

K+S Aktiengesellschaft

EANS-News: K+S Aktiengesellschaft
K+S looks confidently ahead to 2010
Fertilizer demand picks up tangibly after falling steeply in 2009

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Annual Reports/quarterly report/Company Information/K+S

Subtitle: K+S looks confidently ahead to 2010
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K+S looks confidently ahead to 2010
Fertilizer demand picks up tangibly after falling steeply in 2009

• Q4/2009:

@@start.t2@@- At EUR 1.1 billion, revenues rise due to consolidation factors
- Continued muted demand for fertilizers
- Operating earnings down due to extraordinary effects
- Adjusted Group earnings reach EUR 17.5 million or EUR 0.10/share (Q4/2008: EUR 227.5 million or EUR 1.38/share)

- Financial year 2009:
 - At just under EUR 3.6 billion, revenues significantly down on previous year ((26)%)
 - Despite difficult market conditions, operating earnings reach EUR 238 million and adjusted Group earnings reach EUR 94 million
 - Adjusted earnings per share at EUR 0.56 (2008: EUR 5.94/share)
 - Dividend proposal for 2009: EUR 0.20; payout ratio of 41% of adjusted Group earnings

- Outlook 2010:
 - Fertilizer business rises tangibly; good start in de-icing salt business
 - Significant rise in revenues and earnings expected in 2010@@end@@

Following a difficult 2009, marked by the effects of the global financial and economic crisis, the K+S Group looks confidently ahead to 2010. "There are growing signs that fertilizer demand is normalising and in the current year, our salt business will once again profit from an overall good demand for de-icing salt and from the first-time inclusion of Morton Salt for the entire year," says Norbert Steiner, Chairman of the Board of Executive Directors of K+S Aktiengesellschaft.

For the 2009 financial year, uncertainty in global agricultural markets resulted in a significantly lower demand for fertilizers. K+S responded to this development with a wide range of measures:

@@start.t3@@- Sharp reductions in fertilizer output and the use of short-time working to scale back the cost base in the wake of the collapse in demand
- Postponement of capital expenditure project until a future time
- Expansion and securing of the underground infrastructure
- Strengthening of the financial structure through the first-time issuance of a bond and a capital increase@@end@@

The Salt Business, however, developed positively due to high demand for de-icing salt as well as the first-time inclusion of Morton Salt.

At just under EUR 3.6 billion, 2009 revenues down significantly For financial year 2009, K+S achieved revenues of EUR 3,573.8 million, which was about 26% below previous year's figure. The decline in revenues can be particularly attributed to volume and price effects in the Fertilizer Sector. Whereas in the Salt Business Segment high sales volumes of de-icing salt during the first and the fourth quarter as well as the first-time inclusion of Morton Salt in the last three months of the year had a positive impact.

With a share of just under 40%, the Potash and Magnesium Products Business Segment was once again the K+S Group segment posting the highest revenues, followed by the Nitrogen Fertilizers and Salt Business Segments, which each held a share of about 28%. Also as a result of the Morton Salt acquisition in the United States at just under 47%, K+S attained a significantly higher share of revenues on overseas markets against 2009. Europe accounted roughly for 53% of total revenues.

Despite adverse environment, operating earnings reach EUR 238 million At EUR 238 million, operating earnings EBIT I were down about 82% on last year's peak figure (2008: EUR 1,342.7 million). The extreme drop in demand, the resulting lower capacity utilisation as well as the decline in fertilizer prices during the course of the year resulted in sharp declines in earnings in the Fertilizer Sector compared with the record figures for the previous year. While the Potash and Magnesium Products Business Segment, despite the collapse in demand, posted positive earnings of EUR 231.7 million, the Nitrogen Fertilizers Business Segment posted an operating loss of EUR 108.1 million due to not only volume and price effects but also high raw material costs for the production of complex fertilizers as well as the adverse impact of extraordinary effects. At EUR 140.4 million, operating earnings in the Salt Business Segment, however, were significantly above previous year's figure particularly because of the persistent wintry weather conditions in the first quarter and in the last weeks of the year.

The effect from the first-time inclusion of Morton Salt was EUR 9.8 million in the fourth quarter. In addition to integration costs, extraordinary effects from the revaluation and consolidation within the framework of the inventory valuation according to IFRSs reduced this earnings contribution. Moreover, write-downs on the value adjustments to be made within the framework of purchase price allocation weighed on earnings. The actual operating earnings of Morton Salt amounted to EUR 52.0 million.

Adjusted earnings down significantly year on year but in the black Adjusted earnings before taxes for the past financial year amounted to EUR 122.6 million (2008: EUR 1,349.5 million) and adjusted Group earnings after taxes reached EUR 93.6 million, compared with EUR 979.3 million for the previous financial year (details of the adjustment procedure can be found in the Financial Report 2009, pages 98-99).

Q4/2009: Revenues and earnings up on the previous quarter At just under EUR 1.1 billion, revenues for the fourth quarter of 2009 were up about 52% on the third quarter of 2009 (EUR 698.1 million) and up about 11% on previous year's figure (EUR 955.5 million), which was mainly favoured due to the first-time consolidation of Morton Salt. Operating earnings EBIT I amounted to EUR 36.5 million and could be increased compared with the third quarter of 2009 (EUR 9.4 million), but were down significantly on the figure of EUR 287.8 million for the same period a year ago. At EUR 17.5 million, adjusted Group earnings after taxes were positive again in the fourth quarter of 2009 (Q3/2009: EUR (2.1) million), but were also down significantly on the figure for the same period a year ago (Q4/2008: EUR 227.5 million).

Dividend of EUR 0.20 per share proposed As a result of the marked decrease in the adjusted earnings of the K+S Group in financial year 2009 and in line with our earnings-based dividend policy, the Board of Executive Directors and the Supervisory Board proposes the payment of a dividend of EUR 0.20 per share to the Annual General Meeting (2008: EUR 2.40 per share). Assuming that no own shares are held on the date of the Annual General Meeting, this will result in a dividend payout of EUR 38.3 million; this corresponds to a

payout ratio of 41% within the payout corridor of 40% to 50% of the adjusted K+S Group earnings that we are in principle seeking to achieve.

Outlook 2010: Significant rise in revenues and earnings anticipated. Fertilizer demand should rise again significantly in 2010 - especially for potash fertilizers - because of low straight fertilizer stocks in the trade sector and due to the lower potash content of the soil following two very good harvests and lower fertilisation since autumn of 2008. Thus, the global sales volume for potash should rise to about 45 million tonnes in 2010 (2009: about 30 million tonnes) and, at an estimated sales volume of about 55 million tonnes in 2011, almost reach the level from before the financial and economic crisis. As the world's fourth-largest individual producer, the K+S Group should participate in this to a tangible extent. Thus, the sales volume in the Potash and Magnesium Products business segment this year should rise to just under 6 million tonnes of goods (2009: 4.3 million tonnes), but at expected significantly lower average prices against previous year.

In financial year 2010, revenues of the K+S Group should rise considerably year on year. While a moderate increase in revenues is assumed in the Potash and Magnesium Products business segment and a tangible one in the Nitrogen Fertilizers business segment, a significantly higher level of revenues is expected in the Salt Segment, because of the first-time inclusion of Morton Salt for a whole year.

In financial year 2010, operating earnings EBIT I should also rise significantly year on year. This above all relates to the first-time inclusion of Morton Salt for the entire year as well as to the indications of a turnaround in earnings in the Nitrogen Fertilizers Business Segment.

The adjusted Group earnings after taxes should also thus be significantly higher in 2010 in line with the development of operating earnings.

Experience growth The K+S Group is one of the world's leading suppliers of standard and speciality fertilizers. In the salt business, measured by production capacity, K+S, with sites in Europe as well as North and South America, is the world's leading producer. 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). More information about K+S is available at www.k-plus-s.com.

Note to editors You can download the Financial Report 2009, the Corporate and Sustainability

Report 2009 as well as the Quarterly Financial Report Q4/2009 from our website www.k-plus-s.com. In addition, from 10.00 a.m., the speeches given by Norbert Steiner, Chairman of the Board of Executive Directors of K+S

and Jan Peter Nonnenkamp, CFO of K+S Aktiengesellschaft, at today's K+S financial report press conference as well as a video message on the course of business will also be available on the website.

Conference call for analysts You can also follow today's conference call for analysts, which is being held in connection with the publication of the annual financial statements and will be conducted in English, live from 1.00 p.m. at www.k-plus-s.com or by telephone by dialling +49.69.6677.75757; PIN 3524527#.

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Forward-looking statements

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 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			
Q4/2009	Q4	Q4	
All figures in accordance with IFRSs	Oct - Dec	Oct - Dec	
	2009	2008	Change
	EUR million	EUR million	in %
Revenues	1,061.3	955.5	+11.1
Potash and Magnesium Products	360.6	498.7	(27.7)
Nitrogen Fertilizers	212.2	214.6	(1.1)
Salt	455.3	209.3	+117.5
Complementary Business Segments	33.1	32.8	+0.9
Reconciliation	0.1	0.1	-
Operating earnings (EBIT I)	36.5	287.8	(87.3)
Potash and Magnesium Products	26.9	275.3	(90.2)
Nitrogen Fertilizers	(42.3)	(5.2)	(713.5)
Salt	47.3	26.2	+80.5
Complementary Business Segments	5.7	5.8	(1.7)
Reconciliation	(1.1)	(14.3)	-
Earnings after operating hedges (EBIT II)	33.9	286.0	(88.1)
Financial result	(18.7)	29.1	-
Earnings before income taxes	15.2	315.1	(95.2)
Earnings before income taxes, adjusted ¹⁾	17.8	316.9	(94.4)
Group earnings after taxes	15.6	226.4	(93.1)
Group earnings after taxes, adjusted ¹⁾	17.5	227.5	(92.3)
Earnings per share, adjusted (EUR) ¹⁾	0.10	1.38	(92.5)
Capital expenditure ²⁾	63.5	64.4	(1.4)

1) The adjusted figures only contain the result from operating, anticipatory hedging transactions already realised during the current period.

By contrast, changes in the market value of the operating anticipatory hedging transactions still outstanding are not taken into account. The effects on deferred and cash taxes are also eliminated; tax rate 2009 27.9% (2008: 27.9%).

2) Cash investments in or depreciation of property, plant and equipment and intangible assets.

K+S Group at a Glance			
January to December 2009			
All figures in accordance with IFRSs	Jan - Dec	Jan - Dec	Change
	2009	2008	

	EUR million	EUR million	in %
Revenues	3,573.8	4,794.4	(25.5)
Potash and Magnesium Products	1,421.7	2,397.4	(40.7)
Nitrogen Fertilizers	1,016.2	1,652.4	(38.5)
Salt	1,014.6	618.6	+64.0
Complementary Business Segments	120.7	125.3	(3.7)
Reconciliation	0.6	0.7	-
Operating earnings (EBIT I)	238.0	1,342.7	(82.3)
Potash and Magnesium Products	231.7	1,203.2	(80.7)
Nitrogen Fertilizers	(108.1)	121.4	-
Salt	140.4	45.2	+210.6
Complementary Business Segments	15.2	25.1	(39.4)
Reconciliation	(41.2)	(52.2)	-
Earnings after operating hedges (EBIT II)	241.9	1,192.3	(79.7)
Financial result	(115.4)	6.8	-
Earnings before income taxes	126.5	1,199.1	(89.5)
Earnings before income taxes, adjusted ¹⁾	122.6	1,349.5	(90.9)
Group earnings after taxes	96.4	870.9	(88.9)
Group earnings after taxes, adjusted ¹⁾	93.6	979.3	(90.4)
Earnings per share, adjusted (EUR) ¹⁾	0.56	5.94	(90.5)
Capital expenditure ²⁾	177.6	197.5	(10.1)
Employees as of 31 December (number)	15,208	12,368	+23.0
of which trainees (number)	642	615	+4.4

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Börsen: Frankfurt / regulated dealing/prime standard

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Hamburg / regulated dealing

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