

K+S Aktiengesellschaft

EANS-News: K+S Aktiengesellschaft

Demand for fertilizers continues to recover

K+S Group significantly increases revenues and earnings in the second quarter

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Financial Figures/Balance Sheet/quarterly report/6-month report

Subtitle: K+S Aktiengesellschaft / Demand for fertilizers continues to recover
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Kassel (euro adhoc) - Kassel, 12 August 2010

Demand for fertilizers continues to recover K+S Group significantly increases revenues and earnings in the second quarter

- Quarterly revenues up by 43% to just under EUR 1.1 billion
- Second quarter operating earnings reach EUR 155.5 million (Q2/09: EUR 18.1 million)
- Adjusted earnings per share rise to EUR 0.51 (Q2/09: EUR (0.27))
- All business segments with improved earnings situation
- Net indebtedness reduced significantly
- Outlook for 2010:

@@start.t2@@- Potash sales volume forecast again raised to between 6.5 and 7.0 million tonnes of goods (previously: a good 6.5 million tonnes; previous year: 4.3 million tonnes)

- Increase in revenues expected to be between EUR 4.6 billion and EUR 5.0 billion (previous year: EUR 3.6 billion)
- Operating earnings should rise to between EUR 550 million and EUR 600 million (previous year: EUR 238.0 million)
- Adjusted earnings per share expected to be between EUR 1.75 and EUR 1.95 (previous year: EUR 0.56/share)@@end@@

After the successful result in the first quarter, the K+S Group also achieved a significant increase in revenues and earnings in the second quarter of this year. The further normalisation in fertilizer demand and the inclusion of Morton Salt, acquired last year, were the main drivers of the positive performance.

"The pleasant development so far this year shows that has bottomed out and that the K+S Group is back on the path to growth," says Norbert Steiner, Chairman of the Board of Executive Directors of K+S Aktiengesellschaft. "The positive trend in fertilizer demand is set to continue in the second half of the year too. Together with the first-time inclusion of Morton Salt for the entire year, this should result in significantly rising revenues and earnings of the K+S Group in 2010."

Second quarter revenues up significantly In the second quarter, the revenues of the K+S Group rose by about 43% to EUR 1,058.5 million. All in all, volume- and consolidation-related growth was able to more than make up for decreases in revenues attributable to price factors. The Salt business segment has significantly increased revenues through the inclusion of Morton Salt (Morton Salt revenues Q2/2010: EUR 152.5 million). The Potash and Magnesium Products and Nitrogen Fertilizers business segments also achieved welcome revenue increases after the demand for fertilizers

recovered significantly again. At EUR 2,592.1 million, revenues in the first half of 2010 rose by almost 43% primarily due to volume- and consolidation-related effects (Morton Salt revenues H1/2010: EUR 422.3 million).

In the first half of the year, 37% of revenues were generated in the Potash and Magnesium Products business segment, followed by Salt (34%) and Nitrogen Fertilizers (26%). The acquisition of Morton Salt has contributed to the regional distribution of revenues now being very balanced between Europe and overseas: thus about 53% of total revenues were generated in Europe and 47% overseas.

All business segments have improved their earnings situation At EUR 155.5 million, second quarter's operating earnings (EBIT I) of the K+S Group were very significantly higher than the result of EUR 18.1 million in the previous year. The Potash and Magnesium Products and Nitrogen Fertilizers business segments increased their earnings due to the significantly higher demand for fertilizers that persisted from the start of the year. The earnings of the Nitrogen Fertilizers business segment benefited to the tune of EUR 10.0 million from the release of provisions affecting profit or loss after final settlement of input costs for 2009. Earnings of the Salt business segment rose significantly due to consolidation effects. There was also a positive one-off effect in the area of provisions in the amount of EUR 16.2 million. K+S Group operating earnings for the first half of 2010 stood at EUR 423.2 million and thus exceeded the figure for the previous year by about 120%.

EBITDA up sharply in the second quarter During the second quarter of 2010, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased to EUR 217.0 million (previous year: EUR 53.1 million). Depreciation and amortisation amounted to EUR 61.5 million and were EUR 26.5 million higher in comparison to the previous year. Of this increase, EUR 20.8 million was accounted for by the inclusion of Morton Salt. This includes depreciation on valuations recognised within the framework of purchase price allocation in the amount of EUR 12.3 million.

In the first half of 2010, EBITDA was EUR 550.1 million (previous year: EUR 262.2 million). Morton Salt accounted for EUR 96.5 million of this. The depreciation in this period totalled EUR 126.9 million and includes depreciation on valuations made within the framework of the purchase price allocation at Morton Salt in the amount of EUR 28.5 million. Against this backdrop, greater importance will be assigned to EBITDA in the future when assessing earnings capacity, especially in the Salt business segment.

Adjusted earnings also up significantly year on year It proved possible to increase adjusted Group earnings before income taxes to EUR 134.0 million in the second quarter (previous year: EUR (58.5) million). These stood at EUR 371.5 million in the first half of 2010 (previous year: EUR 107.1 million). Adjusted Group earnings after taxes rose to EUR 97.5 million in the second quarter (previous year: EUR (44.3) million) and stood at EUR 273.3 million in the first half of 2010 (previous year: EUR 78.2 million). Details of the adjustment process can be found in the half-yearly financial report H1/2010 on pages 11-12.

Adjusted earnings per share reach EUR 0.51 in the second quarter For the quarter under review, adjusted earnings per share amounted to EUR 0.51 and were thus significantly higher than a year ago (EUR (0.27)). In the first half of 2010, they reached EUR 1.43 (previous year: EUR 0.47).

In the first half of 2010, Morton Salt contributed a total of EUR 0.08 despite a below-average winter, depreciation arising from purchase price allocation and further one-off effects. Thus, since the first day of its inclusion in the K+S Group (1 October 2009), Morton Salt has, despite all acquisition-related special and customary seasonal effects, contributed positively to the success of the business in each quarter.

Outlook for 2010: Significant revenue and earnings increase expected In 2010, demand for fertilizers, and in particular for potash fertilizers, should increase significantly due to the low stocks of single-nutrient fertilizers in the trade sector at the start of the year and due to the lower potash content of the soil following two very good harvests and the reduced application of

fertilizers since autumn 2008. Furthermore, most of the volumes demanded by the trade sector in the first quarter in Europe were consumed by farmers, so that the stocks are again at a relatively low level before the upcoming autumn fertilizing. Moreover, the demand for fertilizers should benefit from the persistent dry weather conditions at the start of the third quarter, the higher prices for agricultural raw materials in view of this and the resultant improved future income situation of farmers. In 2010 as a whole, we now assume global potash sales volumes of about 50 million tonnes (previous forecast: 45 to 50 million tonnes; 2009: 32 million tonnes). This increased sales forecast mainly assumes a stronger recovery of the markets in Europe and North America and higher expected consumption in Latin America.

In the salt sector, the situation of suppliers for the early procurement business in the third quarter in Western Europe should benefit from the long winter at the start of the year, while the mild winter in parts of North America and the related high stocks are likely to make the position in the local tenders more difficult. In the fourth quarter, the de-icing salt business will be influenced decisively by wintry weather conditions in Europe and North America. In this respect, we are assuming that sales volumes will be on their multi-year average level in the case of both the European and North American markets. While demand for food grade and industrial salt in Europe and North America should be stable, the South American industrial and food grade salt market will probably grow further in line with the regional population trend. Demand from the chemical industry for salt for chemical use both in Europe and South America is likely to remain depressed due to the global economic crisis, but sales volumes should increase moderately again in light of the emerging economic recovery.

Against this backdrop, in financial year 2010, the revenues of the K+S Group should rise significantly in comparison to the previous year. A figure of between EUR 4.6 billion and EUR 5.0 billion (previous year: EUR 3.6 billion) appears realistic from today's perspective. In particular the Salt business segment, which will grow very significantly due to the first-time inclusion of Morton Salt for the whole year, but also the Potash and Magnesium Products and Nitrogen Fertilizers business segments should experience significant revenue growth.

Operating earnings EBIT I of the K+S Group will probably also increase significantly to between EUR 550 million and EUR 600 million this year (previous year: EUR 238.0 million). This is attributable to the earnings increase in the Potash and Magnesium Products business segment, the turnaround in earnings in the Nitrogen Fertilizers business segment and the already described consolidation effect in the Salt business segment.

Based on expected depreciation of about EUR 250 million for 2010 including depreciation on valuations of about EUR 55 million within the framework of purchase price allocation at Morton Salt, we expect EBITDA of between EUR 800 million and EUR 850 million in this year (previous year: EUR 411.8 million).

At between EUR 330 million and EUR 370 million (previous year: EUR 93.6 million), adjusted Group earnings after taxes should also be significantly higher in 2010 in line with the development of operating earnings. This would correspond to adjusted earnings per share of about EUR 1.75 to EUR 1.95 (previous year: EUR 0.56).

Our forecast is based on the following assumptions:

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- In comparison to the first half of the year, moderately declining average prices in the Potash and Magnesium Products business segment due to expected seasonal product mix and staggered price effects with an otherwise stable potash price level in the second half of the year;
 - A sales volume in the Potash and Magnesium Products business segment of between 6.5 and 7.0 million tonnes of goods (forecast up to now: a good 6.5 million tonnes);
 - A total sales volume in the Salt business segment of 21 to 22 million tonnes, of which 12 to 13 million tonnes should be accounted for by de-icing salt. This, as customary, assumes a normal de-icing salt sales volume at its multi-year average level in the fourth quarter;
 - An average US dollar exchange rate of 1.31 USD/EUR for 2010 as a whole (average exchange rate for 2009: 1.39 USD/EUR);
 - In spite of higher interest expenses, a somewhat better financial result, after this had been negatively impacted by special effects in the previous

year;

- A domestic Group tax rate of 27.9% to be applied in accordance with IFRSs and an overall adjusted Group tax ratio derived from this of a good 26% (2009: 23.7%).@@end@@

Further significant reduction in net indebtedness expected The net indebtedness (including non-current provisions) of the K+S Group fell significantly to EUR 862.1 million at the end of the first half of 2010 (31 December 2009: EUR 1,338.9 million). With a level of indebtedness of 33% and as a result of both high operating and free cash flows expected this year, K+S therefore has a strong financial base. Against the backdrop of the anticipated earnings development, the level of financial debt should decline significantly in comparison to the previous year.

Experience growth The K+S Group is one of the world's leading suppliers of standard and speciality fertilizers. In the salt business, K+S is the world's leading producer with sites in Europe as well as North and South America. K+S offers a comprehensive range of goods and services for agriculture, industry, and private consumers which provides growth opportunities in virtually every sphere of daily life. The K+S Group employs more than 15,000 people. The K+S share - the only commodities stock on the German DAX index - is listed on all German stock exchanges (ISIN: DE0007162000, symbol: SDF). For additional information on K+S please visit www.k-plus-s.com.

Note to editors The half-yearly financial report (H1/2010), an interview with Norbert Steiner, chairman of the Board of Executive Directors of K+S Aktiengesellschaft, about the second quarter of 2010 and up-to-date press photos relating to the K+S Group are available under <http://www.k-plus-s.com/2010hlen>

We are offering a conference call for analysts in English today at 3 p.m. Norbert Steiner, chairman of the Board of Executive Directors, as well as Joachim Felker and Jan Peter Nonnenkamp, members of the Board of Executive Directors, will participate in the conference call. Shareholders, investors, representatives of the press and all other interested parties are invited to follow the conference via a live webcast (<http://www.k-plus-s.com/2010hlen>) or by phone (+49-69-71044-5598). The conference will be recorded and also be available as a podcast.

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This press release contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or risks arise - examples of which are mentioned in the risk report -, actual

@@start.t4@@developments and events may deviate from current expectations. Outside statutory disclosure provisions, the Company does not take any

obligation to update the statements contained in this press release.

K+S Group at a Glance				
Q2/2010				
	Q2		Q2	
	Apr.-June 2010		Apr.-June 2009	
	EUR million	EUR million	EUR million	Change in %
Revenues	1,058.5	738.7		+43.3
Potash and Magnesium Products	463.5	354.3		+30.8
Nitrogen Fertilizers	287.4	257.4		+11.7
Salt	275.3	99.3		+177.2
Complementary Business Segments	32.2	27.6		+16.7
Reconciliation	0.1	0.1		-
Operating earnings (EBIT I)	155.5	18.1		+759.1
Potash and Magnesium Products	119.2	53.8		+121.6
Nitrogen Fertilizers	26.0	(26.6)		-
Salt	21.8	(0.6)		-
Complementary Business Segments	6.2	3.2		+93.8
Reconciliation	(17.7)	(11.7)		-
Earnings after operating hedges (EBIT II)	126.1	37.7		+234.5
Financial result	(21.5)	(76.6)		-
Earnings before income taxes	104.6	(38.9)		-
Earnings before income taxes, adjusted ¹⁾	134.0	(58.5)		-
Group earnings after taxes	76.3	(30.2)		-
Group earnings after taxes, adjusted ¹⁾	97.5	(44.3)		-
Earnings per share, adjusted (EUR) ¹⁾	0.51	(0.27)		-
Capital expenditure ²⁾	34.4	41.5		(17.1)

1) The adjusted key figures only contain the earnings actually realised on operating forecast hedges for the respective reporting period. The changes in the market value of operating forecast hedges still outstanding, however, are not taken into account. Any resulting effects on deferred and cash taxes are also eliminated; tax rate Q2/10: 27.9% (Q2/09: 27.9%).

2) Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.

K+S Group at a Glance				
H1/2010				
	H1		H1	
	Jan.-June 2010		Jan.-June 2009	
	EUR million	EUR million	EUR million	Change in %
Revenues	2,592.1	1,814.4		+42.9
Potash and Magnesium Products	961.9	720.3		+33.5
Nitrogen Fertilizers	672.9	599.5		+12.2
Salt	891.7	437.6		+103.8
Complementary Business Segments	65.4	56.7		+15.3
Reconciliation	0.2	0.3		(33.3)
Operating earnings (EBIT I)	423.2	192.1		+120.3
Potash and Magnesium Products	269.8	150.8		+78.9
Nitrogen Fertilizers	40.5	(18.5)		-
Salt	129.7	79.6		+62.9
Complementary Business Segments	12.6	5.2		+142.3

Reconciliation	(29.4)	(25.0)	-
Earnings after operating hedges (EBIT II)	389.0	190.6	+104.1
Financial result	(51.7)	(85.0)	-
Earnings before income taxes	337.3	105.6	+219.4
Earnings before income taxes, adjusted1)	371.5	107.1	+246.9
Group earnings after taxes	248.6	77.1	+222.4
Group earnings after taxes, adjusted1)	273.3	78.2	+249.5
Earnings per share, adjusted (EUR)1)	1.43	0.47	+204.3
Capital expenditure2)	61.7	70.6	(12.6)
Employees as of 30.06. (number)	15,102	12,233	+23.5
of which trainees (number)	495	483	+2.5

1) The adjusted key figures only contain the earnings actually realised on operating forecast hedges for the respective reporting period. Changes in the market value of operating forecast hedges still outstanding, however, are not taken into account. Any resulting effects on deferred and cash taxes are also eliminated.

2) Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.

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Berlin / regulated dealing

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