



Annual Report









People, Nature, Our World. 

At a glance

K+S Group

Sales and earnings		2000	1999
Sales	t million	2,087.9	1,191.9
Potash and Magnesium Products	t million	963.2	935.6
COMPO	t million	331.6	–
fertiva	t million	552.2	–
Salt	t million	114.9	147,8
Waste Management and Recycling	t million	76.8	67.2
Services and Trading	t million	49.2	41.3
Earnings before interest and taxes (EBIT)	t million	126.8	88.5
Earnings before income taxes	t million	130.4	95.9
Net income	t million	119.8	98.5
DVFA earnings	t million	69.8	63.5
Gross cash flow	t million	241.4	228.3
Balance sheet			
Equity	t million	456.6	444.4
Return on equity	%	22.6	18.4
Tangible fixed assets	t million	533.2	499.6
Capital expenditures to tangible fixed assets	t million	123.7	100.7
Depreciation to tangible fixed assets	t million	122.0	118.3
Balance sheet total	t million	1,580.1	1,337.5
Return on total investment	%	9.0	8.0
Employees			
Employees as of Dec. 31	number	9,402	9,176
of whom: trainees	number	479	473
Personnel expenses	t million	475.1	410.4
Data per share			
Net income	t	2.72	2.04
DVFA earnings	t	1.58	1.32
Net dividend	t	0.85	0.57
Gross dividend	t	1.14	0.81
Net dividend yield	%	4.8	4.1

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Where there is life, there is also K+S

The manifold products of the K+S Group are often not recognised in daily life at first glance. In the Annual Report 2000, we would like to communicate an impression, with the help of pictures from our world, of where products of the K+S Group are included or present, no matter whether visible or invisible. In other words, we will demonstrate that our products, in their infinite variety, are an important element of daily life.



Our world – our future

The K+S Group is one of the world's leading suppliers of products containing potash and magnesium for agricultural and industrial applications. With our new COMPO business segment, we are the market leader in the green market, with many familiar branded products, and with the similarly new fertiva business segment, we are the world market leader for ammonium sulfate and Europe's second largest supplier of field and special fertilizers. K+S is also a major European salt producer, with products for a wide variety of applications. Further important business fields include Waste Management and Recycling, as well as Trading, Logistics and IT-services. Our competence is based on innovative know-how and experience developed over decades.

Our strategy is to develop further into a supplier of specialities and branded products. The main emphasis in this connection will be on the development of our market positions in growth segments. We also intend to increase the shareholder value with the help of acquisitions and cooperation agreements.



Dear Shareholders,

Your K+S Group once again developed dynamically in the year 2000. We implemented a large number of structural measures, which will consolidate the success of our business on a sustained basis. The broadening of our portfolio and the acquisition of interesting and profitable growth fields have generated additional earnings opportunities for the K+S Group.

As a consequence of our acquisitions and the pleasing growth in our classical business fields, our sales have increased by 75% to t 2.1 billion. With net income of t 120 million, we have achieved record earnings. We met and in some cases considerably exceeded our earnings targets in all business segments.

We base our dividends on the earnings, and want to pay you, our shareholders, a higher dividend once again for the financial year 2000. The Supervisory Board and Board of Executive Directors will propose to the Annual Meeting of the shareholders that a dividend of t 0.85 per share be paid for the past financial year. This represents an increase of some 50% compared with the previous year.

Our two new segments, COMPO and fertiva, have been integrated quickly and smoothly into our group of companies. The purchase of the new plant care programme under the brand name Gesal at the end of 2000 and the French Algoflash Group at the beginning of 2001 will complement the COMPO product range extremely well and strengthen its competitive position in key European markets.

The takeover of the business of the Dutch salt producer, Frima, by our newly-established subsidiary, Frisia Zout B.V., was an important step towards the expansion of our salt activities. The acquisition has considerably strengthened our industrial salt business. We plan to establish a joint venture company together with Solvay S.A. in order to further exploit the development potential of the salt business.



Our strategy for the foreseeable future remains unchanged. We intend to strengthen our earning power further with innovations in our products and business processes and by focusing on business with an above-average earnings potential; at the same time, we will investigate selected cooperation or acquisition projects.

Your K+S has once again become more valuable. K+S was valued on the stock exchange at the end of 2000 at almost € 800 million, a sharp increase of some € 100 million compared with the previous year.

We view the business environment at the beginning of this year on the whole as favourable. We therefore see good opportunities for maintaining our success course also in this year.

We should like to thank all our customers and business associates for the good and trusting cooperation.

The employees of the K+S Group made a vital contribution to the success in the past year with tremendous dedication and great commitment; our heartfelt thanks are due to them for this.

I should also like to express my thanks to you, my dear shareholders, also in the name of my colleagues, for your trust. We have many reasons for looking forward to the future together with self-confidence and optimism.

Yours sincerely

Ralf Bethke
Chairman of the Board of Executive Directors
of K+S Aktiengesellschaft



Axel Hollstein

Engineering graduate

COMPO
Salt
Engineering
Research and Development

Dr. Ralf Bethke

Chairman of the Board
of Executive Directors
Business graduate

Potash and Magnesium Products
fertiva
Corporate strategy
Communications
Investor relations



Peter Backhaus

Industrial Clerk

Director of Personnel
Properties

Gerd Grimmig

Engineering graduate

Waste Management and Recycling
Mining and Geology

Norbert Steiner

Lawyer

Services and Trading
Finance
Legal affairs and taxes

Report of the Supervisory Board

Ladies and gentlemen,



The K+S Group continued on its successful growth strategy during the financial year 2000. We expanded the classical business and integrated the new COMPO and fertiva segments.

The Supervisory Board accompanied the further corporate development of K+S by means of intensive discussions and consultation with the Board of Executive Directors. We monitored the work of the Board of Executive Directors regularly and carefully.

Four meetings of the Supervisory Board were held during the past financial year. The comprehensive written and verbal reports by the Board of Executive Directors enabled us to consider intensively the position of the company, key business ratios and the corporate planning of the company, and discuss these with the Board of Executive Directors. The Chairman of the Supervisory Board maintained regular contact with the Board of Executive Directors on significant matters.

No occasion arose during the year to call the mediating committee foreseen in accordance with Article 27 (3) of the Codetermination Act. The personnel committee met on March 15 and August 23, 2000.

Our deliberations focused on the further corporate development of the K+S Group. We discussed in detail the integration of the new COMPO and fertiva segments. A further major topic was the takeover of the activities of the Dutch company, Frima, and the business concept for the planned joint venture with Solvay S.A., Brussels. In addition, we discussed further acquisition projects, aimed especially at augmenting the COMPO business.

We received a detailed account of the current risk management measures, and discussed these thoroughly. In addition, we considered individual business transactions, which require the approval of the Supervisory Board because of provisions in the law or the statutes.

The annual financial statements of K+S Aktiengesellschaft and the consolidated financial statements of the K+S Group for the year ended December 31, 2000, as well as the joint business review of K+S Aktiengesellschaft and the K+S Group, were audited, together with the accounting records, by Wollert-Elmendorff Deutsche Industrie-Treuhand GmbH,

Supervisory Board of K+S Aktiengesellschaft

Gerhard R. Wolf

Worms
Chairman
Former member of the Board of
Executive Directors of BASF AG

Leonhard H. Fischer

Frankfurt am Main
Member of the Board of Executive
Directors of Dresdner Bank AG

Rainer Grohe

Munich
Managing director
of VIAG invent ! GmbH

Manfred Kopke

Neukirchen-Vluyn
Vice Chairman
Former member of the Managing Main
Board of the Mining, Chemicals and
Energy Trade Union

Karl-Heinz Georgi

Haltern
Principal of the Haltern Education
Centre of the Mining, Chemicals
and Energy Trade Union

Rüdiger Kienitz

Geisa
Member of the Works Council of
the Werra potash plant of Kali und
Salz GmbH



the auditors elected by the Annual Meeting of the shareholders and appointed by the Supervisory Board. The two sets of financial statements were given an unqualified auditors' report. The auditors issued their audit reports on K+S Aktiengesellschaft and the K+S Group to all members of the Supervisory Board. The auditors explained the long-form audit reports at the meeting of the Supervisory Board held on March 13, 2001, and answered all questions. The Supervisory Board concurs with the conclusions on the audit by the auditors, and sees no occasion to raise any objections. It has approved the annual financial statements of K+S Aktiengesellschaft and the K+S Group prepared by the Board of Executive Directors, so that the annual financial statements of K+S Aktiengesellschaft are hereby adopted. The Supervisory Board concurs with the proposal of the Board of Executive Directors on the appropriation of the profits.

On May 11, 2000, Dr. Volker Schäfer resigned from the Board of Executive Directors of K+S Aktiengesellschaft and went into retirement. Dr. Schäfer had been Director of Finance at K+S since 1986 and since 1997 also headed the Waste Management and Recycling segment. He played a decisive role in the successful development of K+S. We wish to thank Dr. Schäfer for his contribution over very many years and his service on behalf of the K+S Group. The Supervisory Board appointed Mr. Norbert Steiner as his successor with effect from May 12, 2000. Prior to this, Mr. Steiner had been the head of the legal affairs, tax and insurance department at K+S Aktiengesellschaft. In his function as a member of the Board of Executive Directors, he is responsible for the finance area and the Services and Trading segment.

Mr. Peter Backhaus and Mr. Gerd Grimmig were appointed as further members of the Board of Executive Directors with effect from October 1, 2000. Both had already served for a number of years as managing directors of Kali und Salz GmbH. Mr. Backhaus is responsible as Director of Personnel, while Mr. Grimmig takes responsibility for the K+S Group's Mining and Geology and Waste Management and Recycling activities. Our decision to expand the Board of Executive Directors reflects the enlarged K+S Group.

We wish to express our heartfelt thanks to the Board of Executive Directors, the management boards of the subsidiaries, the representatives of the employees and the entire staff of the K+S Group for their tremendous dedication and performance.

Kassel, March 13, 2001

For the Supervisory Board

Gerhard R. Wolf
Chairman

Klaus Krüger

Wolmirstedt
Chairman of the Group Works Council
of the K+S Group

Hans Peter Schreib

Düsseldorf
Solicitor

Hans-Dieter Winkelhake

Rehburg-Loccum
Chairman of the Works Council of
the Sigmundshall potash plant of
Kali und Salz GmbH

Helmut Mamsch

London, Great Britain
Former member of the Board of
Executive Directors of VEBA AG

Dr. Eckart Sünner

Neustadt a.d. Weinstraße
Head of the Central Legal affairs, Tax
and Insurance Department at BASF AG

Dr. Helmut Karl Zentgraf

Burghaun
Manager of the Werra potash plant
of Kali und Salz GmbH



As the European market leader in many areas and with a broad offering of highquality branded products, the K+S Group is a reliable partner for institutional and private investors. The positive development of our share over the last few years has confirmed this.





K+S with successful growth

During the financial year ended December 31, 2000 we maintained the dynamic growth of K+S with our new COMPO and fertiva business segments and our success in our classical business fields. The continued increase in the corporate value is due in particular to the following factors:

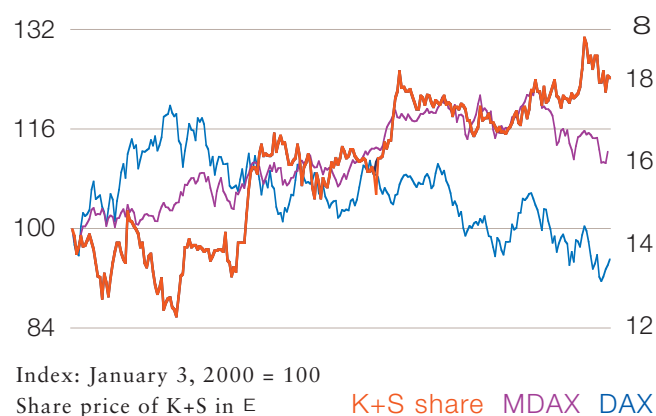
- leading market positions in attractive growth markets;
- high earnings potential from our development to an all-round supplier for field and special fertilizers;
- attractive development opportunities in the salt business;
- adequate liquidity to finance the planned internal and external growth.

MDAX attracting greater interest from investors

The MDAX, the index for the 70 German shares traded most intensively outside the DAX, developed positively in 2000 and went up by 14% to 4,675 points, compared with the end of 1999. The interest of investors in companies in this market segment has accordingly increased pleasingly.

With an increase of some 26% in 2000, our share price maintained the upwards trend of recent years.

Development of the K+S share in 2000



We once again succeeded in beating the performance of both the MDAX and the DAX.

Starting off from a closing price of € 14.05 on December 31, 1999, the price fell, following a recovery in the meantime, to € 12.50 at the beginning of March 2000. As a consequence of the reports on the development of the business, which were received very positively by the market, the K+S share price recorded sharp increases from the middle of March onwards. The K+S share recorded its highest price for the year of € 18.60 on December 11, while the share price on December 29, 2000 amounted to € 17.70.

Earnings per share have increased perceptively

The successful development of the business is also reflected by the earnings per share. Net income increased in 2000 by 33% to t 2.72 per share, and DVFA earnings by 20% to t 1.58 per share. The adjustments made in order to arrive at the DVFA earnings, which are calculated in accordance with a formula of the German Association for Financial Analysis and Investment Consulting, include in particular the deduction of fictitious taxes and amortization of goodwill, as well as the elimination of special depreciation and proceeds from the release of the balance arising from capital consolidation. The average number of outstanding shares amounted to 44.1 million compared with 48.2 million in 1999.

Key data on the K+S share		2000	1999
Net income	t	2.72	2.04
DVFA earnings	t	1.58	1.32
Net dividend	t	0.85	0.57
Cash flow	t	5.48	4.74
Highest share price	t	18.60	15.80
Lowest share price	t	12.50	10.55
Year-end price (trading floor in Frankfurt)	t	17.70	14.05
Number of shares on 31.12.	million	45.0	50.0
Stock exchange turnover (Jan–Dec)	t million	409.1	541.8
Market capitalization on 31.12.	t million	796.5	702.5
Price-earnings ratio		11.2	10.6
Total dividend payment*)	t million	36.4	25.6
Net dividend yield	%	4.8	4.1

*) The actual total dividend payment for the year 2000 will depend on the number of shares entitled to dividends on the day of the Annual Meeting of the shareholders.

Considerably higher proposed dividend

We would like our shareholders to participate in the pleasing development of the earnings. We shall therefore be proposing to the Annual Meeting of the shareholders that the dividend be increased by some 50% to t 0.85 per share. Domestic shareholders will receive in addition a corporate income tax credit of t 0.29 per share, while foreign shareholders will receive a tax credit of t 0.17 per share on application. On the basis of the year-end share price of t 17.70, the proposed dividend results in a net dividend yield of 4.8%.

Increased shareholder value and earnings power

As a result of the development of the share price, the stock market value of K+S increased by the end of the year by 13% to t 796.5 million. Together with the similarly higher capital from outside sources, the fair value of the total capital increased by t 121.0 million to t 1,384.9 million. The business assets increased by December 31, 2000 to t 1,171.1 million. Market value added, as the difference between the total capital and the business assets, amounted to t 213.8 million, so that the shareholder value has increased by a further t 56.5 million compared with the previous year.

We generated business earnings in 2000 of t 99.4 million after a fictitious tax charge. This results in a return on investment, based on the average business assets, of 8.9% (1999: 8.4%). The business earnings compare with a cost of capital, applying a capital cost rate of 7.0%, of t 77.7 million. The difference between the business earnings and the cost of capital results in an economic value added of t 21.7 million (1999: t 16.0 million).



Substantial increase in the value of the K+S share

A shareholder who invested $\text{t } 5,000$ in K+S shares at the end of 1996 and reinvested his dividend payments during this period in further K+S shares found that his holding was worth some $\text{t } 13,850$ on Dec. 31, 2000. The appreciation in value accordingly amounted to some 177% in the space of four years. By comparison, the DAX increased by 123% during the same period, and the MDAX by 58%.

Second share buy-back programme started

After completing our first share buy-back programme that had commenced in 1999, we withdrew 5.0 million of our own shares in May 2000. The nominal capital was reduced to $\text{t } 115.2$ million and since then has been divided into 45.0 million no par value shares.

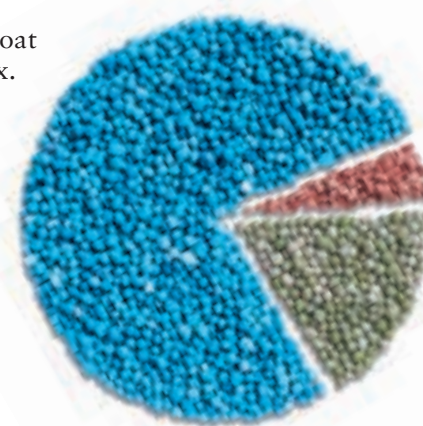
Following the approval by the Annual Meeting of the shareholders on May 11, 2000, we started our second share buy-back programme. In accordance therewith, we can buy back up to a further 10% of the nominal capital or 4.5 million K+S shares. By December 31, 2000, we had acquired 2,213,343 K+S shares, or 4.92% of the nominal capital, at an average purchase price of $\text{t } 16.60$.

Broad shareholder structure – free float of 78%

There have been virtually no changes in our shareholder structure since the survey carried out in February 2000; the total number of shareholders was almost unchanged at around 24,000. About 78% of our shares are free floats, including some 9,000 employees of the K+S Group.

Shareholder structure

Free float
approx.
78%



Own
shares
approx. 5%

Permanent
holdings
(BASF AG)
approx. 17%

Expansion of our Investor Relations

We further intensified our investor relations activities in 2000 with the aim of conducting an intensive and open dialogue with shareholders, investors and financial analysts. In addition to our information meetings for the press and analysts, we participated for the first time in November 2000 in the German Mid Cap Conference, at which quoted companies were presented to investment professionals.

The investor relations offering for private investors has also been made more attractive. We introduced ourselves in cooperation with the DSW German Association for Protection of Security Holdings at a share forum for private investors. At the same time, we improved our information offering in the Internet. Interested shareholders have since September 2000 been able to register under www.kalisalz.de for a newsletter from the investor relations field and press releases, and to receive up-to-date information instantly about our group.



K+S's world is marked by experience and future-orientation. On the one hand is our origin in the classical salt mining, with the extraction of valuable raw materials. On the other hand is man and his continuously



increasing demand for a better quality of life, which we constantly bear in mind in our activities. The link is provided by our products and services, which we are developing responsibly and with an eye to the future.



Overall economic situation favourable

All in all, the overall economy developed favourably in 2000, although the sharp jump in energy costs in the second half of the year proved to be a burden. Good demand led to a considerable improvement in GDP in Germany. In Western Europe, exports in particular recorded above-average growth, favoured also by foreign exchange influences. Our business too benefited from the stronger US-dollar in comparison to the previous year.

Global consumption of fertilizers increased once again. The consumption of nitrogen, phosphate and potash increased in the fertilizer year 1999/2000 compared with the previous period by altogether 2.4%.

The markets of the K+S Group

Demand on the world potash market increased during the past year by 0.6 million t or some 2% to 25.7 million t of K_2O . This pleasing development was mainly due to greater demand in Asia and Latin America; economic growth there triggered off an intensification of farm output. Demand also increased again in the North American market. The consumption of potash in Western Europe declined slightly, on account of the restrictive general agricultural environment; there were still no signs of a recovery in Eastern Europe and Russia, on a continued very low level of consumption.

The market environment of our COMPO activities, with special products for home and garden, as well as for special crops and commercial horticulture, was favourable. The green market in Europe grew by a good 3%. Further concentrations took place on the retail side, while the number of suppliers declined as a result of acquisitions and cooperation agreements.

The nitrogen fertilizer market of relevance for fertiva developed pleasingly altogether in Western Europe in the course of the year. Significant closures of capacity by Western European producers showed their effect. Capacity of approximately 1 million t of nitrogen was closed down in the years 1999 and 2000, representing some 10% of total Western European capacity. The prices, which until then had been inadequate, increased again, and the purchasing restraint exercised by the customers receded. There were delivery bottlenecks from time to time, caused by shortfalls in production at some European producers. The market for single and multi-nutrient nitrogenous fertilizers has settled down in the meantime in a new equilibrium.

Demand in the European salt market remained below our expectations in individual segments. Sales in particular of de-icing salt were lower, on account of the mild weather. The growth potential in the salt



business is generally limited; the consolidation of the EU countries and increasing imports from Eastern Europe and countries outside Europe are intensifying the competitive pressure. This tense market situation has led to concentrations both on the demand and the supplier side, as a result of individual cooperation agreements and acquisitions.

Strong competition continues to prevail in the waste management business. In Germany, the surplus capacity available for the underground reutilization of waste has resulted in considerable price pressure. In the underground waste isolation area, on the other hand, the disposal of fly ashes from household and special refuse incineration plant is a growth sector.

Significant increase in sales

The K+S Group was extremely successful in the financial year 2000. We increased our sales by some 75% to t 2,087.9 million. Most of the sales increase is due to the inclusion of our new COMPO and fertiva business segments, but our classical business also recorded gratifying increases.

Sales in the Potash and Magnesium Products segment increased by 3% to t 963.2 million. The renewed growth of the more profitable special industrial potash products and the more favourable foreign exchange rate of the US-dollar contributed to this.

Sales in the COMPO segment amounted to t 331.6 million and exceeded our expectations. Both the

profitable branded products in the hobby sector and the professional business contributed to this. The innovative ENTEC fertilizers in particular have generated strong demand.

Sales by business segments 2000



	2000 t million	1999 t million
Potash and Magnesium Products	963.2	935.6
COMPO	331.6	-
fertiva	552.2	-
Salt	114.9	147.8
Waste Management and Recycling	76.8	67.2
Services and Trading	49.2	41.3
K+S Group	2,087.9	1,191.9

We achieved our ambitious targets for fertiva with sales of € 552.2 million. This was supported especially in the second half of the year by global improvements in revenues for single-nutrient nitrogenous fertilizers. The overseas business profited in addition by the strong US-dollar.

Sales in the Salt segment were perceptively lower at € 114.9 million, due to the mild weather, because much less de-icing salt was sold than in the previous year.

Our Waste Management and Recycling segment generated record revenues of € 76.8 million. This was mainly due to large volume increases in the repository business and pleasing increases in recycling.

Revenues in the Services and Trading segment increased by 19% to € 49.2 million. The successful development of the business of UBT See- und Hafen-Spedition GmbH Rostock, which was acquired in 2000, was largely responsible for the improved revenues.

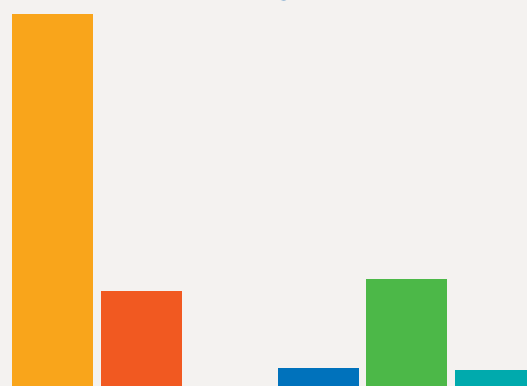
We generated sales of € 1,598.6 million in our European home market, so that some 77% of the total sales were in this region. The German sales included in this figure increased to € 604.0 million. With sales of € 489.3 million in our target overseas markets, we have expanded our strategically important positions.

*Contrary to the previous year, the information on business segments is presented before consolidation. In addition, expenses and revenues that cannot be allocated to the business segments are shown separately. Both effects are reported in the line "transitional amounts" and provide the bridge to the figures for the group. The prior year figures have been adjusted accordingly.

EBIT at record level of € 126.8 million

Earnings before interest and taxes (EBIT) grew by 43% to a new record level of € 126.8 million. The strong growth is mainly due to the contribution to the earnings from the new COMPO activities and the pleasing improvement in the earnings of the Potash and Magnesium Products segment. In addition, EBIT was burdened to a lesser degree than in 1999 by special influences.

EBIT by business segments 2000



	2000 € million	1999 € million
Potash and Magnesium Products	82.8	58.4
COMPO	21.8	-
fertiva	0.3	-
Salt	4.9	18.5
Waste Management and Recycling	24.6	23.8
Services and Trading	4.5	5.2
Transitional amounts*	- 12.1	- 17.4
K+S Group	126.8	88.5



The financial result of t 3.6 million was lower than the previous year's figure. This is due to the lower net interest income, as a consequence of the smaller amount of cash and cash equivalents available following our acquisitions. In addition, write-downs were necessary on short-term securities and financial assets on account of the decline in stock market prices. The strong growth in EBIT however compensated these effects.

Earnings before income taxes of t 130.4 million were 36% higher than last year, thanks to the significant improvement in the operative business. As a result of the partial utilization of previously untaxed equity (old reserves) for the dividend distribution, there is a corporation tax charge in the year under review, in contrast to the previous year. In addition, especially foreign income taxes were incurred, which mainly related to the COMPO companies that were consolidated for the first time.

The net income of the K+S Group went up to t 119.8 million, an improvement of 22% compared with the previous year.

Condensed profit and loss account	2000 t million	1999 t million
Sales	2,087.9	1,191.9
EBIT	126.8	88.5
Financial result	3.6	7.4
Earnings before income taxes	130.4	95.9
Net income	119.8	98.5

Acquisitions open up a further development potential

During the past financial year we once again took major steps towards the selective expansion of our portfolio. At the same time, we intensified our development to a supplier of specialities and innovative branded products.

As of December 31, 2000, we purchased the Gesal plant care programme from Reckitt Benckiser plc, London, and the related sales units in Italy and Switzerland for COMPO. In addition, we have acquired the French company, Algoflash S.A., with retro-active effect from January 1, 2001. The Algoflash Group is a producer of liquid and special mineral fertilizers, garden mould and plant protection products for home and garden. The two acquisitions mean an expansion of our brand portfolio in Europe and offer new opportunities to strengthen our position in the market.

In the Salt segment, we have successfully implemented the expansion of our evaporated salt business with the acquisition of the activities of the Dutch company, Frima, as of August 1, 2000 by our new subsidiary, Frisia Zout B.V. We aim to strengthen our earning power further in 2001 with the establishment of the planned joint venture company with Solvay.

We also acquired UBT See- und Hafen-Spedition GmbH Rostock, which is engaged in the seaport forwarding and shipping agency field, for the Services and Trading segment. The volumes to be transported are handled through the Baltic ports of Rostock, Wismar, Stralsund and Stettin. This acquisition is a sensible augmentation of our logistics business both regionally and as regards our performance spectrum.

At the end of 2000, we acquired an investment in Bio-Data GmbH, an analysis company, whose registered office is in Linden near Giessen. This has strengthened our presence in the market for analysis services and exploited new know-how.

Increase in DVFA earnings

DVFA earnings amounted to t 69.8 million.

Corrections totalling t 50.0 million had to be charged compared with the net income reported in accordance with the German Commercial Code (HGB) in order to arrive at the DVFA earnings, of which t 40.9 million alone resulted from a fictitious tax charge, which would have arisen without using tax-loss carry-forwards.

DVFA earnings	2000 t million	1999 t million
Net income	119.8	98.5
Deferred tax adjustments	– 40.9	– 38.0
Amortization of goodwill	– 5.6	–
Income from release of balance arising from capital consolidation	– 17.4	– 18.6
Special depreciation on tangible fixed assets	14.4	13.2
Other adjustments	– 0.5	8.4
DVFA earnings	69.8	63.5
DVFA earnings per share in t	1.58	1.32
Net income per share in t	2.72	2.04

Further improvement in yields

The high earning power of the K+S Group is also clear from the yields generated in the year under review.

Our return on equity after taxes amounted to 22.6%, a renewed sharp improvement of 4.2 percentage points compared with the previous year. The return on total investment before income taxes increased by 1.0 percentage point to 9.0%.

Healthy net assets and capital structure

Despite higher capital expenditures, the share of fixed assets in the balance sheet total fell slightly compared with the previous year from 42% to 40%. This is due in the main to the inclusion of the COMPO companies, in whose net assets structure the current assets predominate. Equity financing continues to be very high; the ratio of equity to fixed assets is at the previous year's high level. The equity ratio (as per balance sheet) has fallen to 28% as a result of the withdrawal of our own shares in May 2000.

Gross cash flow improved to t 241.4 million

The gross cash flow generated by the K+S Group amounted to t 241.4 million. This is an increase of t 13.1 million compared with the previous year.

The even stronger improvement of t 42.6 million in cash provided from operating activities to t 284.8 million is due in particular to the changes in working capital because of the inclusion of COMPO and fertiva. At the same time, the increase in short-term provisions and liabilities exceeded the increase in inventories and receivables.

Cash flow statement	2000 t million	1999 t million
Net income	119.8	98.5
Gross cash flow	241.4	228.3
Cash provided from operating activities	284.8	242.2
Cash used in investing activities	– 230.7	– 278.7
Cash used in financing activities	– 86.8	– 17.9
Change in cash and cash equivalents	– 34.0	– 56.1



Cash used in investing activities was lower than in the previous year, despite the higher investments in intangible and tangible fixed assets. This is due to the lower expenditure on financial assets and for the acquisition of consolidated companies. Altogether, both the high capital expenditures and spending on acquisitions were financed completely out of the cash provided by operating activities, so that a free cash flow of t 54.1 million remained.

Cash used in financing activities was affected to the tune of t 69.4 million by the withdrawal of our own shares in May 2000. The dividend paid in the year 2000 accounted for t 25.6 million.

Higher capital expenditures in 2000

The K+S Group invested t 123.7 million in tangible fixed assets in the year 2000. The increase of t 23.0 million compared with the previous year is mainly due to two major projects, the construction of the new production facility for magnesium sulfate (“Kieserite production”) at the Sigmundshall plant and the erection of the new head office building in Kassel. In addition, part of the increased investment activity is attributable to the newly included COMPO segment.

In the Potash and Magnesium Products segment, rapid progress was made on the “Kieserite production” project, which had already commenced in 1999. Operations will probably start in the middle of the current year. The new production facility will help to

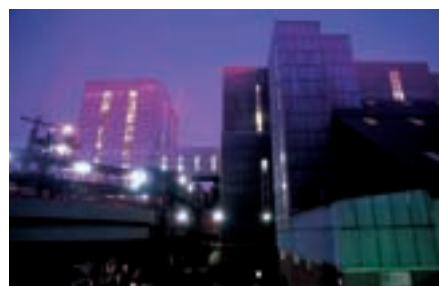
satisfy the expected high demand from the market for ESTA-Kieserite. Over and above this, special attention was directed towards the modernisation and expansion of the production plants. Thanks to the systematic elimination of technical bottlenecks in the production, the production possibilities of potassium chloride for industrial applications have been markedly improved.

The main emphasis in the COMPO segment was on securing and extending the production capacity for our special mineral fertilizer. We want with this investment to serve the growing demand for ENTEC fertilizers also in the longer term.

The capital expenditures in the Salt segment concentrated on rationalisation of the production and improving the performance. In addition, a comprehensive programme for the optimisation of the packing line for table and dishwasher salt was realised at the Bernburg site.

The Waste Management and Recycling segment has considerably strengthened and expanded its position in the market with a large number of improvements. Innovative process solutions are of considerable importance for the continuous further development of our technical plant.

The majority of the investments in the Services and Trading segment were carried out at the IT company, data process GmbH, which was established in 1999.



Considerably higher proposed dividend

K+S Aktiengesellschaft, as the parent company of the K+S Group, generated net income of € 59.6 million in 2000 (1999: € 49.6 million). This result includes an interim dividend of € 60.0 million (1999: € 35.8 million) from Kali und Salz GmbH.

On the basis of retained profits of € 26.1 million and taking into account a dividend payment of € 25.6 million for the previous year, net income of € 0.9 million was transferred to the revenue reserves and € 20.9 million to the reserve for own shares, so that an unappropriated profit of € 38.3 million remains.

On account of the better earnings, we want to pay a much higher dividend to our shareholders and therefore propose to the Annual Meeting of the shareholders that a dividend of € 0.85 per share entitled to participate in dividends be paid. This is accordingly associated at the same time for our domestic shareholders with a corporation tax credit of € 0.29 per share, while foreign shareholders will receive a tax credit of € 0.17 per share on application. This distribution would result in the complete exhaustion of the equity burdened with corporation tax (EK 45).

Condensed version of the financial statements of K+S Aktiengesellschaft

Profit and loss account	2000 € million	1999 € million
Sales	54.6	49.3
Earnings before income taxes	64.6	46.1
Income taxes	5.0	– 3.5
Net income	59.6	49.6

Balance sheet	2000 € million	1999 € million
Tangible / intangible fixed assets	26.3	19.6
Financial assets	493.8	334.4
Fixed assets	520.1	354.0
Inventories and receivables	88.1	199.1
Cash and cash equivalents	107.4	135.9
Current assets	195.5	335.0
Assets	715.6	689.0
Equity*	231.8	265.8
Provisions*	206.8	195.4
Liabilities	277.0	227.8
Equity and liabilities	715.6	689.0

* including portion of special reserves

The complete version of the financial statements of the K+S Aktiengesellschaft, on which the auditors have rendered an unqualified opinion, will be published in the Bundesanzeiger and filed with the Commercial Register in Kassel. Copies may be obtained from K+S Aktiengesellschaft.



Our employees – a strong team

The number of employees in the K+S Group increased as of December 31, 2000 by 226 to 9,402. The increase is primarily due to the expansion of the scope of the consolidation, in particular because of the inclusion of the foreign COMPO companies and Frisia Zout B.V.

The personnel expenses of the K+S Group increased compared with the previous year by € 64.7 million to € 475.1 million. This increase is due largely to the acquisition of the new companies.

We once again allowed our employees to participate in the success of the company in 2000. The annual bonus was increased by 10 percentage points to 150% of a monthly salary. In addition, the staff were able to acquire employee shares at an attractive discount. Altogether some 60% of the employees took advantage of this offer. After three years, these employees will in addition receive one loyalty-share for every ten K+S shares purchased and held until then, on a non-recurring basis.

Executive staff in the top management levels of K+S Aktiengesellschaft and Kali und Salz GmbH are participating from 2000 onwards in a new remuneration system. The profit and performance-based portion of the total remuneration has been increased and linked to key ratios on the development of the company and the meeting of agreed targets.

Members of the Board of Executive Directors and the top management of the K+S Group were also offered in 2000 the opportunity to participate in the existing stock option programme.

A collective agreement on pre-pension part-time work was concluded for the employees of K+S Aktiengesellschaft and Kali und Salz GmbH. One hundred and fifty employees had already signed such agreements by December 31, 2000. The so called block model was agreed with these employees, under which they will work fulltime during the first half of the time remaining before they leave the company, while they will be released from work during the second half of this period. Pre-pension part-time work enables employees to take retirement pensions earlier. We intend to occupy the positions that become free in particular with young, qualified staff.

We intensified our vocational training activities further in 2000; the 479 trainees (1999: 473) who are training for 15 different qualifications, are an expression of our special commitment. Our participation in new cooperation agreements on occupational training also reflects our social responsibility to offer a promising selection of vocational training opportunities. The trainee ratio of 5.1% is at the previous year's high level (5.2%).



Research and development strengthened

Our research and development work (R&D) focuses on three aims:

- to develop our wide range of field and special fertilizers in a customer and market-oriented manner;
- to examine our extraction, productions and packaging procedures constantly for innovative means of improving our efficiency and optimising our processes;
- to ensure the efficient control and further development of the safety facilities in the cavities that have been created.

In addition to our own technical facilities, we also make use in selected cases of research and development capacity at BASF for our research. In addition, projects have been set up in a large number of cooperation agreements with universities and technical colleges for the solution of specific problems, whose results provide the basis for our own R&D activities. The research costs amounted altogether to ₣ 14.8 million (1999: ₣ 8.3 million).

In the Potash and Magnesium Products segment, the provision of applications advice to the farmers represents an important component of our service offering to customers throughout the world.

In this connection, the development of fertilization recommendations for the nutrients, potassium, magnesium and sulfur, on the basis of fertilization experiments for specific regions are in the foreground. The successful product development of special foliar fertilizers in the form of magnesium sulfate with trace elements is continuing. Newly developed potassium sulfate fertilizers are currently being tested in field trials.

We also made important progress in the search for alternative conditioning substances during the year under review in the for us very important electrostatic separation process (ESTA). In addition, a test separator for the separation of dusts was brought into operation. We tested new reagents in order to improve the flotation process; the flotation process at the Sigmundshall potash plant was got ready for the processing of Kieserite, which will start in 2001. We have made further improvements to the processes in our Kieserite production plant.

In the COMPO segment, the favourable effect of the ENTEC fertilizers newly introduced to the market for the most diverse crops was demonstrated in a large number of field trials. The new recipes for the manufacture of a special fertilizer, which will remain effective over a long period of time, also produced very good results, which will ensure the controlled, slow release of the nutrients.



Environmental protection always under consideration

The permanent protection and preservation of our environment is a significant component of a constantly renewable contract between the generations. K+S follows this principle at its domestic and foreign sites.

We support with great commitment the international efforts to reduce the consumption of fossil fuels and of the anthropogenic greenhouse effect. Energy-consuming potash plants, which generate their requirements for electricity and steam with the highly efficient co-generation system, are participating in the self-obligation of German industry to preserve the climate. The results of our efforts are published each year in a climate protection report, which, following an independent audit, is presented to the federal government.

The quantity of brine included in waste water has been considerably reduced as a result of wide-ranging capital expenditures at our Werra plant. Earlier fluctuations in the level of brine are avoided by a control system for the waste water entering the rivers, which involves all the sites. As a result, the eco-systems in the waters of the River Werra and the River Weser have been considerably improved.

Quality management extended

The certified quality management systems in our group of companies were further unified in 2000. A major certified area has been added with COMPO. All the remaining certificates were prolonged or their continued existence confirmed.

We are introducing a validation system for the production of extremely pure pharmaceutical salts. In addition, a number of technical measures were implemented in order to fulfil the Good Manufacturing Practice guidelines. A corresponding programme has also been resolved for pharmaceutical magnesium sulfate. We are therefore ideally prepared for the planned more stringent legal regulations in the EU.

We will also endeavour, with the help of our quality management system, to be an even more competent partner for our customers in the future.



Further optimisation of logistics

The annual volume of transport to be organised by us amounts worldwide to some 25 million t. K+S therefore possesses comprehensive logistics know-how. Our primary aims are to increase our efficiency and improve the economy in operation.

The contract concluded in May 2000 with the Deutsche-Bahn subsidiary, DB Cargo, on the optimised handling of transport by means of a shuttle service was of particular significance. K+S will in future send more than a third of its potash shipments by rail. The contract offers K+S and DB Cargo equal opportunities for significant cost reductions through the joint optimisation of the operational processes and the utilization of routes and wagons.

Selective introduction of e-commerce

We are getting into e-commerce step by step. Individual components are being introduced as quickly as possible and as thoroughly as necessary in the purchasing and procurement areas, with which we can achieve successes:

- carrying out of Internet auctions,
- purchasing on online-marketplaces and the utilization of various tendering platforms.

Online auctions are in the meantime the regular means employed by K+S for determining the prices of demanding material goods and services, and electronic marketplaces are an established element of our daily business. We today process more than 10% of our order volume online or online-supported. We intend to exploit the advantages that can result from the online marketplace and to expand our electronic procurement processes accordingly.

Risk report

Our risk management system ensures the timely identification and communication of all relevant opportunities and risks, to enable us to react quickly and appropriately to future developments. The newly acquired companies are being integrated rapidly and efficiently in our risk management system. The instruments with which we recognise and restrict risks are adequately tailored to the varying risk fields. We reflect the possible repercussions in our uniform group planning systems.

The plant in use in the production areas below and above the ground is characterised by high technical complexity and cross-linkage. Our comprehensive monitoring, investigation and control systems provide us with the necessary information, so that we can



recognise possible operating risks in good time. The purpose of this is to avoid the breakdown of individual technical components, which could considerably impair the production. In the areas of the extraction and separation of raw salts, the operating processes and structures are covered in addition by statutory rules, which severely restrict the possible mining risks by means of a large number of regulations and requirements.

We endeavour to counter the possible risks in good time and comprehensively with manifold regular analyses of the demand, supply and competitive situation. The acquisition of the new companies, COMPO and fertiva, has provided the K+S Group with a broader basis in the face of possible market risks. Our political and legal environment is subject to constant change. We are endeavouring to create the appropriate framework conditions for us through intensive dialogue with the respective institutions. Special influences result from reforms of the EU's agricultural policy and the anti-dumping-regulation for potash fertilizers. It is not possible at the present time to estimate how the amended agricultural policy will affect German sales of fertilizers.

We limit foreign exchange risks, especially in relation to the US-dollar and british pound, by hedging deals.

The derivative financial instruments used in this connection only hedge the basis transactions. In the management of these risks, responsibilities, the types of derivatives permitted and the controls are precisely defined. Payment defaults due to economic and political reasons in the non-OECD area are completely covered by federal government flat-rate export guarantees; payment defaults in Germany and foreign OECD countries are covered by credit insurances with Hermes.

As far as we are aware, there are no risks that could threaten the continued existence of the K+S Group. In view of our financial substance and strategic orientation, we are well armed to overcome possible negative developments in the future.



Promising outlook for 2001

In our opinion, the overall economic development in our core market Europe will continue, apart from the uncertainties on the energy market, to be marked by a basic environment offering us in some cases tremendous opportunities.

We believe that overall demand in the global potash market is favourable. Medium-term growth will amount to a good 2% per year.

Demand in the European fertilizer market will soften slightly over the next few years, but will be maintained for us at a continued high, attractive level. The anti-dumping regulations imposed in May 2000 for potassium chloride will be of great importance for the achievement of our sales and revenue targets. Political decisions by the EU on the one hand and growing demand for foodstuffs on the other hand are in part contrary trends. We shall have to wait and see in individual overseas markets whether residual deliveries from the previous year result in delayed orders in the first half of 2001.

We are expecting intensified competition both in the hobby and in the professional area for the COMPO business in the coming year, in a market that will grow by a good 3%. We are well prepared to face this competition and confident, on account of our good

starting-off position with regard to the product range and customer ties, of being able to meet our targets, which are higher than the market growth. We will also achieve large increases with our innovative ENTEC fertilizers in 2001. We see further sales and revenue opportunities also through acquisitions, cooperation agreements and the selective regional expansion of the business.

We believe that the general environment in the nitrogen market is fundamentally more favourable for the current year than last year. fertiva's business should benefit from this. We also expect a largely balanced equilibrium between supply and demand in Western Europe in 2001, with fair competitive conditions. Strategically the main emphasis of our activities will be on customers in Western Europe and in target markets overseas with attractive earnings potential. We will substantiate our leadership in the world market for ammonium sulfate.

Our salt business in the industrial area will grow with the help of Frisia Zout B.V. The planned joint venture with Solvay will be a further step towards the strengthening of the salt business. The very broad assortment of the planned new company and the special proximity to the European customers should strengthen our position in the market.



The German waste management business will also be under competitive pressure in 2001, since capacities for the disposal of waste above and under the ground considerably exceed the available volume of waste. We will however also succeed in holding our own in this market in the future and will selectively exploit the technical and economic advantages of our underground waste repository sites. In addition, we will significantly intensify our customer-oriented activities in neighbouring European countries.

We expect the positive business trends in our Service and Trading activities to continue in 2001. Following the expansion of our activities in 2000 in the field of seaport forwarding and ships' agency and clearance, we expect increases in particular in the logistics area.

On account of the high dollar exchange rate, especially at the end of 2000, we already last year hedged the majority of our expected US-dollar receipts for the 2001 at attractive rates of exchange; this will have a favourable effect on this year's earnings.

We are optimistic that we will once again be able to increase our earning power in 2001.

Future-related statements

This annual report includes information and statements relating to the future development of the K+S Group and its companies. The forecasts represent estimations, which we have made on the basis of all the information available to us at the present time. Should the assumptions on which these forecasts are based fail to materialise, the actual results could vary from the results expected at the present time.

Segments



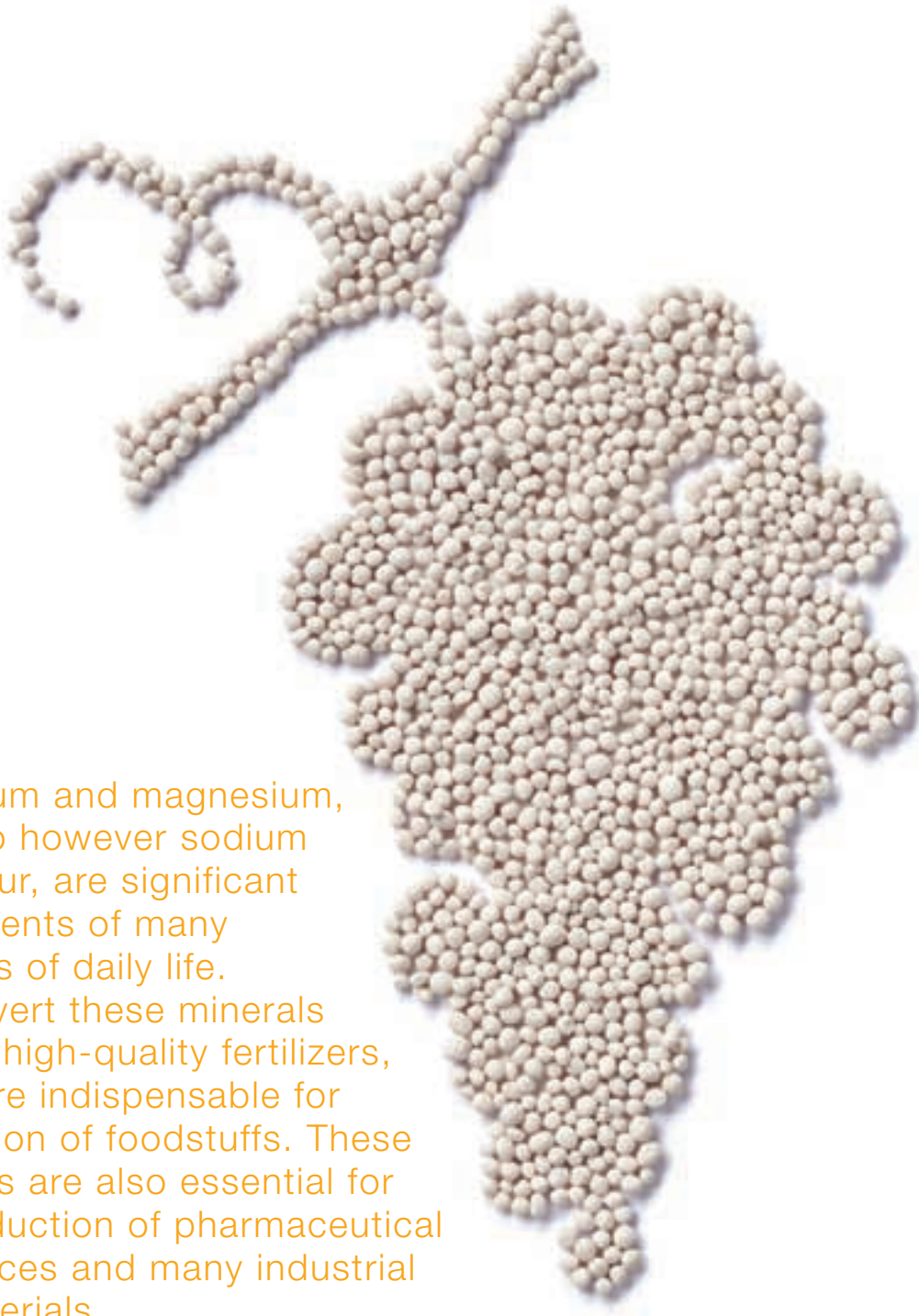
The K+S Group has six comprehensively cross-linked business segments. The segments work hand in hand and are closely interconnected, technically and economically. For instance, the Waste Management and Recycling segment uses the underground cavities created by the Potash and Magnesium Products and Salt segments. The COMPO and fertiva segments purchase products from the Potash and Magnesium Products segment, in order to manufacture from them high-quality branded products and multi-nutrient fertilizers.

The five operative segments profit from the offering of the Services and

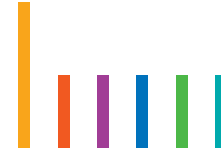


Trading segment, especially for logistics and data processing. Segments also make mutual use of the respective market competence of other segments. They therefore come together to form a group of companies, which can cover the requirements comprehensively and in a future-oriented manner with their manifold offering of services and their broad product range.

We support and encourage this entrepreneurial cross-linking by target-oriented management, active management of knowledge and selective acquisition and cooperation policies.



Potassium and magnesium, and also however sodium and sulfur, are significant components of many products of daily life. We convert these minerals into the high-quality fertilizers, which are indispensable for production of foodstuffs. These elements are also essential for the production of pharmaceutical substances and many industrial raw materials.



Potash and Magnesium Products

The Potash and Magnesium Products segment combines the production and marketing of a diversified range of potash fertilizers and fertilizer specialties, as well as potash and magnesium compounds for technical, commercial and pharmaceutical applications. The raw materials are extracted at six locations and processed by various separation techniques and the combination of varying additives into high-quality products.

Development of the business in 2000

We have a good 13% of the world potash market and are the market leader in Europe by a considerable margin. We have succeeded in further extending our position as the world market leader for fertilizers containing magnesium. Accordingly we have also managed to maintain our position in the year 2000.

We delivered a total of 7.5 million t of potash and magnesium products in the financial year ended December 31, 2000 to our customers in agriculture and industry, and thus fell only slightly short of the previous year's high volume. The sales increased by 3% to t 963.2 million in particular due to a changed product mix and favourable foreign exchange parities.

Position in the fertilizer business maintained

Although we fell slightly short of the previous year's figure in the fertilizer business, we maintained our position in this important market for us with potash and magnesium fertilizer sales of 6.5 million t.

The increase in sales of potassium chloride is due to price increases and exchange rate effects. In Europe, demand for potash fertilizers destined directly for agriculture were at a high level in the first half of the year. Increasing demand from the European multi-nutrient fertilizer industry also had a favourable effect on our business.

In May 2000, the EU commission extended the existing anti-dumping rules in a modified form to potassium chloride imports from Russia, Belorussia and the Ukraine. This has ensured important framework conditions for fair competition in the EU until further notice.

Key figures		2000	1999
Sales	t million	963.2	935.6
EBIT	t million	82.8	58.4
Capital expenditures	t million	93.8	81.3
Employees as of 31.12.	number	6,956	7,146

Prior year figures adjusted (see page 60)

Segment

Potash and Magnesium Products



We have strengthened and in some cases expanded our position in the overseas markets. The price level in the overseas business improved in the second half of the year.

Sales of potassium sulfate did not reach the previous year's level. The further increase in their own production of potassium sulfate in China and the altogether higher production offering intensified the competitive pressure. On the demand side, the further decline in the cultivation of tobacco had a negative effect, because the tobacco plant is an important target crop for potassium sulfate. In spite of these poorer framework conditions, we were largely able to impose our targets and secure our market position.

The business with potash special grades (Korn-Kali, Patentkali and Magnesia-Kainit) did not quite reach the previous year's level because of the lower use of Magnesia-Kainit in green land fertilization. Despite the continued tense economic situation of agriculture in the EU, which is the main market for our special potash grades, we succeeded in increasing the sales volume of Korn-Kali. We were however unable to quite repeat the very high Patentkali volumes of the year 1999. The sales developed largely parallel to the development of the volumes.

Our sales volume of ESTA-Kieserite for agricultural customers reached the previous year's level. The importance of ESTA-Kieserite "gran" as a magnesium and sulfur fertilizer is increasing continuously both in European agriculture and in certain overseas markets. As a result of the switch in favour of the higher priced granulated form, we achieved much higher sales than in the previous year.

The advantages of Thomaskali, a phosphate fertilizer, were presented anew in 2000 with a comprehensive advertising campaign. A changed price and rebate system also contributed to the increase in sales volumes and revenues.

The necessity is emerging to an increasing degree in agriculture for the application of Bittersalz (Epsom salts) in order to exploit yield potentials and to cover the demand of the crops for magnesium and sulfur in line with the requirements. We have successfully introduced to the market the special foliar fertilizer Bittersalz "microtop", which combines the Bittersalz magnesium fertilizer with the trace elements, boron and manganese. The results from the manifold fertilizer field trials confirm the outstanding fertilizer effect of this combination of nutrients.



Industrial products with pleasing growth

The business with potash and magnesium compounds for technical, commercial and pharmaceutical purposes is characterised by pleasing growth. The favourable economic developments in industrial chemistry, increased deliveries to customers in the cellulose, pharmaceuticals and consumer goods industries, and the quantities no longer available from the French supplier, following the discontinuation of production there, account for the 14% increase in the sales volume to 1.0 million t.

With our main product, potassium chloride 99%, we have further developed our strong position in the core European market and have also achieved the largest growth here. We have carried out a number of measures to expand our capacity, to enable us to cover the growing demand over the next few years. The business with extremely pure salts for the pharmaceutical and foodstuff industries also developed pleasingly.

Sales of magnesium compounds increased significantly because of increased demands from the cellulose and detergent industries as well as from manufacturers of plastics. Sales volumes of magnesium chloride solution to industrial customers were unchanged.

Outlook

Demand in the European fertilizer market will soften slightly over the next few years. In the medium term, we expect an increasing quantity and price trend for potassium chloride from the overseas markets. The market and price situation for potassium sulfate will probably remain tense for some time, due to the current excess supply.

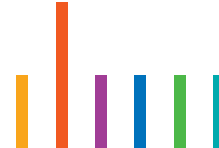
We regard the market opportunities for our ESTA-Kieserite as favourable in the long term. Increasing demand for sulfur as a plant nutrient in agriculture provides good sales opportunities for this special fertilizer also in Europe. We intend, as a result of the construction of our new production plant at Sigmundshall, to exploit this trend and further strengthen our position in the market.

We expect further increases in consumption of our industrial products on account of the continuing good economic state of the chemical industry.

Our strategy for the Potash and Magnesium Products segment of concentration on the European core market, the important deliveries to selected overseas regions and the expansion of the profitable business with specialities will also enable us maintain our leading position in these markets in the future.

We are keeping our promise to the customers day for day with quality products. COMPO, enjoyment of plants for hobby gardeners. COMPO, competence in the fertilization of sport lawn and special crops as well as in agricultural production.





COMPO

The COMPO segment offers a broad range of branded products for the leisure or hobby area and special fertilizers for horticulture and agriculture (the professional field). The products are manufactured close to the customers at several production locations.

COMPO has its own production location for special fertilizers containing sulfate in Krefeld and in addition purchases its specific fertilizer assortment from the BASF plants in Antwerp and Ludwigshafen.

Market leader in Western Europe

COMPO has taken over the market leadership in Western Europe in recent years with its innovative fertilizers. We have built up a distribution network covering most of Europe in order to ensure this market success in the long term. The bases for the success of COMPO are the know-how in marketing and distribution, the excellent image of the umbrella brand, COMPO, and the high innovation strength.

COMPO succeeded in 2000 in building up its market positions in Europe further both in the hobby and the professional areas. The growth rates achieved compared with the previous year were significantly higher than the market growth of some 3%.

Key figures		2000	1999
Sales	t million	331.6	–
EBIT	t million	21.8	–
Capital expenditures	t million	5.2	–
Employees as of 31.12.	number	810	–

Growth in the hobby business

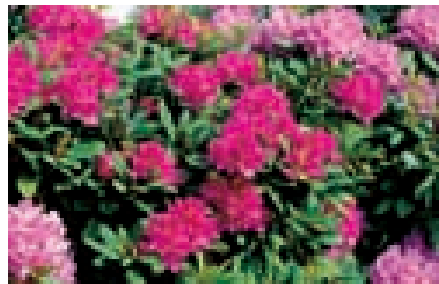
The sales growth in the sport, leisure and hobby business is due in particular to increased quantities in the key German and French markets. The sales also developed pleasingly in the other countries. A remarkable fact is that more than two-thirds of the growth was in the branded business. In addition, we have transferred successful innovations from the professional field consequently to the private enduser business.

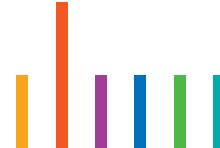
The special successes of COMPO are confirmed by the current surveys by the GfK consumer research association: For instance, in the year 2000 COMPO Blaukorn Nitrophoska perfekt was the most successful mineral fertilizer in 5 and 10-kg bags, COMPO SANA 1.3 l Blumendünger was similarly the No. 1 fertilizer for flowers and we were the market leaders for special fertilizers with COMPO Rose and Rhododendron Fertilizer and Strawberry and Tomato Fertilizer. COMPO SANA Blumenerde is and remains the Number 1 under the flower mould brands.

Our efforts in the areas of product and packaging innovations were once more recognised by various awards. In November we received the “WORLD-STAR 2000 FOR PACKAGING” award for the safety flacon introduced to the market in France under the brand name SEM. This innovation received a prize because pesticides can be dosed precisely with the help of the safety flacon. The French COMPO Horticulture et Jardin had already received the “Oscar de l’Emballage IFEC 1999” in the national competition and later the “EUROSTAR FOR PACKAGING 1999” award for this new kind of dosing system. We will also transfer similar dosing systems to other parts of our product range.

Professional business better than expected

The new ENTEC fertilizers made a vital contribution to the positive development of the professional business. The products marketed under the ENTEC trade name include an ammonium stabiliser developed in research work over a number of years, which ensures





a more efficient supply of the crops with nitrogen and at the same time high yields and advantages from the point of view of economical working for the businesses and farms. Our sales expectations for the year 2000 were considerably exceeded.

Acquisition of Gesal will strengthen the brands portfolio

We acquired the Gesal plant care programme and the associated sales units in Italy and Switzerland from Reckitt Benckiser plc, London, as of December 31, 2000. The new product range comprises liquid fertilizers, garden fertilizers and pesticides, which are sold under the Gesal, Plantavit and Belflora brand names in other European countries. Gesal has a strong position in the market, especially in Switzerland and Italy, and is also very familiar in the other target markets of Spain, France and Denmark. This acquisition will broaden our portfolio of brands in the leisure and hobby area.

Outlook

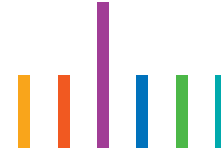
Our opportunities in the hobby business lie in an even stronger internationalisation, the continuous development and introduction of innovations and the expansion of private brands in order to support the brand business. In the professional business, promotion of the ENTEC fertilizers will be a special focus of our growth strategy.

We have once again considerably strengthened our activities in Europe with the acquisition of the French company, Algoflash S.A., as of January 1, 2001. We expect the acquisition of the Gesal activities and Algoflash S.A. to result in sales growth of some € 65 million in 2001. Moreover, we can see a number of potential synergies, which we intend to exploit consequently through the manifold optimisation of the various processes across Europe. As well as stronger presence in the market with a further fertilizer production and new flower fertilizer locations, COMPO will have even more efficient logistics at its disposal, and will thus further improve its proximity to the customers and ability to deliver.





The rapid increase in world population will depend on mineral fertilizers for the coverage of its food requirements. The new fertiva segment is responsible for the worldwide marketing of high-quality nitrogenous fertilizers.



fertiva

The marketing and sales activities for nitrogenous fertilizers are bundled in our new fertiva segment. fertiva GmbH commenced operations at the beginning of 2000 under the umbrella of the K+S Group and has already become optimally established as the new market partner. Worldwide operating at the same time as high flexibility and much more distinguish fertiva.

A leading Western European supplier

fertiva's business can be broken down between the product areas nitrogenous multi-nutrient fertilizers, nitrogen single-nutrient fertilizers and ammonium sulfate.

With a market share von 10%, fertiva is one of Western Europe's leading suppliers of nitrogenous fertilizers. fertiva markets nitrogenous field fertilizers produced exclusively for fertiva by the BASF Group;

in addition, fertiva purchases from other well-known Western European manufacturers, so that our customers benefit from a very high-quality offering of products and services. About 75% of the sales are generated in Europe, while the remaining 25% are mainly in Asia and Latin America.

The general environment of the nitrogen market improved in the course of the year, thanks to the closure of plants by some producers in Western Europe. The sales increased significantly in recent months as a result of the better equilibrium in the market. In this connection, the increase in sales of nitrogen single-nutrient fertilizers was higher than for multi-nutrient fertilizers. The higher US-dollar exchange rate has a favourable effect on our t-revenues from overseas exports.

Key figures		2000	1999
Sales	t million	552.2	–
EBIT	t million	0.3	–
Capital expenditures	t million	–	–
Employees as of 31.12.	number	50	–

Pleasing growth of multi-nutrient fertilizers (MND)

MND include, in addition to nitrogen, at least one of the other two main nutrients, phosphate and potash. fertiva supplies these fertilizers with worldwide familiar quality characteristics. In addition to the standard formulas, combinations of nutrients tailored to specific customers, crops and regions are also available.

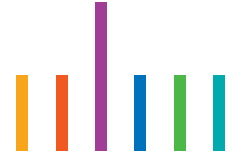
The main brand is the global brand Nitrophoska, with approximately 50 different formulas. About 75% of this product goes to agriculture in Europe, and the remaining 25% is exported overseas. We recorded pleasing increases in the year under review.

Nitrogen single-nutrient fertilizers (NED)/ ammonium sulfate (AS)

Calcium ammonium saltpetre, ammonium nitrate and ammonium sulfate saltpetre are the main products of our NED range. About 95% are delivered to the European farm industry.

AS is a nitrogen fertilizer with the nutrient sulfur, which is used for direct application in agriculture or as a raw material for the manufacture of other kinds of fertilizers. Ammonium sulfate is a by-product of the production of caprolactam. The quantities available are therefore directly linked to the state of the caprolactam industry or its plastic follow-up products. fertiva is one of the world's leading suppliers of ammonium sulfate.





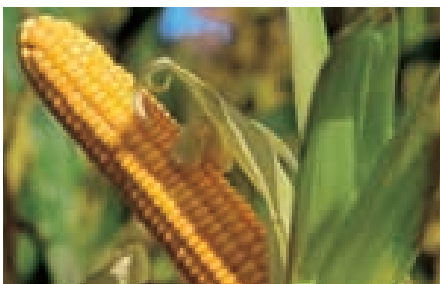
New sales structure

During the course of the year 2000, fertiva streamlined and partially restructured its sales system abroad. In mid-year, own sales platforms for Southeast Asia and Latin America were created with the establishment of fertiva Asia Pacific Pte. Ltd., Singapore, and fertiva latinoamericana S.R.L., Argentina. The organisational changes started in France and Belgium will come into full effect in the course of the year 2001.

In addition, major savings in the logistics and fixed costs will result from an efficient control of the processes and product flows in the partly new defined target markets.

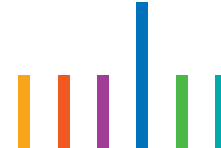
Outlook

The healthy nutrition of the world population faces the entire farm industry and therefore also fertiva with ever greater challenges. We should like to make an optimum contribution to overcoming the increasing demands in the coming years. Together with our customers and partners in agriculture, we want to succeed in ensuring that economical and sustained cultivation of agricultural crops will also be possible in the future. We are aware that, in addition to outstanding products and services, intensive and personal relationships with our customers and partners not only provide the foundations for long-term commitments but are also an indispensable precondition for the mutual future success of all the participants in the foodchain.



Salt: also irreplaceable in our modern world. We encounter it consciously or unconsciously in almost all areas of life. It is used for seasoning, colouring and disinfecting, for the safety of the traffic, and is an ingredient of glass, paper and plastics or participates in their manufacture. Salt is simply everywhere where there is life, and K+S is there too.





Salt

Our broad, high-quality product range of rock and evaporated salts also complies with the special needs of end-consumers and industrial users in the most varied branches of industry. During the year under review, we strategically expanded our salt portfolio with an acquisition.

Purchase of the activities of the Dutch company, Frima

As of August 1, 2000, our newly established subsidiary Frisia Zout B.V. in Harlingen (Holland), took over the activities of Frima. Frisia Zout B.V. extracts brine from a rock salt deposit by the solution mining

process, which is primarily further processed as evaporated salt for the chemical industry and into table salts and industrial salts.

The evaporated salt plant, which came into operation in 1996, has an annual production capacity of approximately 1 million t. The plant is located directly in the port of Harlingen and therefore has an extremely cheap link to sea and inland water routes in Western and Northern Europe. Frisia Zout B.V. is an outstanding augmentation of our product range, and extends our international business basis, especially in Northwest Europe.

Key figures		2000	1999
Sales	t million	114.9	147.8
EBIT	t million	4.9	18.6
Capital expenditures	t million	6.8	7.8
Employees as of 31.12.	number	695	649

Prior year figures adjusted (see page 60)

Positions in the market strengthened

The high quality standard of our products and the market-oriented delivery programme are important components for our position in the market as one of the leading suppliers in Europe. In Germany, we have succeeded with our customer-oriented policies in consolidating and in certain segments also in expanding our positions. In the export business, we are concentrating for economic reasons on the logistically favourably located markets in Northern, Western and Central Europe. We supply small quantities of table salts and special products overseas in interesting niche segments. Price levels in Europe were on the whole satisfactory; but in some cases we also had to adopt an active pricing policy in order to secure the quantities.

Development of the business in 2000

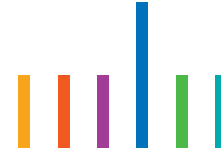
Sales in the Salt segment fell compared with the previous year by 22% to t 114.9 million. This was due entirely to the lower level of deliveries of de-icing salt on account of the mild weather.

Our sales of table salt increased pleasingly compared with the previous year. These include consumer packs for the end-users and table and pickling salts for the food industry. We produce the vast majority of these products in high-quality evaporated salt qualities. These products are also supplied with added iodine and fluoride, the use of which is recommended by the World Health Organization. In addition to the caries prophylaxis, this at the same time makes a valuable contribution to the prevention of iodine deficiency illnesses.

We also succeeded in increasing our sales of commercial salts for water softening and tablet, compact and dishwasher salts.

We have considerably strengthened our position for industrial salts for the chemical industry with Frisia Zout B.V. The business developed in line with our expectations. The deliveries of industrial salts round off our product offering and create a broader business basis.





The de-icing salt business was much weaker than in the previous year. The main application area for our various de-icing products is winter road services. These aim to ensure passable and safe roads in as short a time as possible with a minimum of de-icing salt. This is achieved by using the modern damp salt technique. Damp salt has a rapid thawing effect and adheres better to the surface of the road. As a consequence, the quantities of salt required can be considerably reduced and applied ecologically. Private households are supplied via the retail trade with our small bags of de-icing salt called “antirutsch”.

A further branch of the business is the extraction of sodium chloride brine. In addition to our own needs, we supply customers in the chemical industry via pipelines. Deliveries of brine increased compared with the previous year. On account of the mild winter weather, our storage and transshipment business did not quite reach the previous year's level.

Outlook

We expect higher sales of de-icing salt in the new business year as a result of the weather at the beginning of 2001. In the remaining product areas, our market-oriented product range and the strength of our deliveries and services will ensure our success in the market, despite the unchanged strong competitive situation in Europe.

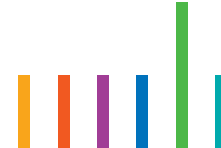
Cost reduction measures and market-oriented capital expenditure projects will be in the foreground, to ensure the maintenance of our earning power.

Our activities in the year 2001 will focus especially on the establishment of the joint venture with Solvay S.A. We intend in this connection to exploit the manifold synergy potentials in production, logistics and administration.





The protection of the environment is to an increasing degree a challenge to society in all areas of life. Our intelligent waste management and recycling systems provide outstanding solutions to these problems.



Waste Management and Recycling

Our main business activities are the underground reutilization and disposal of waste, and special recycling services. The continuous expansion of our offering and the acknowledged high quality and safety standards are important success factors for our outstanding position on the European waste management market. K+S is one of the technologically most experienced and acknowledged complete suppliers of underground waste disposal with a long-term safety guarantee in Europe, and a supplier of tailored recycling solutions for our customers.

Position in the market expanded

We once again succeeded in 2000 in increasing the business volume of waste management and recycling services. The volume of waste disposed underground

increased by 12% to 481,600 t. We have maintained our position as the German market leader in the strong growing segment of the disposal of fly ashes. We have also considerably expanded the business in the recycling of aluminium smelting salts and building rubble.

Our foreign activities are concentrated in the European countries of Switzerland, Italy, Austria and France. We have strengthened our presence in the Swiss market through the foundation of the subsidiary, K+S Entsorgung (Schweiz) AG. We see opportunities in Switzerland in particular in the disposal of furnace residues and regional environmental contamination projects.

Key figures		2000	1999
Sales	t million	76.8	67.2
EBIT	t million	24.6	23.8
Capital expenditures	t million	2.0	2.7
Employees as of 31.12.	number	220	202

Prior year figures adjusted (see page 60)

Segment

Waste Management and Recycling

Record figures in the underground depository business

The disposal of 225,800 t of waste substances in 2000 was a new record for the underground depository business. The increases at our underground depositories in Herfa-Neurode and Zielitz result primarily from the high quantities of waste products contaminated with quicksilver from a major project involving the clean-up of inherited environmental burdens. We recorded the highest annual quantities in the financial year since the beginning of operations in both underground depositories. We are currently expanding our reception capacity for pneumatically transportable waste products at the underground depository in Herfa-Neurode.

Underground waste reutilization at a high level

We repeated the previous year's high level in our underground reutilization facilities. The quantity of waste products reutilized in the year under review amounted to 255,800 t.

The surplus capacity available in Germany for the underground reutilization of waste led to considerable

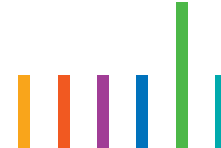
price pressure. We were able to compensate a large proportion of this effect by broadening the scope of our services and with complete offers tailored to specific customers. Combined with consequent cost management, we therefore once again achieved the budgeted margins.

Sharp increase in recycling

Our business with smelting salt for the aluminium recycling industry and the reception and processing of salt slag from the secondary production of aluminium developed satisfactorily. Increasing aluminium prices had a favourable effect on the results from the sale of the recovered aluminium granulate. The conclusion of new long-term contracts has strengthened the capacity utilization of our production plant and therefore the contribution to the earnings.

Our building rubble recycling business has also developed pleasingly; the volume of soil and building and road works rubble received by us increased by 28% to altogether 520,500 t.





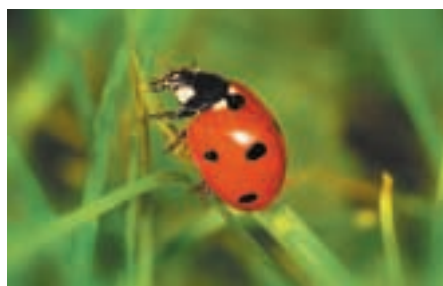
Outlook

We are expecting the start of a new major project in the disposal business at the beginning of 2001, which will not however have the volume of the exceptionally large inherited environmental burdens project, which will be completed by the end of 2000 or the beginning of 2001. We however expect good utilization of the capacity of the two underground depositories also in the future as a result of various contracts with a term of several years and the obtaining of new business. We also assume that the underground waste reutilization business will continue at the high level of quantities and revenues that has been achieved.

The provisions of the national law on waste products and decisions of the EU will also have a significant influence on the future development of the waste management business. We expect an important decision from the European Court on the underground reutilization of waste in 2001, or at the latest in 2002. We will ensure through timely and flexible reactions to changes in the legal environment that our waste management plant can also be operated economically in the future at a high occupation level.

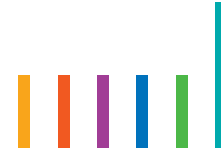
In our activities in the foreign markets in the rest of Europe, we will also continue to put out feelers in the markets in those countries seeking to obtain admittance to the EU. This applies to a special degree to Poland, the Czech Republic and Hungary. We expect the foreign business to increase.

We want to extend the spectrum of our offering in the recycling business. We can see a good opportunity to increase our revenues in the aluminium recycling segment on account of the continued good economic environment at our customers. In the recycling of building rubble, we have created the prerequisites for acquiring additional volumes in 2001 by improving the logistical links of our Sehnde site near Hanover.





Logistics and information technology are growth fields. Our customers and we ourselves profit from our manifold activities and experience in these and other service areas.



Services and Trading

Job contract production of the animal hygiene product Catsan® for Masterfoods GmbH, the transshipment of goods for third parties by our logistics subsidiary Kali-Transport Gesellschaft mbH in Hamburg (KTG), and the business of UBT See- und Hafenspedition GmbH Rostock, which was acquired as of January 1, 2000 are combined in the Services and Trading segment. This segment also includes the IT activities of data process GmbH, the trading business of Chemische Fabrik Kalk GmbH (CFK) in Cologne and analytical and consulting activities for third parties.

We recorded a pleasing increase in the revenues in the year under review of 19% to t 49.2 million.

Granulating of Catsan® increased

We granulate the animal hygiene product Catsan® from supplied raw materials on behalf of Masterfoods GmbH at the former potash plant in Salzdettfurth. The volume granulated has increased and the revenues of t 22.0 million exceeded the previous year's figure by 6%. We expect this favourable trend to continue in 2001.

Key figures		2000	1999
Sales	t million	49.2	41.3
EBIT	t million	4.5	5.2
Capital expenditures	t million	5.0	4.6
Employees as of 31.12.	number	317	90

Prior year figures adjusted (see page 60)

Further development of the logistics business

KTG transshipped a record quantity of 4.5 million t (+ 0.2 million t) in the year under review at its own facility in Hamburg-Wilhelmsburg; this is due in particular to the high volume of grain handled. Revenues from third parties increased by 22% to t 6.1 million. The result was gratifying.

We acquired UBT in Rostock in order to expand our logistics business. UBT is engaged in seaport forwarding and ships' agency and clearance. The volumes to be transported and the clearance of the ships are handled through the Baltic ports of Rostock, Wismar, Stralsund and Stettin. The development of the business and the earnings exceeded our expectations; revenues from third parties amounted to t 8.9 million.

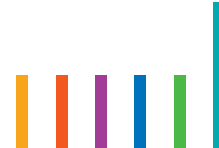
We expect a slight increase in the transshipment of fertilizers in 2001 at KTG. Business in the forwarding and clearance areas will be at the same level as in 2000.

Expansion of IT activities

data process GmbH commenced operations in 2000, after bringing in the K+S Group's IT activities. The business developed successfully, but concentrated primarily on the range of services required in the K+S Group. The integration of the new companies in the EDP systems of the K+S Group led to much greater demand for special services.

We expect the revenues to develop favourably in 2001. In addition to the handling of the increasing internal demand for services, we intend to acquire third party business on a selective basis.





Positive results from the trading business

CFK's trading business with the de-icing product, calcium chloride, suffered as a result of the mild weather. The business with other trading products was satisfactory.

The sales fell in 2000 by 31% to t 7.5 million, but CFK nevertheless recorded a positive trading result. We will endeavour to consolidate the existing market positions in 2001.

Extended analytical offering

In analytical service area, we offer, in addition to traditional environmental and routine analysis, also special analysis and mobile air monitoring, for instance for the measurement of emissions, pollution levels and in the workplace. A competent analytical team is available at the K+S Research Institute and in our factory laboratories.

We acquired an investment in Bio-Data GmbH, an analysis company in Giessen-Linden, at the end of 2000 in order to expand our range of analysis services. This will extend our presence in the market for analysis services and exploit new earnings opportunities in this field, and involves in particular the fields of analysis of foodstuffs, agricultural investigations and biotechnology. We will take over the remaining interests in the company as of January 1, 2002.







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Profit and loss account January 1 – December 31, 2000

	Notes	2000	1999
in t thousand			
Sales	(1)	2,087,938	1,191,900
Cost of sales		1,417,872	731,566
Gross profit on sales		670,066	460,334
Selling expenses		495,051	317,077
General administrative expenses		34,206	25,807
Research and development expenses		14,825	8,253
Other operating income	(2)	118,892	73,470
Other operating expenses	(3)	118,075	94,184
Earnings before interest and taxes (EBIT)		126,801	88,483
Income from participating interests	(4)	1,045	320
Write-downs on financial assets and short-term securities	(5)	3,675	1,655
Interest income	(6)	6,268	8,725
Result from ordinary operations/ Earnings before income taxes		130,439	95,873
Income taxes	(7)	10,662	– 2,654
Net income		119,777	98,527
Minority interests in net income		–	– 197
Net income after minority interests		119,777	98,724

Balance sheet as of December 31, 2000

	Notes	31.12.2000	31.12.1999
in t thousand			
Intangible assets		24,416	9,349
Tangible fixed assets	(11)	533,220	499,636
Financial assets	(12)	73,634	59,071
Fixed assets		631,270	568,056
Inventories	(13)	187,070	154,584
Receivables and other assets	(14)	503,378	357,052
Own shares	(15)	36,736	65,443
Other securities	(16)	100,476	87,909
Cash on hand, bank balances, cheques		119,486	102,771
Current assets		947,146	767,759
Prepaid expenses		1,675	1,659
Assets		1,580,091	1,337,474
Subscribed capital	(17)	115,200	128,000
Capital surplus	(18)	70,909	72,284
Reserve for own shares	(19)	36,736	65,443
Other revenue reserves and profit retained	(20)	224,997	171,694
Minority interests	(21)	–	482
Equity		447,842	437,903
Special reserves	(22)	17,514	13,021
Balance arising from capital consolidation	(23)	74,256	91,657
Provisions for pensions and similar obligations		176,714	174,001
Provisions for taxes		8,716	4,466
Other provisions		514,513	470,917
Provisions	(24)	699,943	649,384
Liabilities	(25)	340,018	145,476
Deferred income		518	33
Equity and liabilities		1,580,091	1,337,474

Development of fixed assets as of December 31, 2000

	Gross book values						
	Balance at 1.1.2000	Additions	Changes in scope of consolidation	Disposals	Reclassi- fications	Balance at 31.12.2000	
in t thousand							
Intangible assets							
Concessions, industrial property rights and similar rights and assets, and licences for such rights and assets	13,076	11,926	500	552	54	25,004	
Goodwill	2,914	–	–	–	–	2,914	
Payments on account	122	6,099	–	–	– 113	6,108	
	16,112	18,025	500	552	– 59	34,026	
Tangible fixed assets							
Land, rights similar to land and buildings, including buildings on land owned by others	259,950	6,559	10,670	1,834	5,328	280,673	
Technical equipment and machinery	836,162	66,691	30,698	17,017	10,476	927,010	
Other equipment, fixtures and fittings	107,583	15,269	– 483	2,264	835	120,940	
Payments on account and construction in progress	22,198	35,152	10	79	– 16,580	40,701	
	1,225,893	123,671	40,895	21,194	59	1,369,324	
Financial assets							
Investments in affiliated companies	320	1,938	4,297	31	–	6,524	
Loans to affiliated companies	–	5,000	–	–	–	5,000	
Participating interests	839	94	8	34	–	907	
Loans to companies in which participating interests are held	68	1	–	3	–	66	
Long-term securities	39,047	1,042	66	–	–	40,155	
Sundry loans and other financial assets	19,485	10,215	2	6,020	–	23,682	
	59,759	18,290	4,373	6,088	–	76,334	
Fixed assets	1,301,764	159,986	45,768	27,834	–	1,479,684	

	Depreciation						Net book values	
	Balance at 1.1.2000	Additions	Changes in scope of consolidation	Disposals	Reclassi- fications/ write-ups*	Balance at 31.12.2000	Balance at 31.12.2000	Balance at 31.12.1999
	5,824	2,857	– 43	550	–	8,088	16,916	7,252
	939	583	–	–	–	1,522	1,392	1,975
	–	–	–	–	–	–	6,108	122
	6,763	3,440	– 43	550	–	9,610	24,416	9,349
	121,465	16,886	– 1,313	1,220	– 19	135,799	144,874	138,485
	526,746	89,764	– 54	6,795	10	609,671	317,339	309,416
	78,046	15,311	– 715	2,017	9	90,634	30,306	29,537
	–	–	–	–	–	–	40,701	22,198
	726,257	121,961	– 2,082	10,032	–	836,104	533,220	499,636
	49	–	283	–	–	332	6,192	271
	–	–	–	–	–	–	5,000	–
	–	–	–	–	–	–	907	839
	–	–	–	–	–	–	66	68
	–	2	–	–	–	2	40,153	39,047
	639	1,741	–	–	14*	2,366	21,316	18,846
	688	1,743	283	–	14*	2,700	73,634	59,071
	733,708	127,144	– 1,842	10,582	14*	848,414	631,270	568,056

Segment reporting January 1 – December 31, 2000

	Sales to third parties		Internal sales		EBITDA		
Segments	2000 Tt	1999 Tt	2000 Tt	1999 Tt	2000 Tt	1999 Tt	
Potash and Magnesium Products	963,189	935,636	15,880	3,872	172,247	149,555	
COMPO	331,595	–	9,646	–	27,162	–	
fertiva	552,243	–	913	–	345	–	
Salt	114,907	147,826	6	–	22,608	39,093	
Waste Management and Recycling	76,849	67,165	376	1,003	29,877	26,118	
Services and Trading	49,155	41,273	40,848	26,358	12,087	10,586	
Transitional amounts*	–	–	–	–	– 12,124	– 16,426	
K+S Group	2,087,938	1,191,900	67,669	31,233	252,202	208,926	

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

** Including the employees of the COMPO and fertiva segments as of December 31, 1999.

	EBIT		Gross cash flow		Capital expenditures to tangible fixed assets		Employees as of 31.12.	
	2000 Tt	1999 Tt	2000 Tt	1999 Tt	2000 Tt	1999 Tt	2000 number	1999 number
	82,804	58,376	177,302	161,354	93,788	81,323	6,956	7,146
	21,803	–	29,769	–	5,168	–	810	–
	343	–	265	–	1	–	50	–
	4,858	18,561	22,732	39,540	6,836	7,822	695	649
	24,632	23,767	30,785	28,227	1,986	2,670	220	202
	4,518	5,188	11,245	11,902	4,976	4,559	317	90
	– 12,157	– 17,409	– 30,684	– 12,677	10,916	4,303	354	1,089**
	126,801	88,483	241,414	228,346	123,671	100,677	9,402	9,176

Cash flow statement January 1 – December 31, 2000

	2000	1999
in t thousand		
Net income	119,777	98,527
Depreciation (+) / write-ups (–) on fixed assets	127,130	118,328
Increase (+) in long-term provisions	6,150	24,115
Increase (+) in special reserves	4,493	4,365
Release of credit difference on consolidation	– 17,401	– 18,644
Write-downs / write-ups on short-term securities	1,265	1,655
Gross cash flow	241,414	228,346
Gain (–) / loss (+) on disposals of fixed assets	– 5,066	– 4,093
Increase (–) in inventories	– 14,729	– 2,566
Increase (–) / decrease (+) in receivables from operating activities	– 136,519	4,586
Increase (+) in short-term provisions	30,398	8,790
Increase (+) in liabilities from operating activities	169,283	7,132
Cash provided from operating activities	284,781	242,195
Proceeds from disposals of fixed assets	22,318	13,329
Disbursements for intangible and tangible fixed assets	– 137,578	– 103,142
Disbursements for financial assets	– 18,290	– 40,244
Disbursements for acquisition of consolidated companies	– 97,108	– 148,679
Cash used in investing activities	– 230,658	– 278,736
Free cash flow	54,123	– 36,541
Withdrawal of own shares	– 69,358	–
Dividends paid	– 25,650	– 17,895
Proceeds from taking up financial loans	8,200	–
Cash used in financing activities	– 86,808	– 17,895
Change in cash and cash equivalents affecting cash flow	– 32,685	– 54,436
Changes in value of cash and cash equivalents	– 1,265	– 1,655
Consolidation adjustments	–	– 23
Change in cash and cash equivalents	– 33,950	– 56,114

We have prepared the cash flow statement in accordance with Accounting Standard No. 2 (DRS 2) of the German Accounting Standards Committee (DRSC), and have adjusted the prior year figures accordingly.

General principles

The annual financial statements of the K+S Group have been prepared in accordance with the regulations of the German Commercial Code (HGB) and the German Stock Companies Act (AktG). The K+S Group is identical with the K+S Group of Companies within the meaning of the accounting standards.

The financial statements have been drawn up for the first time in euro (€). Where comparative figures for the previous year are presented below, they have been converted on the basis of the official conversion rate (DM 1.95583 = € 1). In the interests of clear presentation, the individual items in the annual financial statements are presented in thousands of € (T€).

Scope of consolidation

In addition to the parent company, K+S Aktiengesellschaft, the consolidated financial statements of the K+S Group include all significant subsidiaries. Subsidiaries of minor importance are not consolidated. Companies acquired during the financial year have been included with effect from the economic acquisition date. The scope of the consolidation changed as follows in 2000:

Fourteen companies are consolidated for the first time:

- In accordance with the relevant contracts, five foreign companies belonging to the COMPO Group were only taken over in the course of 2000. In this connection, four intermediate companies were established in the countries affected, which have also been consolidated.
- UBT See- und Hafen-Spedition GmbH Rostock was acquired as of January 1, 2000.
- The subsidiaries, K+S Entsorgung (Schweiz) AG and data process GmbH, which were already established in 1999, and fertiva GmbH, which was acquired in 1999, commenced trading at the beginning of the financial year, and have therefore been included in the consolidated financial statements.
- Frisia Zout B.V., which was established in July 2000, commenced operations on August 1, 2000.

Twelve previously fully consolidated companies have withdrawn from the consolidation. As a consequence of the enlargement of the K+S Group, these companies are no longer consolidated because they are not significant.

The effect of the changes in the scope of the consolidation in 2000 was as follows:

	Tt
• Fixed assets	+ 47,610
• Inventories	+ 33,160
• Receivables	+ 188,462
• Provisions	+ 13,837
• Liabilities	+ 206,748
• Sales	+ 891,892
• Earnings before income taxes	+ 13,789

The following 17 (1999: 15) domestic and 15 (1999: 15) foreign companies are included in the consolidated financial statements:

Germany

K+S Aktiengesellschaft, Kassel
 Chemische Fabrik Kalk GmbH, Cologne
 COMPO Gesellschaft mbH & Co. KG, Münster
 data process GmbH, Kassel
 Deutscher Straßen-Dienst GmbH, Kassel
 fertiva GmbH, Ludwigshafen
 German Bulk Chartering GmbH, Hamburg
 Kali und Salz GmbH, Kassel
 Kali und Salz Bauschutt-Recycling GmbH, Sehnde
 Kali und Salz Consulting GmbH, Kassel
 Kali und Salz Entsorgung GmbH, Kassel
 Kali-Transport Gesellschaft mbH, Hamburg
 Kali-Union Verwaltungsgesellschaft mbH, Kassel
 K+S Beteiligungs GmbH, Kassel
 K+S Projekt GmbH, Kassel
 Torf- und Humuswerke Uchte GmbH, Uchte
 UBT See- und Hafen-Spedition GmbH Rostock,
 Rostock

Abroad

COMPO Agricola Holding S.L., Barcelona, Spain
 COMPO Agricoltura Spa, Cesano Maderno, Italy
 COMPO Agricultura S.L., Barcelona, Spain
 COMPO Agro Chile Ltda., Santiago de Chile, Chile
 COMPO Agro Chile S.A., Santiago de Chile, Chile
 COMPO Austria GmbH, Vienna, Austria
 COMPO Benelux N.V., Deinze, Belgium
 COMPO do Brasil S.A., São Bernado do Campo,
 Brazil
 COMPO Hellas S.A., Maroussi, Greece
 COMPO Horticulture et Jardin SAS,
 Roche-lez-Beaupré, France
 COMPO Partecipazioni S.r.l.,
 Cesano Maderno, Italy
 Frisia Zout B.V., Harlingen, the Netherlands
 K+S do Brasil Ltda., São Bernado do Campo, Brazil
 K+S Entsorgung (Schweiz) AG, Zürich, Switzerland
 Potash Import & Chemical Corporation,
 New York, USA

All of the German and foreign subsidiaries included in the consolidation are fully consolidated.

Consolidation methods

The financial statements of the consolidated companies are prepared as of the balance sheet date for the consolidated financial statements. The assets and liabilities of the consolidated companies are recognised and measured uniformly in accordance with the policies described here and in the following note. Apart from consolidation adjustments and the differences in the depreciation methods, the annual financial statements of K+S Aktiengesellschaft have been incorporated in the consolidated financial statements without amendment.

Where the accounting and valuation methods applied in the annual financial statements of the consolidated companies deviate from these policies, appropriate adjustments have been made to the items affected. Sales, expenses and income between the consolidated companies that arise while the companies affected belong to the K+S Group are eliminated in full. Similarly, receivables and liabilities between consolidated companies and intercompany profits resulting from deliveries and services between consolidated companies are eliminated, unless they are immaterial.

The capital consolidation is carried out by the book value method. Thereby, the acquisition costs of the investments are set off against the share of the equity attributable to them as of the time of initial consolidation. Debit differences remaining after allocation to the assets and liabilities are then deducted from the reserves.

The credit balance arising from the capital consolidation resulted from offsetting the book value of the investment in Kali und Salz GmbH reported by K+S Aktiengesellschaft against the corresponding proportionate share of the equity of Kali und Salz GmbH as of January 1, 1997. The credit difference can therefore be attributed the character of provisions. The difference is being released to income in the amount of the proportionate depreciation on selected capital expenditures between 1993 and 1997 at the plants in the new German states.

The credit balance of t 143.6 million resulting from the consolidation of the 49% investment in Kali und Salz GmbH, which was acquired as of January 1, 1998, was allocated to additional paid-in capital, since no expenses or burdens are identifiable, which could be allocated to it.

The credit balances relating to the other subsidiaries result from retained profits during the period in which the companies belonged the group but prior to their initial consolidation. Since these amounts were earned while they were members of the group, they have been transferred to the revenue reserves.

Accounting and valuation principles

Intangible assets

Purchased intangible assets are recognised at their acquisition costs and depreciated straight-line over their expected useful lives. Software is reported as a disposal, once it has been fully depreciated. Special write-downs are recorded in the event of a probable permanent impairment in value.

Tangible fixed assets

Tangible fixed assets are valued at acquisition or production costs less depreciation. The production costs of plant built by the company itself include, in addition to the direct costs, a share of the overheads, including depreciation.

Investment grants and premiums received are deducted from the fixed assets.

Moveable and immovable fixed assets are depreciated in the consolidated financial statements by the straight-line method. The depreciation rates are based on the normal useful lives for the business. These primarily comprise 10 to 30 years for buildings, 10 years for technical equipment and machinery, and 3 to 6 years for other equipment, fixtures and fittings. Assets of low value are written off completely in the year acquired and, since 1999, reported as a disposal after five years.

Special write-downs are recorded in the event of a probable permanent impairment in value. If the reasons for a special write-down no longer apply, the values are reinstated. In the year under review, as in the previous year, special depreciation was recorded against investments in the new German states in accordance with Article 4 of the Development Areas Act (Fördergebietgesetz). Other special depreciation allowable for German tax purposes was only recorded to a minor degree.

Gallery and excavation work is not capitalized.

Financial assets

Investments in affiliated companies and participating interests are valued at acquisition costs or, in the event of an expected permanent impairment in value, at the lower attributable value as of the balance sheet date.

Loans are stated at acquisition costs or, in the case of interest-free loans or loans at low rates of interest, at present value. Foreseeable risks are reflected by special write-downs.

Inventories

Inventories are recorded at acquisition or production costs, taking into account the principle of lower of cost or market, or at the lower amounts permissible in accordance with German tax law. The production costs include, in addition to direct costs, a share of the overheads based on the normal utilization of the capacity of the production plant, including depreciation.

The acquisition or production costs of finished products and merchandise are primarily calculated as average costs.

Receivables and other assets

Receivables and notes are stated at cost or present value, depending on their maturities. Specific risks are reflected by write-downs, and the general credit risk by a flat-rate valuation adjustment.

Securities

Securities are valued at acquisition costs or the lower stock exchange or market prices. If the reasons for a write-down no longer apply, the values are reinstated.

Special reserves

Special reserves can be set up at German companies in certain circumstances in accordance with the German tax regulations. The amount reported primarily consists of the deferral of gains on the disposal of fixed assets in accordance with Article 6b of the German Income Tax Act. Releases and allocations are disclosed in notes (2) und (3).

Provisions for pensions and similar obligations

Pension provisions are computed in accordance with actuarial principles applying the present value method as defined in the German Income Tax Act and an interest rate of 6%.

Sundry provisions

Provisions for taxes and other provisions are recorded at the amounts expected to be required. Provisions for mining obligations for the backfilling of mines and shafts are accumulated in instalments in accordance with the extraction period, and allocated in full when the operations are closed down. Provisions for long-service bonuses are calculated by the present value method as defined in the German Income Tax Act for the years of service to date.

Liabilities

Liabilities are recorded by the amount of repayment.

Effect of special tax valuation measures

These result from special depreciation allowable for German tax purposes and special reserves. The results for the year 2000 were affected as follows by the exploitation of such tax options:

	Tt
• Net income	119,777
• Effect of special tax valuation	– 13,809
Adjusted net income	105,968

No material future tax charges result from the special tax valuation.

Currency translation

Translation of foreign currency amounts

The acquisition costs of assets purchased in foreign currencies and revenues from sales in foreign currencies are recorded at the exchange rates prevailing as of the transaction date. Items covered by specific hedging measures are recorded at the hedged rate.

Foreign currency receivables are translated at the buying rate as of the transaction date or the lower rate as of the balance sheet date, and foreign currency liabilities at the selling rate as of the transaction date or the higher rate as of the balance sheet date.

Translation of foreign currency financial statements

The foreign currency translation is carried out in accordance with the modified closing rate method.

The annual financial statements of foreign companies are translated as follows:

- all asset items, prepaid expenses and deferred income, liabilities and provisions at the closing rates,
- equity at the rate prevailing as of the time of initial consolidation,
- all expenses and revenues at the average rate for the year, with the exception of the result for the year, which is translated at the closing rate,
- translation differences in the profit and loss account are allocated to other operating expenses or income,
- differences from the translation of equity are recorded in the reserves.

The following exchange rates were applied for the translation of foreign currencies:

Exchange rates in each case in relation to ₺ 1	2000		1999	
	Closing rate	Average rate for the year	Closing rate	Average rate for the year
US-dollar (USD)	0.931	0.924	1.005	1.066
Swiss franc (CHF)	1.523	1.558	1.605	1.600
Brazilian real (BRL)	1.815	1.690	1.799	1.932
Chilean peso (CLP)	532.543	497.958	531.619	542.814
Greek drachma (GRD)	340.750	336.637	330.300	325.760

Notes to the profit and loss account

(amounts in t thousand)

(1) Sales

The sales of the K+S Group amounted to t 2,088 million (1999: t 1,192 million).

The breakdown of the sales by business segments is presented in the segment information before the notes to the annual financial statements.

The breakdown of the sales by geographical regions is as follows:

	2000	1999
• Germany	603,959	377,850
• Europe, exc. Germany	994,662	525,271
• Outside Europe	489,317	288,779
	2,087,938	1,191,900

(2) Other operating income

Other operating income includes the following material items in excess of t 1 million:

	2000	1999
• Exchange gains	35,797	19,328
• Release of provisions	23,813	6,805
• Release of balance arising from capital consolidation	17,401	18,644
• Damage claims	8,516	4,251
• Release of specific write-downs on receivables	8,355	1,545
• Profits on disposals of tangible fixed assets	7,341	5,024
• Rentals and leasing	3,618	4,033
• Release of special reserves	2,090	–
• Profits on disposals of short-term securities	209	1,358
• Sundry income	11,752	12,482
	118,892	73,470

Income of Tt 44,711 is attributable to other financial years, and results primarily from the release of provisions, write-downs on receivables and special reserves, and profits on disposals of fixed assets.

(3) Other operating expenses

Other operating expenses include the following material items in excess of t 1 million:

	2000	1999
• Exchange losses	36,831	12,918
• Expenses for closed plants	19,289	17,299
• Allocations to special reserves	6,604	4,365
• Ancillary capital expenditure costs	3,946	4,361
• Housing expenses	3,613	3,792
• Pension expenses	2,783	2,864
• Losses on disposals of fixed assets	1,769	931
• Sundry expenses	43,240	47,654
	118,075	94,184

Expenses of Tt 10,575 are attributable to other financial years, and relate primarily to allocations to special reserves, losses on disposals of fixed assets and write-downs on receivables.

(4) Income from participating interests

	2000	1999
• Income from participating interests	845	369
• Income from profit transfer agreements	200	–
• Expenses from absorption of losses	–	– 49
	1,045	320

(5) Write-downs on financial assets and short-term securities

Write-downs on short-term securities of Tt 1,932 had to be recorded on account of lower stock exchange or market prices as of the balance sheet date. Write-downs on financial assets amounted to Tt 1,743.

(6) Interest income

	2000	1999
• Other interest and similar income	17,249	18,344
– of which from affiliated companies	(–)	(–)
• Income from other securities, loans and other financial assets	1,068	1,307
• Interest expense included in allocations to provisions for pensions	– 9,998	– 9,514
• Sundry interest and similar expenses	– 2,051	– 1,412
– of which to affiliated companies	(7)	(5)
	6,268	8,725

(7) Taxes

	2000	1999
• Corporation tax	4,970	– 5,529
• Trade tax on income	2,178	2,019
• Foreign income taxes	3,758	395
• Deferred taxes (Articles 274 and 306 HGB)	– 244	461
Taxes on income	10,662	– 2,654
Other taxes	3,299	5,098
Tax expense	13,961	2,444

As a result of the partial use of taxed equity for the payment of dividends, there is a corporation tax repayment claim of Tt 2,602. This has reduced the corporation tax payment of Tt 7,298, which results from the use of untaxed equity.

The other taxes include in particular land tax; they are allocated to the operating functional areas.

(8) Cost of materials

	2000	1999
• Raw materials, supplies and purchased merchandise	798,837	254,664
• Purchased services	189,939	94,322
	988,776	348,986

(9) Personnel expenses/number of employees

Personnel expenses	2000	1999
• Wages and salaries	364,087	313,092
• Social security	101,363	91,335
• Pension expense	9,000	5,644
• Support	678	323
	475,128	410,394

The pension expense does not include the interest portion of the allocation to the pension provisions. This is reported as interest expense in interest income.

Average number of employees during the year (including employees with temporary contracts)	2000	1999
• Germany	9,374	8,684
• Abroad	324	66
	9,698	8,750
• of whom trainees	417	390

The change in the scope of consolidation resulted in the addition of 826 employees.

Notes to the balance sheet

(amounts in t thousand)

(10) Fixed assets

The development of the gross book values and depreciation on the individual fixed assets captions is shown separately before the notes to the annual financial statements.

(11) Tangible fixed assets

Special write-downs and special depreciation for tax purposes comprises:

	2000	1999
• Depreciation in accordance with Article 4 Development Areas Act	25,565	25,565
• Transfer of profits on disposal in accordance with Article 6b German Income Tax Act	1,959	34
• Special depreciation in accordance with R 35 German Income Tax Regulations	440	–
• Special write-downs due to lower attributable value in accordance with Article 253 (2) Sentence 3 German Commercial Code	–	530
	27,964	26,129

(12) Financial assets

Special write-downs of Tt 1,741 were recorded against other loans in accordance with Article 253 (2) Sentence 3 German Commercial Code.

Long-term securities comprise securities held permanently to cover future pension payments.

The list of subsidiaries in accordance with Article 313 (2) and Article 285 No. 11 German Commercial Code, including the information in accordance with Article 285 No. 11 a German Commercial Code on companies whose unlimited liability partners are companies in the K+S Group, has been filed with the Commercial Register in Kassel under No. HRB 2669. Shareholders may obtain a copy of this list directly from K+S Aktiengesellschaft if required.

(13) Inventories

	2000	1999
• Raw materials and supplies	77,562	68,306
• Unfinished products	2,931	5,488
• Finished products and merchandise	104,979	80,577
• Payments on account	1,598	213
	187,070	154,584

Special write-downs for tax purposes of Tt 563 were recorded on the basis of current conditions in the market-place on inventories in conjunction with the going-concern write-down by the inverse method of determining the cost price.

(14) Receivables and other assets

	2000	1999
• Accounts receivable – trade	421,324	271,903
• Receivables from affiliated companies	4,304	13
• Receivables from companies in which participating interests held	2,576	2,178
• Other assets	75,174	82,958
	503,378	357,052

The receivables with residual term > 1 year:

	2000	1999
• Accounts receivable – trade	–	239
• Other assets	298	213
	298	452

The foreign currency receivables included undisclosed reserves of Tt 962 (1999: Tt 1,815) due to a higher closing rate as of December 31, 2000.

(15) Own shares

The opening balance of own shares in K+S Aktiengesellschaft amounted to 4,713,110 shares (= 9.43% of the share capital). Of these, 110 were issued free of charge to employees of the K+S Group in January 2000. By the end of March 2000, the company had acquired a further 287,000 of its own shares at an average price of t 13.99 per share, on the basis of the authorization of the Annual Meeting of the shareholders on May 5, 1999. The balance of 5 million own shares (= 10% of the share capital) held at the end of March 2000 was withdrawn in May 2000.

As a result of the authorization of the Annual Meeting of the shareholders on May 11, 2000, K+S Aktiengesellschaft purchased 2,213,343 of its own shares (= 4.92% of the share capital) over the stock market during 2000 at an average price of t 16.60 per share.

In 2000 the company purchased a further 235,378 of its own shares (= 0.52% of the share capital) for the purpose of issuing them to employees of the K+S Group at an average price of t 17.33 per share.

Of these shares, 21,040 were sold to staff of the K+S Group not subject to the collective pay scales at a price of t 8.37 per share. A further 214,025 shares were sold to employees of the K+S Group in conjunction with the 2000 staff share programme at an average price of t 9.83.

K+S Aktiengesellschaft held 2,213,656 of its own shares as of December 31, 2000; they are valued at cost.

(16) Other securities

	2000	1999
• Fixed interest securities	5,252	30,468
• Fund units	76,962	46,693
• Shares	11,940	9,402
• Sundry securities	6,322	1,346
	100,476	87,909

The market or stock exchange value of the other securities amounted to Tt 129,388 (1999: Tt 115,813).

(17) Subscribed capital

The subscribed capital of t 115.2 million represents the share capital of K+S Aktiengesellschaft. At the beginning of 2000, the share capital amounted to t 128.0 million and was divided into 50 million bearer shares of no par value.

With the withdrawal of 5 million shares in May 2000 in conjunction with the first share repurchase programme, the share capital was reduced to t 115.2 million, and has since then been divided into 45 million bearer shares of no par value.

(18) Capital surplus

The capital surplus developed as follows:

• Balance as of January 1, 2000	72,284
• Allocation re withdrawal of own shares	12,800
• Offset of differences on capital consolidation	– 14,175
Balance as of December 31, 2000	70,909

Of the offset of differences on capital consolidation, a debit balance of T t 15,407 results from the consolidation of the COMPO-companies, which were acquired during the year 2000.

(19) Reserve for own shares

The reserve was set up for the own shares held by K+S Aktiengesellschaft and explained in note (15), and developed as follows:

• Balance as of January 1, 2000	65,443
• Withdrawal for reduction in capital through withdrawal of shares	– 65,443
• Allocation from net income	20,885
• Allocation from other revenue reserves	15,851
Balance as of December 31, 2000	36,736

(20) Other revenue reserves and profit retained

Other revenue reserves and the profit retained are reported in the consolidated financial statements as a single caption, in order to take into account the peculiarities of the consolidation.

• Balance as of January 1, 2000	171,694
• Withdrawal for reduction in capital through withdrawal of shares	– 3,915
• Adjustment due to consolidation adjustments	– 173
• Dividend payment for 1999	– 25,650
• Net income of K+S Group	119,777
• Allocation to reserve for own shares	– 36,736
Balance as of December 31, 2000	224,997

Profit retained of K+S Aktiengesellschaft

The dividend to distribute is based on the annual financial statements of K+S Aktiengesellschaft. The Board of Executive Directors and the Supervisory Board of K+S Aktiengesellschaft propose to the Annual Meeting of the shareholders that a dividend of t 0.85 per share of no par value be distributed to the shareholders. On the basis of this assumption, the profit retained of K+S Aktiengesellschaft as of the balance sheet date is made up as follows:

• Profit brought forward	26,119
• Dividend payment for 1999	– 25,650
• Net income of K+S Aktiengesellschaft	59,595
• Allocation to reserve for own shares	– 20,885
• Allocation to other revenue reserves	– 900
Balance as of December 31, 2000	38,279

(21) Minority interests

This item related in the previous year to Sociedade Brasileira de Potassa e Adubos Ltda., São Paulo, Brazil, which was no longer consolidated in 2000 due to immateriality.

(22) Special reserves

	2000	1999
• Reserve per Article 6b Income Tax Act	15,909	13,021
• Reserve per R 35 Income Tax Regulations	1,605	–
	17,514	13,021

(23) Balance arising from capital consolidation

The balance arising from capital consolidation relates to Kali und Salz GmbH and results from the initial consolidation of the 51% interest as of January 1, 1997.

• Balance as of January 1, 2000	91,657
• Released	17,401
Balance as of December 31, 2000	74,256

For the purposes of the consolidated financial statements of the K+S Group, the special loss account in accordance with Article 17 (4) of the D-Mark Balance Sheet Act reported on the assets side of Kali und Salz GmbH's balance sheet in the amount of Tt 50,821 (1999: Tt 50,829) has been set off against the equity of Kali und Salz GmbH.

(24) Provisions

Pension provisions

The provisions for pensions and similar obligations are mainly for employees in Germany. When setting up the provisions for these employees, the pension expectancy is determined for each pension beneficiary in accordance with actuarial principles on the basis of the situation as of the balance sheet date. The provisions are calculated applying the 1998 Heubeck mortality tables and an interest rate of 6%. There are no shortfalls. The pension obligations of foreign companies are determined in accordance with comparable principles, taking into account the local situation.

Provisions for taxes

The tax provisions include deferred taxes of Tt 1,103 in accordance with Article 274 in conjunction with Article 298 (1) and Article 306 German Commercial Code. The deferred taxes provided in the consolidated financial statements mainly relate to adjustments to the straight-line depreciation method and the valuation of inventories. An average tax rate of 50% was used for the calculation.

Other provisions

The other provisions take adequate account of all foreseeable risks.

	2000	1999
• Mining obligations	311,473	310,355
• Obligations to employees	60,625	41,267
• Obligations under sales transactions and purchase contracts	45,037	13,680
• Maintenance and repairs	18,393	24,373
• Other	78,985	81,242
	514,513	470,917

Of which short-term

	2000	1999
• Mining obligations	6,041	6,203
• Obligations to employees	14,893	12,081
• Obligations under sales transactions and purchase contracts	45,037	13,680
• Maintenance and repairs	3,274	8,741
• Other	33,579	31,073
	102,824	71,778

The expected costs of the mining obligations are accumulated by instalments over the probable extraction period. These mainly consist of obligations to backfill mines and shafts. In addition, provisions have been set up for mining damage risks and the maintenance of stockpile.

The obligations to employees primarily comprise provisions for long-service bonuses, pre-pension part-time work, social plan expenses and year-end deferrals.

The obligations under sales transactions relate in particular to rebates and price concessions; the provisions resulting from purchase contracts are for outstanding invoices.

The provision for maintenance and repairs includes the deferred maintenance measures as of the balance sheet date and obligations resulting from duties imposed by the authorities.

(25) Liabilities

	2000		
	Total	Residual term < 1 year	Residual term > 5 years
• Bank loans and overdrafts	11,059	2,859	7,400
• Accounts payable – trade	294,688	294,584	104
• Liabilities to affiliated companies	2,924	2,924	–
• Other liabilities	31,347	31,347	–
	340,018	331,714	7,504

	1999		
	Total	Residual term < 1 year	Residual term > 5 years
• Bank loans and overdrafts	2,861	2,861	–
• Advance payments received on orders	1,538	1,538	–
• Accounts payable – trade	107,148	106,856	104
• Liabilities to affiliated companies	299	299	–
• Liabilities to companies in which participating interests held	4	4	–
• Other liabilities	33,626	33,190	–
	145,476	144,748	104

The other liabilities include:

	2000	1999
• Taxes	5,433	3,836
• Social security liabilities	16,275	13,742

(26) Contingent liabilities

	2000	1999
• Guarantees	9	360
• Warranty agreements	3,781	–
• Discounted notes	2,304	1,164

(27) Other financial commitments

	2000	1999
• Commitments to uncompleted capital expenditure projects	21,843	58,716
• Commitments to long-term rental and leasing contracts		
– due in following year	5,711	3,909
– due in 2 to 5 years	5,416	5,640
– due after 5 years	2,223	1,835
	35,193	70,100

(28) Derivative financial instruments

We use derivative financial instruments in order to hedge currency risks resulting from the operative business activities. In this connection, we make use in particular of forward exchange rate agreements and currency options. Exchange rate risks exist primarily on payments in US-dollars and british pounds.

The application of derivative financial instruments is regulated by an internal guideline. A strict segregation of functions is ensured between trading, settlement and control. The transactions are only concluded at banks with first class credit standing.

The following positions were open as of the balance sheet date:

	Notional amount 2000	Fair value 2000
• Forward exchange rate agreements	246,947	17,370
• Purchased currency put options	139,192	10,812
• Sold currency call options	145,623	– 534
	531,762	27,648

The notional amounts represent the unnetted total of the call and put amounts on the basis of the respective forward rate. The options comprise exclusively zero-cost spread options. Hereby, certain foreign currency amounts are hedged downwards through purchased put options, while at the same time the participation in increases in exchange rates is hedged upwards through the sale of call options. In this way, USD 121,000,000 were hedged as of December 31, 2000 by put options at Tt 139,192 and at the same time the opportunity is available, as a result of call options to benefit from increases in exchange rates up to an amount of Tt 145,623.

The notional amounts do not reflect the risk for the K+S Group from the use of derivatives. Risks result on the contrary from fluctuations in the fair values. The fair values represent the difference between the purchase and redemption value on the premature fictitious termination of the financial derivatives on the balance sheet date.

The terms of the derivatives employed vary, and extend until February 2002.

Notes to the cash flow statement

(amounts in t thousand)

We have prepared the cash flow statement in accordance with Accounting Standard No. 2 (DRS 2) of the German Accounting Standards Committee (DRSC), and have adjusted the prior year figures accordingly.

(29) Cash used in investing activities

The caption disbursements for acquisition of consolidated companies relates to the expenditure on companies acquired during the financial year.

• Purchase price	– 57,335
• Cash and cash equivalents acquired	3,276
• Financial liabilities assumed	– 43,049
	– 97,108

(30) Cash and cash equivalents

	2000	1999
• Own shares	36,736	65,443
• Other short-term securities	100,476	87,908
• Cash on hand, bank balances, cheques	119,486	102,771
• Cash deposits in other assets	–	34,527
• Short-term financial liabilities	– 2,859	– 2,861
	253,839	287,788

Other information

(amounts in t thousand)

Total remuneration of the Supervisory Board and the Board of Executive Directors

	2000	1999
• Total remuneration of the Supervisory Board	752	479
• Total remuneration of the Board of Executive Directors	2,202	1,457
• Total remuneration of former members of the Board of Executive Directors and surviving dependents	713	642
• Pension provisions for former members of the Board of Executive Directors and surviving dependents	6,053	4,735

The total remuneration of the Board of Executive Directors was for five board members in 2000 and for three board members in 1999.

Members of the Supervisory Board and the Board of Executive Directors

Supervisory Board

**Gerhard R. Wolf,
Worms**

Chairman,
former member of the Board of
Executive Directors of BASF AG
further Supervisory Board

appointments:

Kali und Salz GmbH (Chairman)
Hornbach Holding AG (Chairman)
Hornbach Baumarkt AG
(Vice Chairman)

Lehnkering AG

STINNES AG

Südzucker AG

further control bodies:

Heidelberg Innovation GmbH/
Bio Regio

**Manfred Kopke,
Neukirchen-Vluyn**

Vice Chairman,
former member of the Managing Main
Board of the Mining, Chemicals and
Energy Trade Union

further Supervisory Board

appointments:

Kali und Salz GmbH (Vice Chairman)
Allgemeine Deutsche Direktbank AG
BGAG Beteiligungsgesellschaft der
Gewerkschaften AG

**Leonhard H. Fischer,
Frankfurt am Main**

member of the Board of Executive
Directors of Dresdner Bank AG

further Supervisory Board

appointments:

Deutsche Börse AG (alternate member)
Deutscher Investment-Trust

Ges. für Wertpapieranlagen mbH

Eurex Clearing AG

Eurex Frankfurt AG

itelligence AG

NorCom Information Technology AG

SVC AG Schmidt Vogel Consulting

further control bodies:

Dresdner Luxembourg S.A.
Dresdner Kleinwort Benson (Asia) Ltd.
(Vice Chairman)

Dresdner Kleinwort Benson

(Marchés) S.A. (President)

Dresdner Kleinwort Benson

North America Inc. (Chairman)

**Karl-Heinz Georgi,
Haltern**

Principal of the Haltern Education
Centre of the Mining, Chemicals and
Energy Trade Union

**Rainer Grohe,
Munich**

Managing Director

of VIAG invent ! GmbH

further Supervisory Board

appointments:

Clickwaste AG

Frankfurter Versicherungs AG

Klöckner-Werke AG

Schmalbach-Lubeca AG

ThyssenKrupp Industries AG

TÜV Mitte AG

VAW Aluminium AG

**Rüdiger Kienitz,
Geisa**

member of the Works Council of the
Werra potash plant of Kali und Salz
GmbH

**Klaus Krüger,
Wolmirstedt**

Chairman of the Group Works
Council of the K+S Group

**Helmut Mamsch,
London, Great Britain**

former member of the Board of
Executive Directors of VEBA AG

further Supervisory Board

appointments:

Degussa-Hüls AG

Readymix AG

further control bodies:

Logica plc, Great Britain
MEMC Electronic Materials, Inc., USA

**Hans Peter Schreib,
Düsseldorf**

Solicitor

further Supervisory Board

appointments:

Gildemeister AG

Metro AG

**Dr. Eckart Sünner,
Neustadt a.d.W.**

Head of the Central Legal, Tax and
Insurance Department at BASF AG

further Supervisory Board

appointments:

BASF Schwarzheide GmbH

Knoll AG

Wintershall AG

further control bodies:

BASFIN Corporation, USA

**Hans-Dieter Winkelhake,
Rehburg-Loccum**

Chairman of the Works Council of
the Sigmundshall potash plant of
Kali und Salz GmbH

**Dr. Helmut Zentgraf,
Burghaun**

Manager of the Werra potash plant
of Kali und Salz GmbH

Board of Executive Directors

Dr. Ralf Bethke,
Kassel

Chairman

Potash and Magnesium

Products segment

fertiva segment

Corporate strategy

Communications

Investor relations

further appointments:

VINCI Deutschland GmbH

Peter Backhaus,
Baunatal

from October 1, 2000

Director of Personnel

Properties

Gerd Grimmig,
Söhrewald

from October 1, 2000

Waste Management and

Recycling segment

Mining and Geology

Axel Hollstein,
Kassel

COMPO segment

Salt segment

Engineering

Research and Development

Dr. Volker Schäfer,
Kassel

until May 11, 2000

Norbert Steiner,
Baunatal

from May 12, 2000

Services and Trading

segment

Finance

Legal and taxes

Kassel, February 23, 2001

K+S Aktiengesellschaft

The Board of Executive Directors

We have audited the annual financial statements, including the accounting records, of K+S Aktiengesellschaft, Kassel, and the consolidated financial statements prepared by it and management's analysis of the company and the group for the financial year from January 1 to December 31, 2000. The preparation of these documents in accordance with German commercial law is the responsibility of the company's Board of Executive Directors. Our responsibility is to express an opinion on the annual financial statements, including the accounting records, and the consolidated financial statements prepared by it and management's analysis of the company and the group based on our audit.

We conducted our audit of the annual financial statements and the consolidated financial statements in accordance with Article 317 of the German Commercial Code and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of the net assets, financial position and results of operations in the annual financial statements and the consolidated financial statements in accordance with accounting principles generally accepted in Germany and in management's analysis of the company and the group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements are taken into account in the determination of the audit procedures. The effectiveness of the system of internal accounting control and the evidence supporting the disclosures in the accounting records, the annual financial statements and the consolidated financial statements and in management's analysis of the company and the group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by the Board of Executive Directors, as well as evaluating the overall presentation of the annual financial statements and the consolidated financial statements and in management's analysis of the company and the group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of K+S Aktiengesellschaft, Kassel, and the group in accordance with accounting principles generally accepted in Germany. Taken as a whole, management's analysis of the company and the group provides a suitable understanding of the position of the company and the group and suitably presents the risks of future development.

Hanover, February 26, 2001

Wollert-Elmendorff Deutsche Industrie-Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Emmerich
Auditor

Vogel
Auditor

Economic Value Added	= Business earnings – cost of capital
Equity per share	= $\frac{\text{Equity} + 50\% \text{ of special reserve} + \text{balance arising from capital consolidation}}{\text{Number of shares (45 million)}}$
Return on equity	= $\frac{\text{Net income}}{\text{Equity} + 50\% \text{ of special reserve} + \text{balance arising from capital consolidation}}$
Return on total investment	= $\frac{\text{Earnings before income taxes} + \text{interest expense}}{\text{Balance sheet total}}$
Business earnings (after deferred taxes)	= DVFA earnings + proceeds from release of balance arising from capital consolidation + depreciation of goodwill + interest expense
Business assets	= Balance sheet total – balance arising from capital consolidation – liabilities and short-term provisions
Cost of capital	= Business assets (average for the year) x capital cost rate
Price earnings ratio	= $\frac{\text{Share price as of balance sheet date}}{\text{DVFA earnings per share}}$
Market Value Added	= Market capitalization + pension provisions + other long-term provisions – business assets
Net dividend yield	= $\frac{\text{Proposed dividend per share}}{\text{Share price as of balance sheet date}}$
Working capital	= Inventories + receivables and other assets – short-term provisions – operating liabilities



Sales and earnings		2000	1999	1998	1997
Sales	t million	2,087.9	1,191.9	1,139.3	1,111.5
Potash and Magnesium Products	t million	963.2	935.6	926.6	886.2
COMPO	t million	331.6	–	–	–
fertiva	t million	552.2	–	–	–
Salt	t million	114.9	147.8	130.2	132.6
Waste Management and Recycling	t million	76.8	67.2	37.6	40.1
Services and Trading	t million	49.2	41.3	44.9	52.6
Earnings before interest and taxes (EBIT)	t million	126.8	88.5	72.3	41.5
Earnings before income taxes	t million	130.4	95.9	81.8	69.8
Net income	t million	119.8	98.5	83.7	68.3
DVFA earnings	t million	69.8	63.5	58.5	21.1
Gross cash flow	t million	241.4	228.3	206.6	132.3
Balance sheet					
Equity	t million	456.6	444.4	451.4	538.4
Return on equity	%	22.6	18.4	14.9	14.7
Tangible fixed assets	t million	533.2	499.6	497.0	534.9
Capital expenditures to tangible fixed assets	t million	123.7	100.7	80.3	99.6
Depreciation to tangible fixed assets	t million	122.0	118.3	116.5	92.6
Balance sheet total	t million	1,580.1	1,337.5	1,249.5	1,353.4
Return on total investment	%	9.0	8.0	7.3	5.9
Employees					
Employees as of Dec. 31	number	9,402	9,176	8,472	8,507
of whom: trainees	number	479	473	434	385
Personnel expenses	t million	475.1	410.4	405.1	376.7
Data per share					
Net income	t	2.72	2.04	1.68	1.37
DVFA earnings	t	1.58	1.32	1.18	0.42
Net dividend	t	0.85	0.57	0.36	–
Gross dividend	t	1.14	0.81	0.51	–
Net dividend yield	%	4.8	4.1	3.1	–

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Financial timetable

Interim report March 31, 2001	May 9, 2001
Annual Meeting 2001, Kassel	May 9, 2001
Dividend payment	May 10, 2001
Interim report June 30, 2001	August 10, 2001
Interim report September 30, 2001	November 15, 2001
Press and analyst conference	November 15, 2001
Report on business in 2001	March 2002
Annual report press and analyst conference	March 2002
Annual Meeting 2002, Kassel	May 8, 2002

