

# Quarterly Report 02|03

April – June



- > Half Year Revenues on Last Year's Good Level
- > At € 86.1 million, EBIT for Potash and Magnesium Products  
About 7% Weaker Also on Account of High Project Inputs
- > As Anticipated, Earnings Per Share € 1.80  
(Previous Year: € 1.95)

# Key Business Development Data

Key Data	April – June (Q2)			January – June (H1)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	528.5	544.7	- 3.0	1,244.7	1,255.8	- 0.9
Earnings before interest, taxes, depreciation and amortization (EBITDA) (EBITDA margin in %)	44.9 (8.5)	46.3 (8.5)	- 3.0	140.5 (11.3)	145.9 (11.6)	- 3.7
Earnings before interest and taxes (EBIT) (EBIT margin in %)	18.3 (3.5)	20.7 (3.8)	- 11.6	86.1 (6.9)	92.8 (7.4)	- 7.2
Earnings before income taxes (Pre-tax return on revenues %)	22.7 (4.3)	20.2 (3.7)	+ 12.4	84.1 (6.8)	91.4 (7.3)	- 8.0
Earnings after taxes (Return on revenues in %)	20.1 (3.8)	22.2 (4.1)	- 9.5	74.7 (6.0)	84.4 (6.7)	- 11.5
DVFA earnings	11.7	11.0	+ 6.4	47.0	51.5	- 8.7
Gross cash flow	35.7	43.4	- 17.7	121.8	128.9	- 5.5
Cash and cash equivalents, net as of 30 June	-	-	-	183.3	202.9	- 9.7
Capital expenditure <sup>1)</sup>	23.4	26.0	- 10.0	43.5	41.7	+ 4.3
Depreciation and amortization <sup>1)</sup>	26.6	25.6	+ 3.9	54.4	53.1	+ 2.4
Earnings per share (€)	0.48	0.51	- 5.9	1.80	1.95	- 7.7
DVFA earnings per share (€)	0.28	0.25	+ 12.0	1.13	1.19	- 5.0
Gross cash flow per share (€)	0.86	1.00	- 14.0	2.93	2.98	- 1.7
Book value per share as of 30 June (€)	-	-	-	13.90	12.13	+ 14.6
Total number of shares as of 30 June (million)	-	-	-	42.5	45.0	- 5.6
Outstanding shares as of 30 June (million) <sup>2)</sup>	-	-	-	41.5	43.1	- 3.7
Average number of shares (million) <sup>3)</sup>	41.5	43.3	- 4.2	41.5	43.3	- 4.2
Employees as of 30 June (number) <sup>4) 5)</sup>	-	-	-	10,566	10,448	+ 1.1
Employees on average (number) <sup>4) 5)</sup>	10,593	10,466	+ 1.2	10,627	10,489	+ 1.3
Personnel expenses	143.8	139.8	+ 2.9	288.6	282.9	+ 2.0
Closing price (XETRA) as of 30 June (€)	-	-	-	17.71	21.50	- 17.6
Market capitalization as of 30 June	-	-	-	752.7	967.5	- 22.2
Enterprise Value (EV) as of 30 June	-	-	-	744.1	944.9	- 21.3

1) tangible and intangible fixed assets

2) total number of shares, less the number of own shares held by K+S on the reporting date

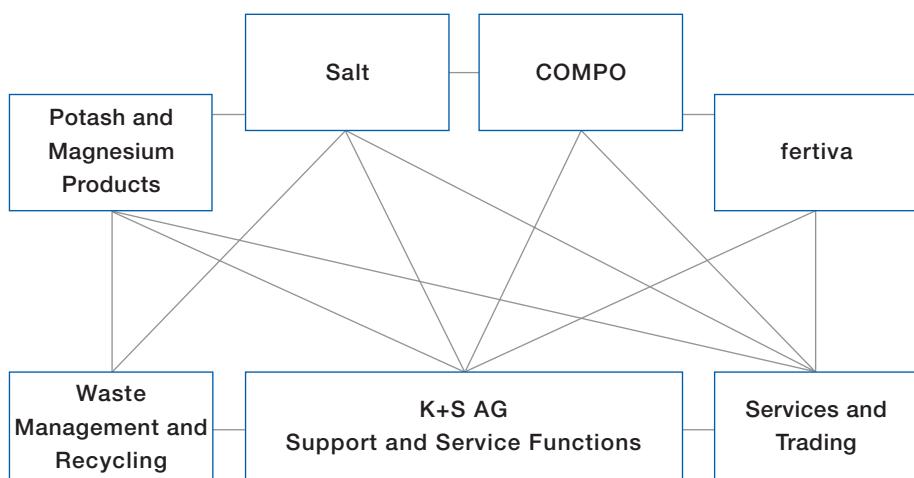
3) total number of shares, less the average number of own shares held by K+S during the period

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

5) the number of employees indicated above includes a prorated number of esco employees commensurate with the equity interest held by K+S

## 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 additional advisory and other services too. At the same time, this form of interlinking yields significant costs savings for our business processes.



# Management's Analysis

## Revenues fall slightly in second quarter

At € 528.5 million, revenues for the second quarter of 2003 almost attained the good level for the same period last year. At the end of six months, revenues totalled € 1,244.7 million, down approximately 1% year-on-year.

Price increases were successfully implemented in the second quarter, but they were not sufficiently large to completely offset the losses in earnings resulting from volume and exchange rate factors. Revenues for the business segments were on the previous year's levels, with exception of fertiva trading, which posted a drop in revenues resulting from availability factors.

With a share of total revenues of approximately 44%, the Potash and Magnesium Products business segment continues to be the K+S Group's main source of revenues. It is followed by COMPO, fertiva and Salt. Accounting for approximately 80% of revenues, Europe remained our most important market in the first half of 2003.

	2003	
€ million	Q2	H1
Revenues	528.5	1,244.7
Change in revenues	- 16.2	- 11.1
resulting from volume and structural factors	- 24.8	- 10.1
resulting from prices	+ 16.6	+ 12.6
resulting from exchange rates	- 8.0	- 13.6
resulting from consolidation	0.0	0.0

## Second quarter EBIT down as expected

EBIT for the reporting period fell by € 2.4 million to € 18.3 million. The improvement in COMPO earnings had a positive impact overall, whilst in the case of Potash and Magnesium Products in particular, higher costs and project inputs depressed the business segment's earnings.

For the first half of the year, EBIT amounted to € 86.1 million, down € 6.7 million year-on-year. The reasons for this decline were increased energy and personnel costs in the Potash and Magnesium Products business segment as well as outlays connected with the development of a new mineral-rich potash deposit.

As revenues for the first half of the year are strong, we already generate a considerable portion of our annual earnings during the first six months of the year. For this reason, it would be wrong to base forecasts for 2003 as a whole on these results.

## Second quarter financial result clearly positive

The second quarter saw the financial result (€ + 4.4 million) benefit from the reversal of the impairment charges for short-term securities that had still been necessary as of 31 March 2003. Furthermore, a write-up of securities amounting to € 1.6 million was possible during the second quarter, thanks to an increase in share prices in relation to 31 December 2002. However, this cannot be seen in the financial result, but in other operating income. A financial result of € - 2.0 million was posted for the first half of the year.

## As expected, second quarter earnings after taxes down year-on-year

Second quarter earnings after taxes were € 20.1 million, € 2.1 million down year-on-year. However, it should be borne in mind that the previous year's figure was positively affected by a tax credit. All in all, earnings after taxes for the first half of the year were € 9.7 million down year-on-year. Apart from the decline in EBIT, increased taxes (€ + 2.4 million) also had an impact in this regard.

## Earnings per share € 0.48 for the second quarter and € 1.80 after six months

At € 0.48 per share for shares entitled to participate in the dividend, earnings per share in the second quarter were only 5.9% down year-on-year. This figure has been arrived at on the basis of 41.5 million no par-value shares (previous year: 43.3 million) and does not take into account the average number of own shares held by K+S. At the end of six months, earnings per share stood at € 1.80, compared to € 1.95 a year ago.

DVFA earnings per share in the second quarter were € 0.28, 12% higher year-on-year. A DVFA per share result of € 1.13 was attained for the first half of the year as against € 1.19 for the previous year.

In the first quarter, we cancelled 2.5 million of our own shares, which means that the total number of no par-value shares issued by K+S is now 42.5 million and that the share capital has fallen to € 108.8 million.

Under our share buy-back program, we held about 1.0 million of our own shares, or 2.4% of our share capital of € 108.8 million, as of 30 June 2003. The average purchase price per share was € 18.82.

## Cash flow from operating activities up in second quarter

At € 35.7 million, gross cash flow for the second quarter was € 7.7 lower than a year ago. To a large extent, this is attributable to significant changes in the value of short-term securities (a total of € 6.1 million). By contrast, gross cash flow at the end of the first six months only fell by 5.5% to € 121.8 million.

On the other hand, cash flow from operating activities for the second quarter rose significantly to € 122.1 million (compared to € 101.7 million a year ago), because fewer funds were tied up in working capital.

Taking into account payments for investment activities that were largely unchanged, we achieved a free cash flow of € 98.4 million, € 20.0 million more than a year ago. At the end of six months, the free cash flow amounted to € 98.6 million, as against € 50.9 million for the same period last year.

After adjustment for the cancellation of own shares totalling € 43.4 million and the payout of dividends on 8 May 2003 to the amount of € 41.5 million (€ 1.00 per share), cash and cash equivalents as of 30 June 2003 amounted to € 183.3 million.

## Revenues by business segment Jan.–June 2003



## Revenues by region Jan.–June 2003



# Management's Analysis

## Capital expenditure down as planned

Second quarter capital expenditure totalled € 23.4 million, approximately 10% down year-on-year.

A major part of total capital expenditure, € 15.0 million, was accounted for by the Potash and Magnesium Products business segment. Work continued on the installation of the conveyor system needed to develop the new, mineral-rich sylvite mine at Werra. At Zielitz, work continued on the development of an additional extraction field. In the Salt business segment, work continued on the expansion of a brine field in the Netherlands to ensure a source of raw materials. Thus, after six months, capital expenditure amounted to € 43.5 million, about 4% higher than after the first half of the previous year.

At € 3.6 million, research and development costs for the second quarter were on the previous year's level. During the first six months of the year, € 6.9 million were spent on research and development, € 0.5 million more than in the previous year.

## Number of trainees up again

As of 30 June 2003, the K+S Group had 10,566 employees worldwide. The increase of 118 employees, or 1.1% of the total workforce, was mainly the result of increased employment as a result of project factors in the COMPO, Salt and Potash and Magnesium Products business segments.

Second quarter personnel expenses amounted to € 143.8 million, up approximately 3% year-on-year. In addition to higher expenditure on social insurance contributions, the figure also reflected the slight increase in employment.

As of 30 June 2003, the number of trainees rose by 14 to 418 persons, showing a year-on-year increase. During the reporting period, 138 trainees successfully completed their training programs and a large proportion of them were subsequently hired, initially under temporary employment contracts. In doing so, we also remain true to our social responsibility.

## Changes to the Board of Executive Directors of K+S Aktiengesellschaft

Peter Backhaus, member of the Board of Executive Directors of K+S Aktiengesellschaft, retired as of 31 July 2003. Herr Backhaus was a K+S Group general manager from 1993 onwards, and from October 2000 was a member of the Board of Executive Directors and personnel director.

The Supervisory Board appointed Dr. Thomas Nöcker as his successor on the Board of Executive Directors. Dr. Nöcker took up his post as head of the Personnel Department as of 1 August 2003, and also serves as personnel director.

From 1998 onwards, Thomas Nöcker served as a member of the Board of Executive Directors of RAG Saarberg AG and was responsible for personnel, legal affairs and IT management/organisation.

## Changes to the Supervisory Board of the K+S Aktiengesellschaft

With effect from 7 May 2003, the Supervisory Board has changed as follows. New members are Ms Jella Susanne Benner-Heinacher and Mr Renato De Salvo, Dr. Karl Heidenreich, Dieter Kuhn, Heinz-Gerd Kunaschewski, Dr. Bernd Malmström, Dr. Rudolf Müller and Michael Vassiliadis. Leonhard Fischer, Axel Hartmann, Manfred Kopke and Hans Peter Schreib have left the Board.

In compliance with the legal provisions of the co-determination and stock companies acts, the number of members of the Supervisory Board has risen from 12 to 16.

## Outlook

We are confident that in 2003 too, our operating business will find itself in a generally satisfactory to good sectoral environment. Revenues should once again come close to last year's high level.

However, as far as EBIT is concerned, we envisage a marked fall in relation to the previous year. This is attributable to increased energy and personnel costs, specific start-up inputs connected with the sylvite project, and the expiry of the advantageous USD facility used to hedge revenues in the second half of this year. However, as a result of our active cost and currency management, we are confident we can once again also bring the earnings potential of the potash and magnesium business to an attractive level. Net income this year will not fall as much as EBIT, but it will probably not quite attain last year's level either.

### 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.

# Business Segments of the K+S Group

Potash and Magnesium Products	April – June (Q2)			January – June (H1)		
€ million	2003	2002	%	2003	2002	%
Revenues	247.0	248.4	- 0.6	542.3	536.1	+ 1.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	21.3	26.7	- 20.2	60.0	72.9	- 17.7
(EBITDA margin in %)	(8.6)	(10.7)		(11.1)	(13.6)	
Earnings before interest and taxes (EBIT)	2.8	9.1	- 69.2	23.0	37.2	- 38.2
(EBIT margin in %)	(1.1)	(3.7)		(4.2)	(6.9)	
Capital expenditure	15.0	17.7	- 15.3	26.8	28.1	- 4.6
Employees as of 30 June (number)	-	-	-	7,566	7,515	+ 0.7

The worldwide increase in the demand for potash fertilizers continued in the second quarter of 2003, although European sales were affected by the drought.

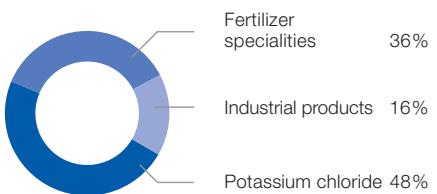
In the second quarter, we achieved revenues of € 247.0 million, almost at last year's level. In the case of potassium chloride, the drop in sales was more than made up for by price increases and the trend towards high-revenue granulated products. Revenues for fertilizer specialties remained largely constant, with minor decreases connected with volume being offset by increased revenues resulting from price and product range factors. Industrial products business was weaker in the second quarter, mainly as a result of the cyclical nature of the industrial potash business. After six months, the revenues for the Potash and Magnesium Products business segment of € 542.3 million, were somewhat above the previous year's level. The stronger euro only had a slight impact on sales in the first half of the year because of the current hedging of the U.S. dollar exchange rate.

Second quarter EBIT fell by € 6.3 million to € 2.8 million on account of higher energy and personnel costs as well as inputs related to the sylvinitic project. All in all, in the first half of the year EBIT fell by € 14.2 million to € 23.0 million.

For the whole of 2003, we expect revenues that will be about as high as last year's. However, the business segment's EBIT will significantly weaken on account of expected cost increases and specific inputs, and on account of the particularly beneficial hedging of the U.S. dollar exchange rate, which expires in the third quarter.

€ million	2003	
	Q2	H1
Revenues	247.0	542.3
Change in revenues	- 1.4	+ 6.2
Potassium chloride	+ 1.3	+ 4.9
Fertilizer specialties	- 0.3	- 1.0
Industrial products	- 2.4	+ 2.3

Revenues by product group Jan.–June 2003



COMPO	April – June (Q2)			January – June (H1)		
€ million	2003	2002	%	2003	2002	%
Revenues	129.9	128.0	+ 1.5	322.2	322.2	0.0
Earnings before interest, taxes, depreciation and amortization (EBITDA)	10.6	7.7	+ 37.7	34.8	33.1	+ 5.1
(EBITDA margin in %)	(8.2)	(6.0)		(10.8)	(10.3)	
Earnings before interest and taxes (EBIT)	7.6	5.6	+ 35.7	28.9	27.8	+ 4.0
(EBIT margin in %)	(5.9)	(4.4)		(9.0)	(8.6)	
Capital expenditure	1.6	3.9	- 59.0	3.8	6.9	- 44.9
Employees as of 30 June (number)	-	-	-	1,152	1,104	+ 4.3

In the home and garden area as well as the special fertilizer area, the first six months of the year were affected by very changeable weather conditions on some European markets.

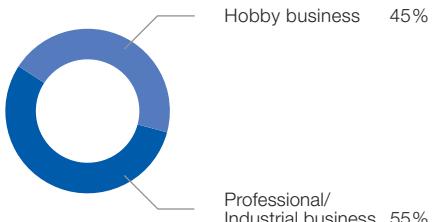
In the second quarter of 2003, the business segment's revenues, at € 129.9 million, were slightly up on the previous year's level because of price and volume factors. In the hobby area, the decline experienced in the first quarter was more than made up for. In the professional business area, revenues, at € 66.6 million, were somewhat lower on account of the absence of special transactions in the industrial area. At € 322.2 million, for the first six month, the COMPO business segment attained the same level of revenues as last year which, in view of the more difficult framework conditions, must be deemed a success.

During the reporting period, the COMPO business segment's EBIT reached € 7.6 million, a tangible increase year-on-year. Successful business in the hobby area during the strong months of April and May more than made up for the higher costs of raw materials. In this way, the earnings shortfall for the first quarter was made up for, and the half year result of € 28.9 million was even higher year-on-year.

For 2003 as a whole, we expect a slight increase both in revenues and earnings. Despite the continuing high prices of some raw materials, we assume that earnings in the second half of the year will develop in a stable fashion.

€ million	2003	
	Q2	H1
Revenues	129.9	322.2
Change in revenues	+ 1.9	0.0
Hobby business	+ 3.4	+ 2.3
Professional/ Industrial business	- 1.5	- 2.3

Revenues by product group Jan.–June 2003

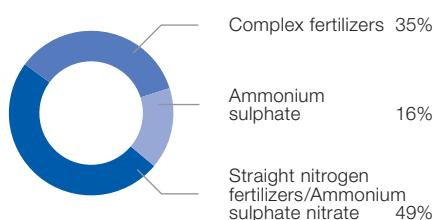


# Business Segments of the K+S Group

fertiva	April – June (Q2)			January – June (H1)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	86.3	106.0	- 18.6	211.4	237.2	- 10.9
Earnings before interest, taxes, depreciation and amortization (EBITDA) (EBITDA margin in %)	1.4 (1.6)	2.5 (2.4)	- 44.0	5.5 (2.6)	5.3 (2.2)	+ 3.8
Earnings before interest and taxes (EBIT) (EBIT margin in %)	1.3 (1.5)	2.4 (2.3)	- 45.8	5.3 (2.5)	5.1 (2.2)	+ 3.9
Capital expenditure	0.0	0.0	0.0	0.0	0.3	- 100
Employees as of 30 June (number)	-	-	-	55	54	+ 1.9

€ million	2003	
	Q2	H1
Revenues	86.3	211.4
Change in revenues	- 19.7	- 25.8
Complex fertilizers	- 8.5	- 27.7
Straight nitrogen fertilizers/ ammonium sulphate nitrate	- 9.0	+ 4.5
Ammonium sulphate	- 2.2	- 2.6

Revenues by product group Jan. – June 2003



The favourable development of business at the start of the year did not continue into the second quarter because the demand for nitrogenous fertilizers fell on account of the long-lasting drought and expected decreases in crop yields.

At € 86.3 million, the business segment's revenues for the second quarter were approximately 19% down year-on-year because of price and currency factors. The decline in complex fertilizers, down € 8.5 million to € 36.1 million, can be attributed mainly to reduced product quantities. In the case of straight nitrogen fertilizers, following a good result in the first quarter, the demand for these fertilizers in Western Europe fell markedly on account of weather conditions while revenues from ammonium sulphate suffered a drop of 11% to € 17.7 million as a result of pressure on prices as well as the impact of exchange rates on revenues. For the six months, fertiva attained revenues of € 211.4 million, down about 11% as a result of volume and currency factors.

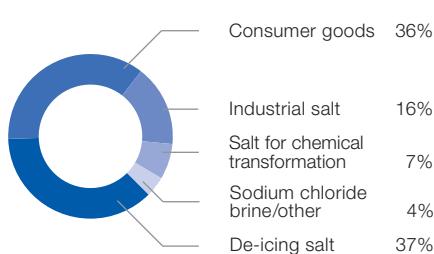
Nevertheless the maximum possible annual result (€ 5.1 million) was already attained in the first half of the year, while new business with other partners yielded additional earnings of € 0.2 million. Thus, for the first half of the year, fertiva posted EBIT of € 5.3 million, representing an increase of approximately 4%.

For 2003 as a whole, we envisage that revenues will be well below last year's level on account of the reduced product availability. Nevertheless we are confident that thanks to successful price increases, we can attain the figure for previous year once again.

Salt	April – June (Q2)			January – June (H1)		
	2003	2002	%	2003	2002	%
€ million						
Revenues	37.0	35.3	+ 4.8	110.7	104.6	+ 5.8
Earnings before interest, taxes, depreciation and amortization (EBITDA) (EBITDA margin in %)	0.3 (0.8)	0.6 (1.7)	- 50.0	23.0 (20.8)	21.5 (20.6)	+ 7.5
Earnings before interest and taxes (EBIT) (EBIT margin in %)	- 2.3 -	- 2.0 -	- 15.0	17.8 (16.1)	16.0 (15.3)	+ 11.3
Capital expenditure	5.0	1.2	> 100	8.1	1.7	> 100
Employees as of 30 June (number)	-	-	-	841	830	+ 1.3

€ million	2003	
	Q2	H1
Revenues	37.0	110.7
Change in revenues	+ 1.7	+ 6.1
Consumer goods	- 1.2	- 0.4
Industrial salt	- 0.5	- 0.3
Salt for chemical transformation	0.0	- 0.8
De-icing salt	+ 3.2	+ 6.5
Sodium chloride brine/other	+ 0.2	+ 1.1

Revenues by product group Jan. – June 2003



In the second quarter we were able to boost the revenues of our Salt business segment by 4.8% to € 37.0 million. After the very good first quarter, revenues for the de-icing salt safety system also rose in the second quarter to € 4.3 million because of early purchases. On the other hand, the consumer products business in the second quarter fell by € 1.2 million to € 19.2 million on account of volume factors. At € 8.3 million, revenues for industrial salts were also somewhat below last year's level on account of volume factors, whilst revenues for salts for chemical transformation remained virtually unchanged in the second quarter. All in all, the Salt business segment attained revenues of € 110.7 million in the first half year, an increase of 5.9%.

The positive trend in revenues stood in contrast to increased outlays connected with the continuing integration of IT systems, which caused earnings to fall by € 0.3 million to € - 2.3 million in the reporting period. However, the second quarter result does not represent the business segment's actual earnings strength. At the end of six months, the Salt business segment (with a 62% esco share) attained earnings of € 17.8 million, representing an 11.3% increase, which is attributable mainly to the good development of business with de-icing salts and consumer products in the first quarter.

On the basis of long-term average sales of de-icing salt, we expect 2003 revenues to be slightly below the high level attained last year. As far as earnings are concerned, we should be able to attain last year's very good figure, despite conservative planning in respect of de-icing salts operations.

Waste Management and Recycling		April – June (Q2)			January – June (H1)		
€ million		2003	2002	%	2003	2002	%
Revenues		14.1	14.7	- 4.1	27.7	29.7	- 6.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)		2.7	3.2	- 15.6	5.2	6.7	- 22.4
(EBITDA margin in %)		(19.1)	(21.8)		(18.8)	(22.6)	
Earnings before interest and taxes (EBIT)		1.7	2.2	- 22.7	3.1	4.6	- 32.6
(EBIT margin in %)		(12.1)	(15.0)		(11.2)	(15.5)	
Capital expenditure		0.0	0.2	- 100	0.0	0.6	- 100
Employees as of 30 June (number)		-	-	-	240	243	- 1.2

In the second quarter of 2003 too, the waste management business was exposed to a high degree of competitive pressure as a result of falling capacities and a reduction in waste. Nevertheless, in the secondary aluminium recycling segment, utilization of technical capacity continued to be high.

During the reporting period, revenues reached € 14.1 million, about 4% below last year's level, mainly on account of volume factors. In the case of underground waste disposal, revenues fell by € 1.7 million to € 2.7 million because volume from a major project was still being received last year. In the case of underground waste utilization, revenues reached € 6.0 million and exceeded last year's level by € 0.9 million. On account of volume factors, the recycling business grew by about 4% to € 5.4 million. After six months, the Waste Management and Recycling business segment attained revenues of € 27.7 million, approximately € 2.0 million less than after the same period last year.

In the second quarter, EBIT for the Waste Management and Recycling business segment fell by € 0.5 million to € 1.7 million, and fell € 1.5 million to € 3.1 million for the first half of the year. The decline is due to the absence of waste from special projects for underground disposal, as well as competition-induced price adjustments in the underground waste reutilization business.

In the light of the declining trend in market prices, we expect to post slightly lower revenues for 2003 as a whole and significantly lower EBIT because the launch of a major waste disposal project was delayed once again.

€ million	2003	
	Q2	H1
Revenues	14.1	27.7
Change in revenues	- 0.6	- 2.0
Disposal	- 1.7	- 3.6
Reutilization	+ 0.9	+ 0.7
Recycling	+ 0.2	+ 0.9

Revenues by segment Jan. – June 2003



Services and Trading		April – June (Q2)			January – June (H1)		
€ million		2003	2002	%	2003	2002	%
Revenues		14.0	12.0	+ 16.7	29.8	25.4	+ 17.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)		5.6	5.8	- 3.4	13.9	12.5	+ 11.2
(EBITDA margin in %)		(40.0)	(48.3)		(46.6)	(49.2)	
Earnings before interest and taxes (EBIT)		3.9	4.1	- 4.9	10.4	9.1	+ 14.3
(EBIT margin in %)		(27.9)	(34.2)		(34.9)	(35.8)	
Capital expenditure		2.6	2.0	+ 30.0	4.7	2.8	+ 67.9
Employees as of 30 June (number)		-	-	-	390	389	+ 0.3

Second quarter revenues for this business segment rose by about 17% to € 14.0 million. IT and logistical services were particularly in demand.

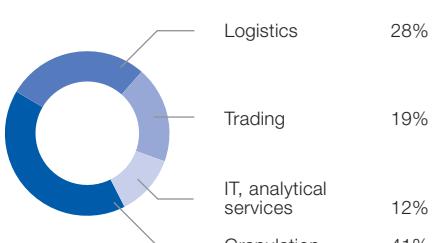
In the case of logistics, revenues rose by about 23% to € 4.1 million as a result of volume factors. In the case of CATSAN® production (granulation) too, revenues rose slightly to € 5.7 million as a result of increased demand from our partner, Masterfoods, in the second quarter. The trading segment posted revenues of € 2.1 million, which were same as last year. In the IT and analytical services segment, revenues rose by € 1.0 million to € 2.1 million because of an increased demand for SAP services in connection with esco integration. After six months, the business segment attained revenues of € 29.8 million, exceeding the previous year's level by about 17%.

The positive trend in revenues did not have an impact on earnings in the second quarter; increased outlays on IT led to a slight decrease in earnings by € 0.2 million to € 3.9 million. Following on from the positive first quarter, earnings of € 10.4 million were posted at the end of six months. This represents an increase of about 14%.

Revenues for 2003 as a whole should increase slightly, but earnings are expected to remain more or less on the previous year's level.

€ million	2003	
	Q2	H1
Revenues	14.0	29.8
Change in revenues	+ 2.0	+ 4.4
Granulation	+ 0.2	+ 0.8
Logistics	+ 0.8	+ 1.6
Trading	0.0	+ 0.5
IT, analytical services	+ 1.0	+ 1.5

Revenues by segment Jan. – June 2003



# Financial Section

## 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 2002 as well as for the corresponding interim report for the second quarter of 2002. The results have not been audited.

Profit and Loss Account	April – June (Q2)			January – June (H1)		
	2003	2002	%	2003	2002	%
€ million						
<b>Revenues</b>	<b>528.5</b>	544.7	- 3.0	<b>1,244.7</b>	1,255.8	- 0.9
Cost of sales	344.3	364.4	- 5.5	811.0	831.8	- 2.5
<b>Gross profit</b>	<b>184.2</b>	180.3	+ 2.2	<b>433.7</b>	424.0	+ 2.3
(Gross margin in %)	(34.9)	(33.1)		(34.8)	(33.8)	
Selling expenses	145.2	144.1	+ 0.8	303.1	296.9	+ 2.1
including: transport and delivery costs	72.1	75.9	- 5.0	164.2	160.6	+ 2.2
General and administrative expenses	14.6	14.7	- 0.7	29.6	28.5	+ 3.9
Research costs	3.6	3.6	0.0	6.9	6.4	+ 7.8
Other operating income	24.5	23.4	+ 4.7	40.4	37.4	+ 8.0
Other operating expenses	27.0	20.6	+ 31.1	48.4	36.8	+ 31.5
<b>Earnings before interest and taxes (EBIT)</b>	<b>18.3</b>	20.7	- 11.6	<b>86.1</b>	92.8	- 7.2
(EBIT margin in %)	(3.5)	(3.8)		(6.9)	(7.4)	
Income from investments, net	0.7	0.4	+ 75.0	0.7	0.9	- 22.2
Write-downs on financial assets and short-term securities	- 4.1*	0.1	-	0.4	0.1	> 100
Interest income, net	- 0.4	- 0.8	+ 50.0	- 2.3	- 2.2	- 4.5
<b>Result from ordinary operations/ earnings before income taxes</b>	<b>22.7</b>	20.2	+ 12.4	<b>84.1</b>	91.4	- 8.0
(Pre-tax return on revenues in %)	(4.3)	(3.7)		(6.8)	(7.3)	
Taxes on income	2.6	- 2.0	-	9.4	7.0	+ 34.3
<b>Earnings after taxes</b>	<b>20.1</b>	22.2	- 9.5	<b>74.7</b>	84.4	- 11.5
(Return on revenues in %)	(3.8)	(4.1)		(6.0)	(6.7)	

\* Write-downs with a positive sign that reduce earnings are normally entered in this line. The negative sign in the second quarter can be explained by the cancellation of write-downs on short-term securities, dictated by reporting date factors, to the amount of € 4.5 million as of 31 March 2003, which resulted in an improvement in earnings before taxes

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	0.0	60.4	337.8	513.4
Dividend for previous year	-	-	-	- 41.5	- 41.5
Surplus for period	-	-	-	+ 74.7	+ 74.7
Repurchase/cancellation of own shares	- 6.4	-	- 42.2	+ 5.2	- 43.4
Consolidation effects	-	-	-	+ 50.4	+ 50.4
<b>Balance as of 30 June 2003</b>	<b>108.8</b>	<b>0.0</b>	<b>18.2</b>	<b>426.6</b>	<b>553.6</b>

€ million	115.2	0.0	31.6	310.8	457.6
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	-	-	-	+ 84.4	+ 84.4
Repurchase/disposal of own shares	-	-	+ 4.4	- 4.4	0.0
Consolidation effects	-	-	-	- 4.3	- 4.3
<b>Balance as of 30 June 2002</b>	<b>115.2</b>	<b>0.0</b>	<b>36.0</b>	<b>343.1</b>	<b>494.3</b>

Balance Sheet – Assets				
€ million	30.06.2003	30.06.2002	%	31.12.2002
Intangible assets	31.9	33.4	- 4.5	33.5
Tangible assets	601.5	533.7	+ 12.7	565.1
Financial assets	84.2	85.7	- 1.8	86.0
<b>Fixed assets</b>	<b>717.6</b>	<b>652.8</b>	<b>+ 9.9</b>	<b>684.6</b>
Inventories	207.4	207.0	+ 0.2	238.7
Receivables and other assets	570.6	583.9	- 2.3	524.5
Own shares	18.2	36.0	- 49.4	60.4
Other securities	103.2	85.7	+ 20.4	102.6
Cash in hand, bank balances, cheques	79.2	96.1	- 17.6	52.6
<b>Current assets</b>	<b>978.6</b>	<b>1,008.7</b>	<b>- 3.0</b>	<b>978.8</b>
<b>Deferred taxes</b>	<b>0.0</b>	<b>0.5</b>	<b>- 100</b>	<b>0.3</b>
<b>Prepaid expenses</b>	<b>2.4</b>	<b>2.8</b>	<b>- 14.3</b>	<b>3.0</b>
<b>ASSETS</b>	<b>1,698.6</b>	<b>1,664.8</b>	<b>+ 2.0</b>	<b>1,666.7</b>

Balance Sheet – Equity and Liabilities				
€ million	30.06.2003	30.06.2002	%	31.12.2002
Subscribed capital	108.8	115.2	- 5.6	115.2
Additional paid-in capital	0.0	0.0	0.0	0.0
Reserve for own shares	18.2	36.0	- 49.4	60.4
Other reserves and profit retained	426.6	343.1	+ 24.3	337.8
<b>Equity</b>	<b>553.6</b>	<b>494.3</b>	<b>+ 12.0</b>	<b>513.4</b>
<b>Special reserves</b>	<b>0.0</b>	<b>2.0</b>	<b>- 100</b>	<b>0.3</b>
<b>Balance arising from capital consolidation</b>	<b>37.0</b>	<b>50.7</b>	<b>- 27.0</b>	<b>45.3</b>
Provisions for pensions and similar obligations	174.7	180.3	- 3.1	175.3
Provisions for mining obligations	307.5	262.1	+ 17.3	303.9
Provisions for taxes	4.8	4.4	+ 9.1	4.6
Other provisions	262.5	299.0	- 12.2	222.2
<b>Provisions</b>	<b>749.5</b>	<b>745.8</b>	<b>+ 0.5</b>	<b>706.0</b>
Accounts payable – trade	244.5	268.1	- 8.8	253.6
Bank loans and overdrafts	17.3	23.1	- 25.1	47.7
Other liabilities	95.7	79.0	+ 21.1	99.6
<b>Liabilities</b>	<b>357.5</b>	<b>370.2</b>	<b>- 3.4</b>	<b>400.9</b>
<b>Deferred income</b>	<b>1.0</b>	<b>1.8</b>	<b>- 44.4</b>	<b>0.8</b>
<b>EQUITY AND LIABILITIES</b>	<b>1,698.6</b>	<b>1,664.8</b>	<b>+ 2.0</b>	<b>1,666.7</b>

# Financial Section

Cash Flow Statement		April – June (Q2)			January – June (H1)		
€ million		2003	2002	%	2003	2002	%
<b>Earnings after taxes</b>		<b>20.1</b>	22.2	– 9.5	<b>74.7</b>	84.4	– 11.5
Depreciation (+) on fixed assets		<b>27.0</b>	25.6	+ 5.5	<b>54.8</b>	53.1	+ 3.2
Increase (+)/Decrease (–) in long-term provisions		<b>– 1.5</b>	– 2.9	– 48.3	<b>1.4</b>	– 3.5	–
Decrease (–)/increase (+) in special reserves		<b>0.0</b>	0.2	– 100	<b>0.0</b>	0.4	– 100
Release of credit differences on capital consolidation		<b>– 3.8</b>	– 3.9	– 2.6	<b>– 7.5</b>	– 7.7	– 2.6
Write downs (+)/write ups (–) on short-term securities		<b>– 6.1</b>	– 0.8	> 100	<b>– 1.6</b>	– 0.8	+ 100
Other non-cash items		<b>0.0</b>	3.0	– 100	<b>0.0</b>	3.0	– 100
<b>Gross cash flow</b>		<b>35.7</b>	43.4	– 17.7	<b>121.8</b>	128.9	– 5.5
Gains (–)/loss (+) on disposal of fixed assets		<b>– 1.4</b>	– 0.5	> 100	<b>– 1.5</b>	– 0.7	> 100
Decrease (+)/increase (–) in inventories		<b>6.3</b>	– 3.1	–	<b>31.2</b>	32.1	– 2.8
Increase (–)/decrease (+) in receivables from operating activities		<b>143.8</b>	182.2	– 21.1	<b>– 42.5</b>	– 101.9	– 58.3
Increase (+)/decrease (–) in short-term provisions		<b>– 9.4</b>	– 13.6	– 30.9	<b>41.9</b>	42.0	– 0.2
Increase (+)/decrease (–) in liabilities from operating activities		<b>– 52.9</b>	– 106.7	– 50.4	<b>– 12.8</b>	– 12.2	+ 4.9
<b>Cash flow from operating activities</b>		<b>122.1</b>	101.7	+ 20.1	<b>138.1</b>	88.2	+ 56.6
Proceeds from disposals of fixed assets		<b>13.0</b>	3.0	> 100	<b>27.7</b>	6.1	> 100
Disbursements for intangible assets		<b>0.0</b>	– 0.9	– 100	<b>– 1.4</b>	– 1.1	+ 27.3
Disbursements for tangible assets		<b>– 23.4</b>	– 25.1	– 6.8	<b>– 42.1</b>	– 40.6	+ 3.7
Disbursements for financial assets		<b>– 13.3</b>	– 0.3	> 100	<b>– 23.7</b>	– 0.8	> 100
Disbursements for acquisition of consolidated companies		<b>0.0</b>	0.0	0.0	<b>0.0</b>	– 0.9	– 100
<b>Cash flow from investing activities</b>		<b>– 23.7</b>	– 23.3	+ 1.7	<b>– 39.5</b>	– 37.3	+ 5.9
<b>Free cash flow</b>		<b>98.4</b>	78.4	+ 25.5	<b>98.6</b>	50.9	+ 93.7
Cancellation of own shares		<b>0.0</b>	0.0	0.0	<b>– 43.4</b>	0.0	–
Payments of dividends		<b>– 41.5</b>	– 43.4	– 4.4	<b>– 41.5</b>	– 43.4	– 4.4
<b>Cash flow from financing activities</b>		<b>– 41.5</b>	– 43.4	– 4.4	<b>– 84.9</b>	– 43.4	+ 95.4
<b>Change in cash and cash equivalents affecting cash flow</b>		<b>56.9</b>	35.0	+ 62.6	<b>13.7</b>	7.5	+ 82.7
Change in value of cash and cash equivalents		<b>6.1</b>	0.8	> 100	<b>1.6</b>	0.8	+ 100
<b>Change in cash and cash equivalents</b>		<b>63.0</b>	35.8	+ 76.0	<b>15.3</b>	8.3	+ 84.3

Cash and Cash Equivalents		April – June (Q2)			January – June (H1)		
€ million		2003	2002	%	2003	2002	%
<b>Opening balance</b>		<b>120.2</b>	167.1	– 28.1	<b>167.9</b>	194.6	– 13.7
Own shares		<b>18.2</b>	36.0	– 49.4	<b>18.2</b>	36.0	– 49.4
Other short-term securities		<b>103.2</b>	85.7	+ 20.4	<b>103.2</b>	85.7	+ 20.4
Cash in hand, bank balances		<b>79.2</b>	96.1	– 17.6	<b>79.2</b>	96.1	– 17.6
Short-term financial liabilities		<b>– 17.3</b>	– 14.9	+ 16.1	<b>– 17.3</b>	– 14.9	+ 16.1
<b>Balance as of 30 June</b>		<b>183.3</b>	202.9	– 9.7	<b>183.3</b>	202.9	– 9.7

# Summary by Quarter

Revenues and Earnings		2002				2003		
	€ million	Q1	Q2	Q3	Q4	Q1	Q2	%
Potash and Magnesium Products	287.7	248.4	231.5	224.7		295.3	247.0	- 0.6
COMPO	194.2	128.0	70.4	88.4		192.3	129.9	+ 1.5
fertiva	131.2	106.0	112.2	120.1		125.1	86.3	- 18.6
Salt	69.3	35.3	42.8	56.0		73.7	37.0	+ 4.8
Waste Management and Recycling	15.0	14.7	14.6	14.3		13.6	14.1	- 4.1
Services and Trading	13.4	12.0	14.4	12.0		15.8	14.0	+ 16.7
Reconciliation	0.3	0.3	0.6	0.7		0.4	0.2	- 33.3
<b>K+S Group revenues</b>	<b>711.1</b>	<b>544.7</b>	<b>486.5</b>	<b>516.2</b>		<b>716.2</b>	<b>528.5</b>	- 3.0
Potash and Magnesium Products	28.1	9.1	9.6	8.8		20.2	2.8	- 69.2
COMPO	22.2	5.6	0.5	2.5		21.3	7.6	+ 35.7
fertiva	2.7	2.4	0.2	1.0		4.0	1.3	- 45.8
Salt	18.0	- 2.0	3.9	6.1		20.1	- 2.3	- 15.0
Waste Management and Recycling	2.4	2.2	2.3	1.4		1.4	1.7	- 22.7
Services and Trading	5.0	4.1	5.1	1.2		6.5	3.9	- 4.9
Reconciliation	- 6.3	- 0.7	- 1.8	- 0.8		- 5.7	3.3	-
<b>K+S Group EBIT</b>	<b>72.1</b>	<b>20.7</b>	<b>19.8</b>	<b>20.2</b>		<b>67.8</b>	<b>18.3</b>	- 11.6

Profit and Loss Account		2002				2003		
	€ million	Q1	Q2	Q3	Q4	Q1	Q2	%
<b>Revenues</b>	<b>711.1</b>	<b>544.7</b>	<b>486.5</b>	<b>516.2</b>		<b>716.2</b>	<b>528.5</b>	- 3.0
Cost of sales	467.4	364.4	337.4	343.5		466.7	344.3	- 5.5
<b>Gross profit</b>	<b>243.7</b>	<b>180.3</b>	<b>149.1</b>	<b>172.7</b>		<b>249.5</b>	<b>184.2</b>	+ 2.2
Selling expenses	152.8	144.1	121.4	128.2		157.9	145.2	+ 0.8
General administrative expenses	13.8	14.7	12.2	12.6		15.0	14.6	- 0.7
Research costs	2.8	3.6	3.4	3.4		3.3	3.6	0.0
Balance of operating income/expenses	- 2.2	+ 2.8	+ 7.7	- 8.3		- 5.5	- 2.5	-
<b>Earnings before interest and taxes (EBIT)</b>	<b>72.1</b>	<b>20.7</b>	<b>19.8</b>	<b>20.2</b>		<b>67.8</b>	<b>18.3</b>	- 11.6
<b>Financial result</b>	<b>- 0.9</b>	<b>- 0.5</b>	<b>- 13.5</b>	<b>- 4.0</b>		<b>- 6.4</b>	<b>+ 4.4</b>	-
<b>Earnings before taxes</b>	<b>71.2</b>	<b>20.2</b>	<b>6.3</b>	<b>16.2</b>		<b>61.4</b>	<b>22.7</b>	+ 12.4
Taxes on Income	9.0	- 2.0	1.2	1.9		6.8	2.6	-
<b>Earnings after taxes</b>	<b>62.2</b>	<b>22.2</b>	<b>5.1</b>	<b>14.3</b>		<b>54.6</b>	<b>20.1</b>	- 9.5

Other Key Figures		2002				2003		
		Q1	Q2	Q3	Q4	Q1	Q2	%
Capital expenditure (€ million) <sup>1)</sup>	15.7	26.0	36.2	51.1		20.1	23.4	+ 10.0
Depreciation and amortization (€ million) <sup>1)</sup>	27.5	25.6	26.0	28.2		27.8	26.6	+ 3.9
Gross cash flow (€ million)	85.5	43.4	38.1	49.9		86.1	35.7	- 17.7
Earnings after taxes per share (€)	1.43	0.51	0.12	0.34		1.32	0.48	- 5.9
DVFA earnings per share (€)	0.93	0.25	0.12	0.31		0.85	0.28	+ 12.0
Gross cash flow per share (€)	1.97	1.00	0.89	1.19		2.07	0.86	- 14.0
Book value per share (€)	12.73	12.13	12.15	12.42		13.91	13.90	+ 14.6
Total number of shares (million)	45.0	45.0	45.0	45.0		42.5	42.5	- 5.6
Number of shares outstanding (million) <sup>2)</sup>	43.4	43.1	42.2	41.5		41.5	41.5	- 3.7
Average number of shares (million) <sup>3)</sup>	43.4	43.3	42.7	41.9		41.5	41.5	- 4.2
Employees (number)	10,506	10,448	10,528	10,610		10,655	10,566	+ 1.1
Closing price (XETRA, €)	23.10	21.50	18.00	17.35		17.01	17.71	- 17.6

1) tangible and intangible fixed assets

2) total number of shares, less the number of own shares held by K+S on the reporting date

3) total number of shares, less the average number of own shares held by K+S during the period

Dates	2003/04
Interim report 30 September 2003	13 November 2003
Press and analyst conference, Frankfurt	13 November 2003
Report on business 2003	11 March 2004
Annual report and analyst conference, Frankfurt	11 March 2004
Annual General Meeting 2004, Kassel	5 May 2004
Interim report 31 March 2004	5 May 2004

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