12.13	12.15	12.42	13.91	13.90	13.95	13.76	+ 10.8
Total number of shares (million)	45.0	45.0	45.0	45.0	42.5	42.5	42.5	42.5	- 5.6
Number of shares outstanding (million) ²⁾	43.4	43.1	42.2	41.5	41.5	41.5	42.3	42.5	+ 2.4
Average number of shares (million) ³⁾	43.4	43.3	42.7	41.9	41.5	41.5	41.7	42.4	+ 1.2
Employees (number)	10,506	10,448	10,528	10,610	10,655	10,566	10,638	10,627	+ 0.2
Closing price (XETRA, €)	23.10	21.50	18.00	17.35	17.01	17.71	18.60	21.76	+ 25.4

1) tangible fixed and intangible assets

2) total number of shares less the own shares held by K+S as of the balance sheet date

3) total number of shares less the average number of shares held by K+S over the period

Dates	2004/05
Annual General Meeting, Kassel	5 May 2004
Interim report 31 March 2004	5 May 2004
Dividend payment	6 May 2004
Interim report 30 June 2004	12 August 2004
Interim report 30 September 2004	15 November 2004
Analyst conference, Frankfurt	15 November 2004
Report on business in 2004	March 2005
Press and analyst conference, Frankfurt	March 2005
Annual General Meeting, Kassel	11 May 2005
Interim report 31 March 2005	11 May 2005
Dividend payment	12 May 2005

Contact

K+S Aktiengesellschaft
 Bertha-von-Suttner-Str. 7
 D-34131 Kassel
 phone: +49 (0) 561/9 301-0
 fax: +49 (0) 561/9 301-17 53
 internet: www.k-plus-s.com

Investor Relations

phone: +49 (0) 561/9 301-16 87
 fax: +49 (0) 561/9 301-24 25
 email: investor-relations@k-plus-s.com

Communications

phone: +49 (0) 561/9 301-17 22
 fax: +49 (0) 561/9 301-16 66
 e-mail: pr@k-plus-s.com

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