

# K+S Aktiengesellschaft

EANS-News: K+S AG

Very successful start to financial year 2010

Significant recovery in demand for fertilizers and strong salt business cause first quarter earnings to rise substantially

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quarterly report/Company Information/K+S AG

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Significant recovery in demand for fertilizers and strong salt business cause first quarter earnings to rise substantially

Kassel (euro adhoc) - Kassel, 11 May 2010

Very successful start to financial year 2010 Significant recovery in demand for fertilizers and strong salt business cause first quarter earnings to rise substantially

• Significant rebound in demand in fertilizer business • Salt Business Segment profits from Morton Salt inclusion and good overall demand for de-icing salt • Quarterly revenues rose by 43% to EUR 1.5 billion • At EUR 268 million, operating earnings improved considerably (+54%) • Adjusted earnings per share at EUR 0.92 (Q1/09: EUR 0.74) • Sales forecast in Potash and Magnesium Products Business Segment raised to a good 6.5 million tonnes of product (previously: just under 6 million tonnes; 2009: 4.3 million tonnes) • Significant increase in revenues and earnings for 2010 expected • Significant reduction of indebtedness expected

The K+S Group enjoyed a very successful start to the new financial year: The significant recovery in demand for fertilizers, a good overall de-icing salt business, and the inclusion of Morton Salt caused both revenues and earnings to rise significantly in the first quarter of 2010.

"In the first few months of the new year, higher demand for fertilizers has largely been due to a backlog demand at the trade level. Meanwhile, it can be observed that the European agricultural sector has called up a significant amount of the quantities demanded by trade," said Norbert Steiner, Chairman of the Board of Executive Directors of K+S Aktiengesellschaft. "Against this backdrop, we have raised the sales volume forecast for the Potash and Magnesium Products Business Segment. Together with the good de-icing salt business in the first quarter and the inclusion of Morton Salt for the whole year, revenues and earnings of the K+S Group should once again increase significantly in 2010," continued Steiner.

First quarter revenues up substantially At EUR 1,533.6 million, K+S Group revenues for the quarter were about 43% up year-on-year. The increase in the Potash and Magnesium Products and Nitrogen Fertilizers Business Segments can mainly be attributed to significantly higher sales volumes. Thanks to the consolidation of Morton Salt and the good overall de-icing salt business, the Salt Business Segment managed to far exceed the revenues of the same

period in the previous year.

With a share of 40% in total revenues, the Salt Business Segment posted the highest revenues of all the K+S Group's Business Segments, followed by the Potash and Magnesium Products Business Segment (32%) and the Nitrogen Fertilizers Business Segment (25%). About 55% of total revenues was generated in Europe (previous year: 60%) and 45% overseas (previous year: 40%).

Operating earnings rise by 54% to just under EUR 268 million At EUR 267.7 million, first quarter operating earnings (EBIT I) were significantly up on the figure for the same quarter in the previous year (EUR 174.0 million). The Potash and Magnesium Products and Nitrogen Fertilizers Business Segments were able to considerably improve their earnings due to a higher demand in fertilizers.

Primarily due to the consolidation of Morton Salt, the Salt Business Segment achieved significant earnings growth. In the first quarter, the effects of the inclusion on EBIT I amounted to EUR 32.4 million. Moreover, related to Morton Salt, one-time effects from the revaluation and consolidation within the framework of the inventory measurement according to IFRS (EUR 12.0 million) and write-downs on the value adjustments to be made within the framework of purchase price allocation (EUR 16.2 million) weighed on earnings. Additionally, esco's earnings in Europe were adversely affected by one-time effects in France and the Netherlands (about EUR 21 million).

Adjusted earnings also up significantly year-on-year Adjusted earnings before taxes in the first quarter totalled EUR 237.5 million and were therefore up about 43% on the figure for the same period in the previous year. Group earnings after taxes and adjustments reached EUR 175.8 million (+44%), after having been EUR 122.5 million one year before. (Details of the adjustment process can be found in the quarterly financial report Q1/2010, pages 11-12.)

Outlook for 2010: Significant revenue and earnings increase expected In the first quarter, demand for potash and magnesium products was mainly supported by the need of the trade sector to once again increase their low inventories in preparation for the spring season in Europe. In the meantime, it has become clear that the volumes demanded by the trade sector were also used by farmers in Europe. Against this backdrop, global potash sales volumes in 2010 as a whole will probably increase to between 45 and 50 million tonnes (previous forecast: about 45 million tonnes; 2009: 32 million tonnes) and sales volumes in the Potash and Magnesium Products Business Segment will rise to a good 6.5 million tonnes of product (previous forecast: just under 6 million tonnes; 2009: 4.3 million tonnes). On this basis, and considering the available production capacity of just under 8 million tonnes of potash and magnesium products, a fractional production cutback in the second half of the year is likely. Based on current potash prices, a significantly lower average price level than in the previous year is, however, expected. Therefore, 2010 revenues of the Potash and Magnesium Products Business Segment should increase tangibly in comparison to one year ago. In the Nitrogen Fertilizers Business Segment, sales are likely to increase significantly. Significant revenue growth is also expected for the Salt Business Segment. As a result of the first-time inclusion of Morton Salt for an entire year, a consolidation effect of over EUR 500 million is anticipated.

For the financial year of 2010, K+S Group revenues are therefore likely to increase significantly in comparison to the previous year.

There should be significantly higher operating earnings EBIT I for the financial year 2010 in comparison to last year's figure. This is in connection to the aforementioned consolidation effect in the Salt Business Segment, the incipient turnaround in earnings in the Nitrogen Fertilizers Business Segment, and the expected increase in earnings in the Potash and Magnesium Products Business Segment.

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

Significant reduction of indebtedness expected With a net debt (including non-current provisions) of currently EUR 1,048.6



|  | Jan.-March<br>2010<br>EUR million | Jan.-March<br>2009<br>EUR million | Change<br>in % |
|--|-----------------------------------|-----------------------------------|----------------|
| Revenues   | 1,533.6                           | 1,075.7                           | +42.6          |
| Potash and Magnesium<br>Products                                 | 498.4                             | 366.0                             | +36.2          |
| Nitrogen Fertilizers   | 385.5                             | 342.1                             | +12.7          |
| Salt   | 616.4                             | 338.3                             | +82.2          |
| Complementary Business<br>Segments                               | 33.3                              | 29.1                              | +14.4          |
| Reconciliation   | 0.1                               | 0.2                               | (50.0)         |
| Operating earnings (EBIT I)                                      | 267.7                             | 174.0                             | +53.9          |
| Potash and Magnesium<br>Products                                 | 150.6                             | 97.0                              | +55.3          |
| Nitrogen Fertilizers   | 14.5                              | 8.1                               | +79.0          |
| Salt   | 107.9                             | 80.2                              | +34.5          |
| Complementary Business<br>Segments                               | 6.4                               | 2.0                               | +220.0         |
| Reconciliation   | (11.7)                            | (13.3)                            | -              |
| Earnings after operating<br>hedging transactions (EBIT II)       | 262.9                             | 152.9                             | +71.9          |
| Financial result   | (30.2)                            | (8.4)                             | -              |
| Earnings before income taxes                                     | 232.7                             | 144.5                             | +61.0          |
| Earnings before income taxes,<br>adjusted1)                      | 237.5                             | 165.6                             | +43.4          |
| Group earnings after taxes                                       | 172.3                             | 107.3                             | +60.6          |
| Group earnings after taxes, adjusted1)                           | 175.8                             | 122.5                             | +43.5          |
| Earnings per share, adjusted (EUR)1)                             | 0.92                              | 0.74                              | +24.3          |
| Capital expenditure2)  | 27.3                              | 29.1                              | (6.2)          |
| Employees as of 31 March (number),<br>of which trainees (number) | 15,164<br>519                     | 12,334<br>516                     | +22.9<br>+0.6  |

1) The adjusted key figures only contain the earnings actually realised on operating forecast hedges for the respective reporting period. The changes in market value of operating forecast hedges still outstanding, however, are not taken into account in the adjusted earnings. Any resulting effects on deferred and cash taxes are also eliminated; tax rate Q1/10: 27.9% (Q1/09: 27.9%).  
2) Cash-effective investments in or depreciation on property, plant and equipment, intangible assets.

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