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SUBSTANCE

**2nd Quarter 2010 Results  
ANALYSTS' CONFERENCE CALL**

**12 August 2010, 3:00 p.m. CEST**

1:1  
SCALE



**Experience growth.**

# K+S Group

## Forward-Looking Statements

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This presentation contains facts and forecasts that relate to the future development of the K+S Group and its companies. Those 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 the forecasts prove not to be correct, or should certain risks – such as those referred to in the recent Risk Report – materialise, actual developments and events may deviate from current expectations. The Company assumes no obligation to update the statements contained in this presentation, save for making such disclosures as are required by the provisions of law.

**A. Q2 Market Trends and Figures**

B. Potash and Magnesium Business Segment

C. Salt Business Segment

D. Outlook

### Fertilizer Business Sector

- **Global fertilizer demand well on the way to normalising** – Fertilizers ordered in the first quarter by the trade sector in the northern hemisphere were used by farmers for spring application at almost a normal level again
- **Global price level established** – Following the Chinese and Indian potash contract conclusions at the end of last year and the beginning of this year a global price level of between US\$/t 350 and US\$/t 400 was established for potassium chloride including freight
- **For most potash producers, capacity utilisation was not at the very high level of the first quarter, but nonetheless was at a reasonably high level**

### Salt Business Sector

- **European de-icing salt business:** delays in early stocking with price level tending to firm up somewhat in the hitherto concluded agreements for the winter season 2010/11
- **North American de-icing salt business:** high inventories due to a rather mild winter in some regions make position of suppliers more difficult in tenders there
- **Market for industrial salt improved in North America and slightly declined in South America**
- **Demand for salt for chemical use improved significantly, most of all in Europe**

# K+S Group

## Key Figures in Q2/10 and H1/10



€ million	Q2/10	Q2/09	%	H1/10	H1/09	%
Revenues	1,058.5	738,7	+ 43.3	2,592.1	1,814.4	+ 42.9
Operating earnings (EBIT I)	155.5	18.1	+ 759.1	423.2	192.1	+ 120.3
Financial result	(21.5)	(76.6)	+ 71.9	(51.7)	(85.0)	+ 39.2
Earnings before income taxes (EBT), adjusted <sup>1)</sup>	134.0	(58.5)	-	371.5	107.1	+ 246.9
Group earnings after taxes, adjusted <sup>1)</sup>	97.5	(44.3)	-	273.3	78.2	+ 249.5
Capital expenditure	34.4	41.5	(17.1)	61.7	70.6	(12.6)
Free cash flow before acquisitions/divestments <sup>2)</sup>	231.4	94.3	+ 145.4	557.9	129.0	+ 332.5
Earnings per share, adjusted (€) <sup>1)</sup>	0.51	(0.27)	-	1.43	0.47	+ 204.3
Average number of shares (million)	191.33	164.90	+ 16.0	191.28	164.87	+ 16.0

<sup>1)</sup> The adjusted 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 in the adjusted earnings. Any resulting effects on deferred and cash taxes are also eliminated

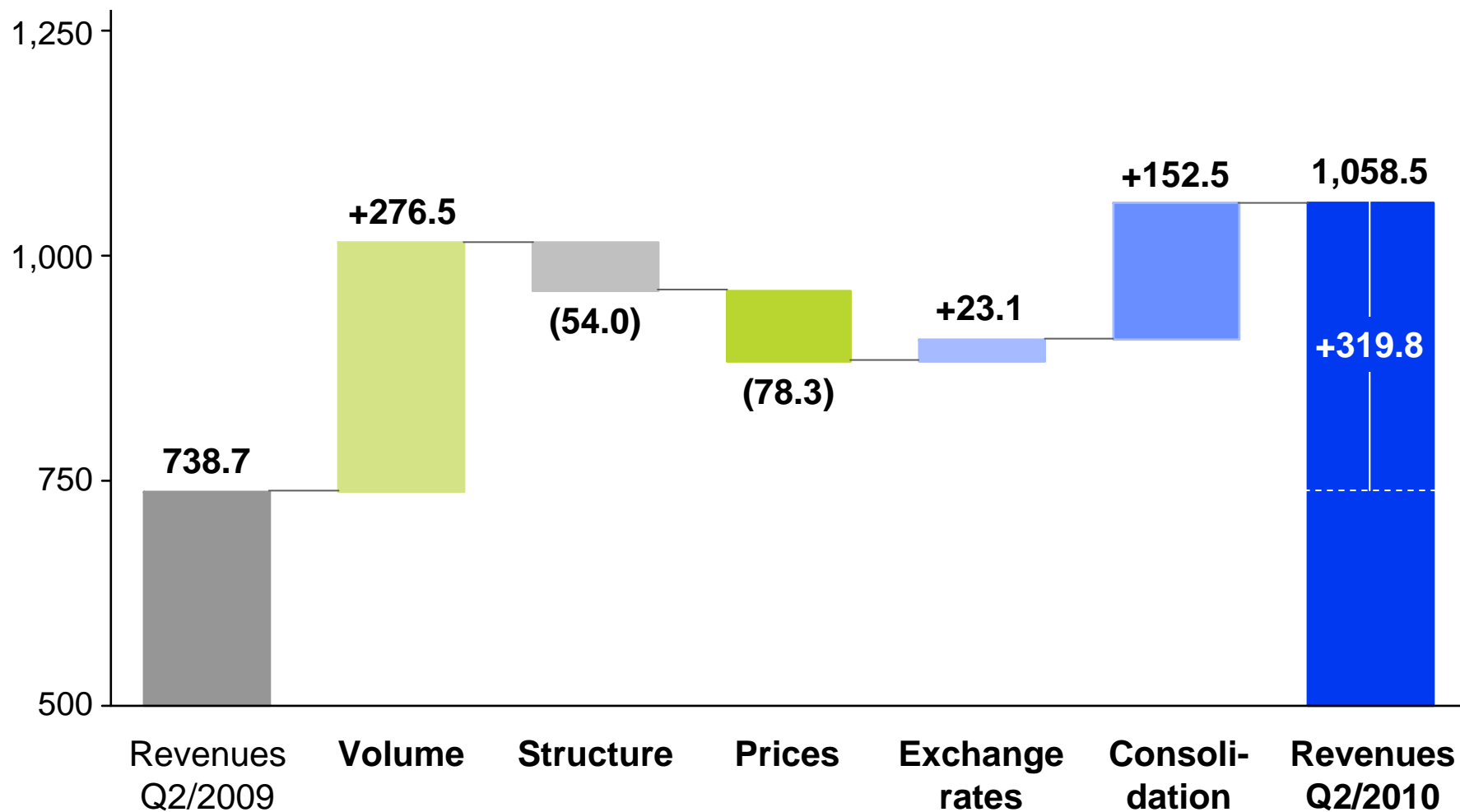
<sup>2)</sup> Adjusted for the change in the tie-up of funds for hedging transactions (H1/10: € (4.4) million; H1/09: € (20.9) million)

# K+S Group

## Changes in Revenues in Q2/10



€ million

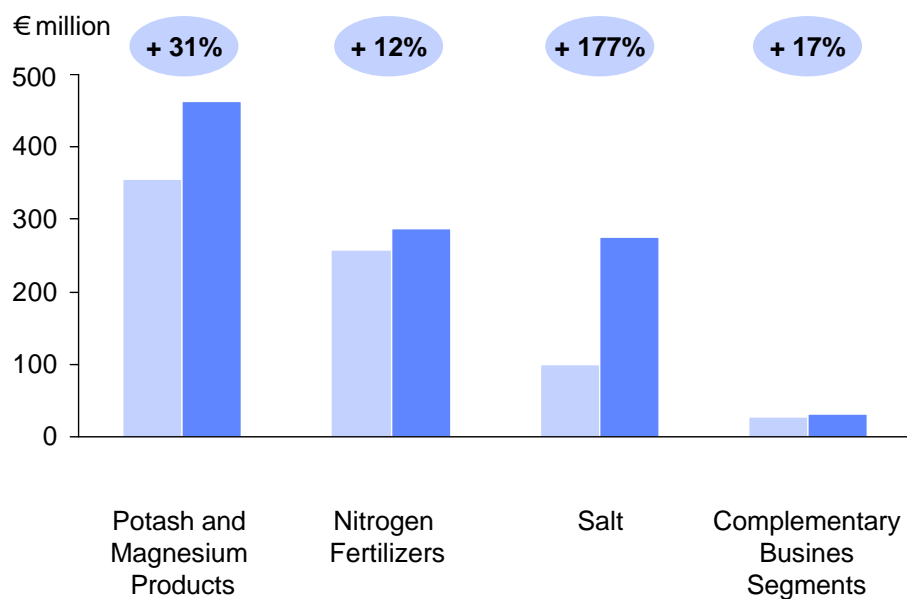


# K+S Group Segment Development in Q2/10



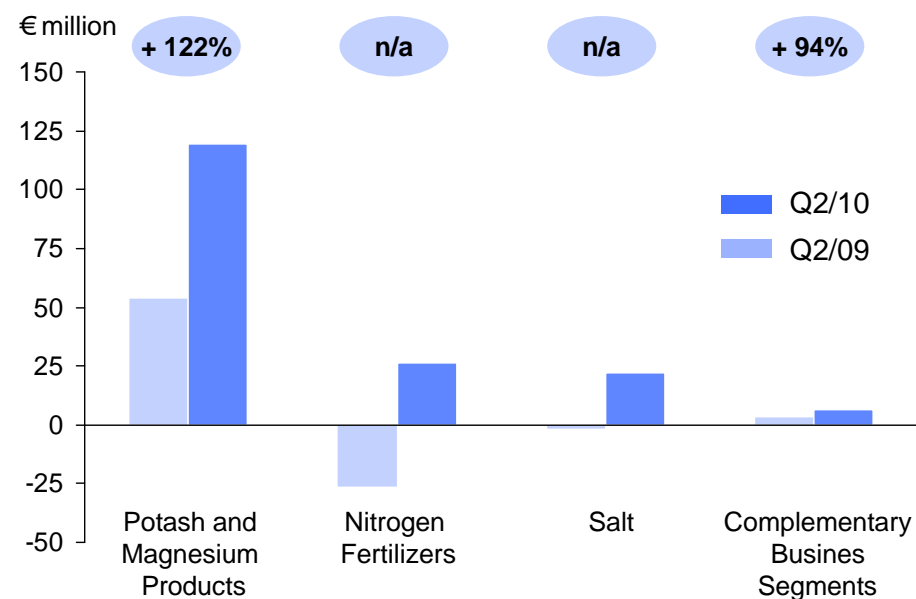
## Revenues

€ million	Q2/10	Q2/09	%
<b>Potash and Magnesium Products</b>	463.5	354.3	+ 31
<b>Nitrogen Fertilizers</b>	287.4	257.4	+ 12
<b>Salt</b>	275.3	99.3	+ 177
<b>Complementary Business Segments</b>	32.2	27.6	+ 17



## EBIT I

€ million	Q2/10	Q2/09	%
<b>Potash and Magnesium Products</b>	119.2	53.8	+ 122
<b>Nitrogen Fertilizers</b>	26.0	(26.6)	-
<b>Salt</b>	21.8	(0.6)	-
<b>Complementary Business Segments</b>	6.2	3.2	+ 94



A. Q2 Market Trends and Figures

**B. Potash and Magnesium Business Segment**

C. Salt Business Segment

D. Outlook



# Potash and Magnesium Products Business Segment

## Volumes and Average Prices in Q2/10



	Year on Year			Quarter on Quarter		
	Q2/10	Q2/09	%	Q2/10	Q1/10	%
Volume (million tonnes)	1.73	1.05	+ 64.8	1.73	1.94	(10.8)
- Europe	0.89	0.37	+ 140.5	0.89	1.26	(29.4)
- Overseas	0.84	0.68	+ 23.5	0.84	0.68	+ 23.5
Average price (€ per tonne)	268.7	337.4	(20.4)	268.7	256.2	+ 4.9
- Europe (€ per tonne)	262.5	362.1	(27.5)	262.5	250.6	+ 4.7
- Overseas (US\$ per tonne)	350.0	444.0	(21.2)	350.0	367.5	(4.8)

- Y-o-Y: Strong increase in volumes sold; especially in Europe, as sales volumes had dropped less drastically in overseas markets in Q2/09. Average European prices reduced more than the overseas price, as the level of prices in Q2/09 in Europe was still higher than in overseas markets.
- Q-o-Q: European volumes were lower due to seasonal effects. Overseas volumes increased significantly. A moderately lower overseas average price (noted in US\$), which was mainly due to negative product mix effects, was overcompensated by a stronger USD/EUR-exchange rate so that the average selling price in Euro of the total product portfolio increased to 268.7 €.

# Potash and Magnesium Products Business Segment

## Forecast World Potash Sales 2010 + 2011 by Region



Million tonnes	2011e	2010e	2009e	2008	2007
Western Europe	6.3 – 6.8	5.8	2.7	6.3	7.4
Central Europe / FSU	4.5 – 4.9	4.2	3.1	5.0	4.7
Africa	0.6 – 0.7	0.5	0.4	0.6	0.7
North America	9.2 – 9.8	9.0	4.1	10.2	10.8
Latin America	9.5 – 10.2	9.0	6.0	8.6	10.4
Asia	22.4 – 24.0	21.0	15.5	23.2	24.2
Oceania	0.5 – 0.6	0.5	0.2	0.6	0.5
<b>World total</b>	<b>53.0 – 57.0</b>	<b>50.0</b>	<b>32.0</b>	<b>54.5</b>	<b>58.7</b>

- For 2010, we forecast a worldwide potash sales volume of 50 million tonnes (previously: 45 to 50 million tonnes). The improvement in our outlook is mainly based on a strong and higher-than-expected volume recovery in the Western European and North American markets
- In 2011, we expect worldwide potash sales volumes to range between 53 and 57 million tonnes with demand increases in all regions

Incl. sulphate of potash and low grade potash

Sources: IFA, K+S

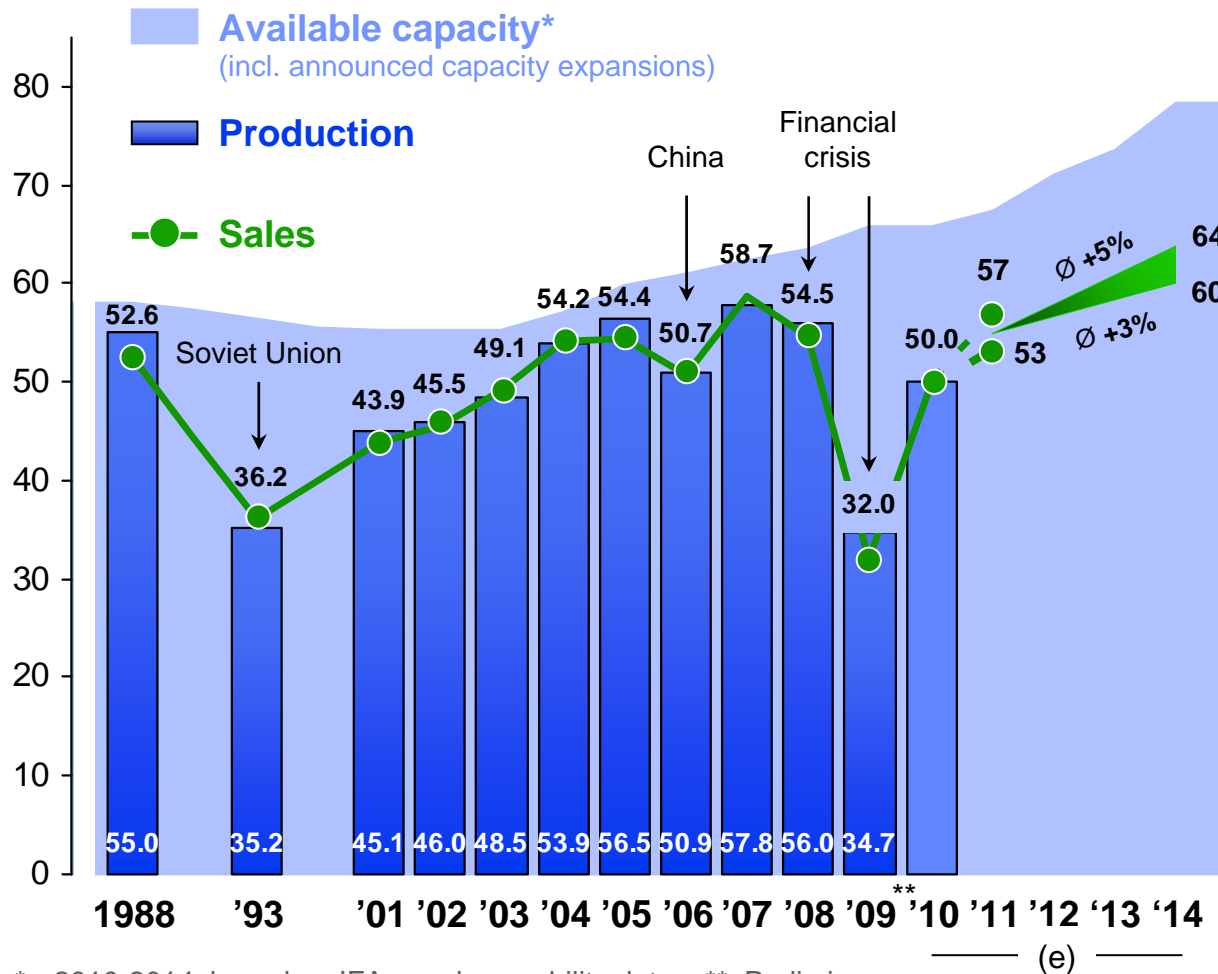
12 August 2010

# Potash and Magnesium Products

## World Potash Capacity, Production and Sales



Million tonnes



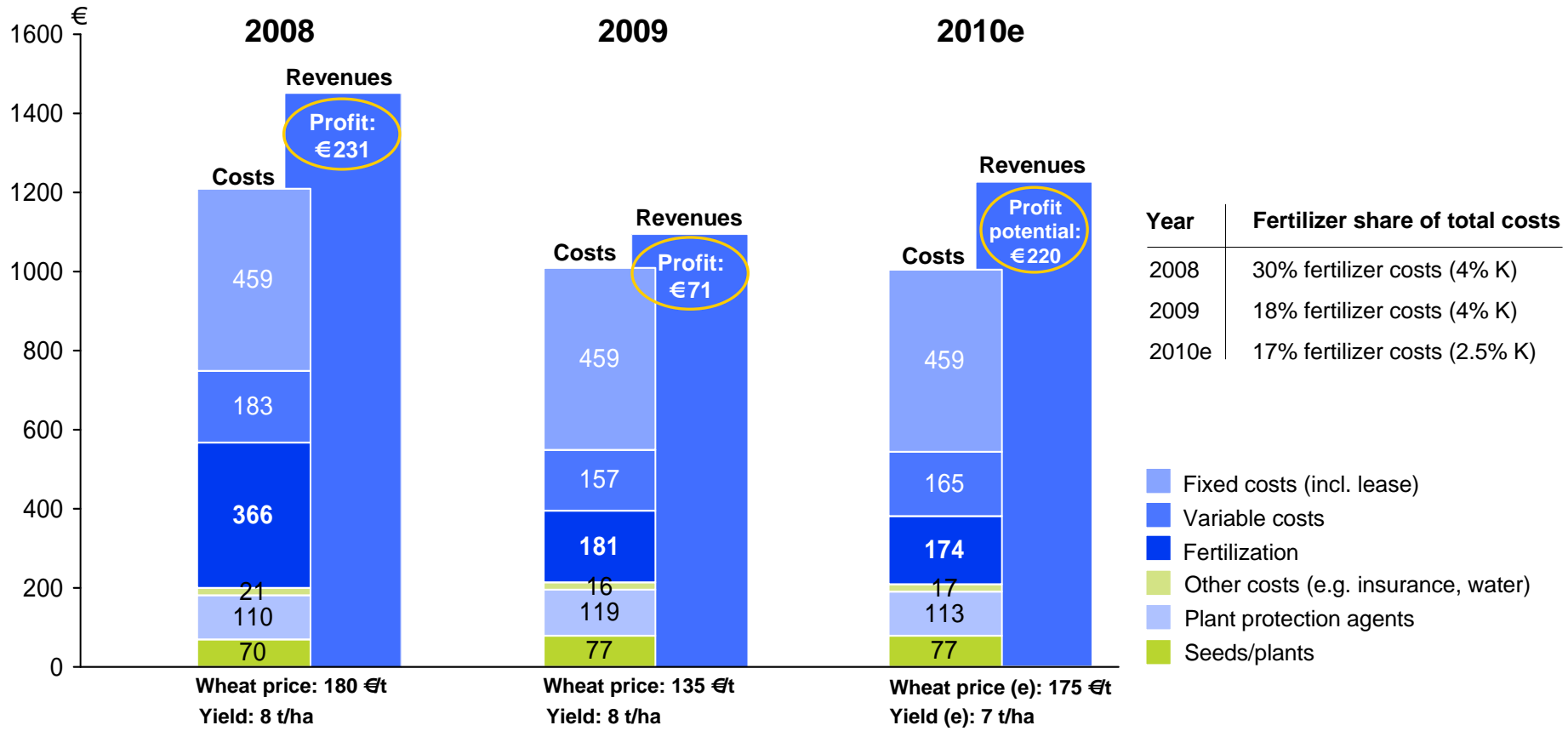
- Transitional year 2010: significant revival in demand expected, but no satisfactory utilisation of capacity yet
- As of 2011, long-term growth rates again expected at 3% to 5% p.a.
- Utilisation levels are estimated to be about 80% annually until 2014 and will thus reach an acceptable level
- Risk: announced new capacity could be postponed, cancelled or delayed due to technological/geological challenges or an inadequate price level

\* 2010-2014: based on IFA supply capability data \*\* Preliminary  
 Incl. sulphate of potash and low grade potash

Sources: IFA, K+S

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# K+S Group Profitability of Wheat



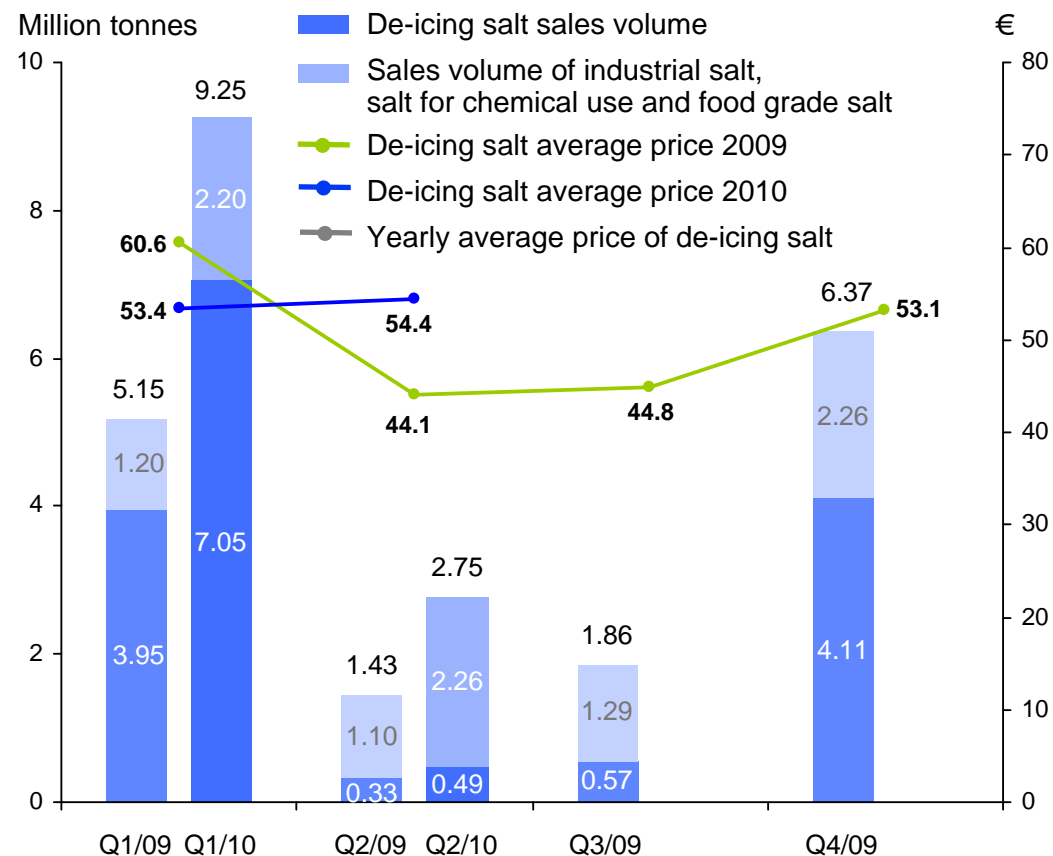
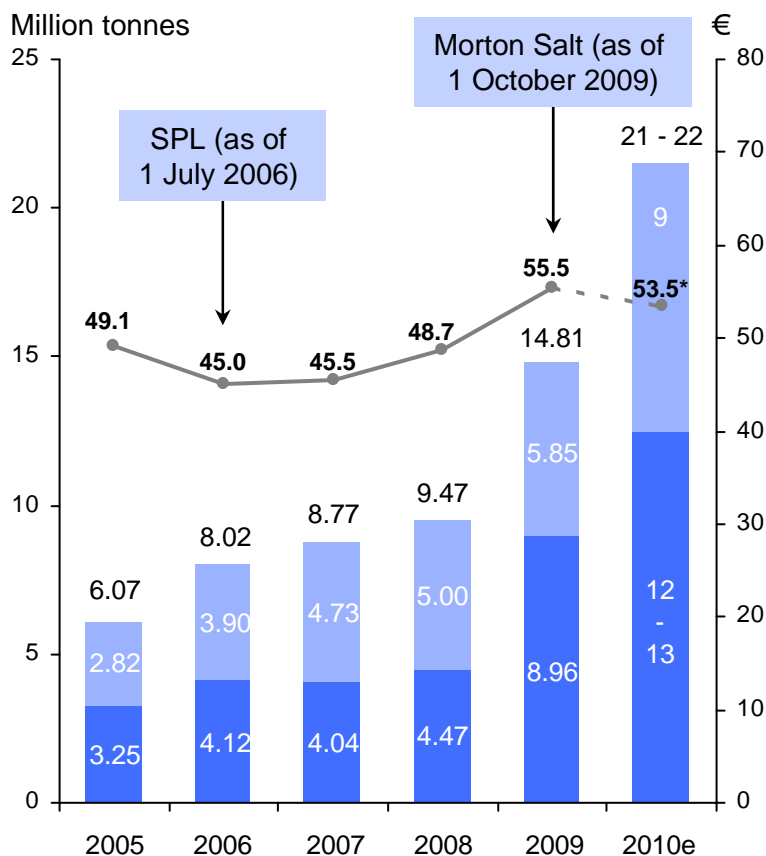
Recent wheat price rises should enable farmers to realize a profit potential of around €220 per hectar (excl. subsidies) in 2010 compared to €231 per hectar in 2008 and €71 per hectar in 2009.

Assumptions: without agricultural subsidies, incl. interest expenses for pre-financing costs, 100% use of mineral fertilizers (no organic fertilizing), straw stays in the field (straw fertilizing); fertilizer use for 8 t/ha yield: 80 kg/ha MOP, 536 kg/ha KAS and 139 kg/ha TSP; for lower yields, lower fertilizer requirement adjusted accordingly; Sources: costs (20 ha) according to Kuratorium für Technik und Bauwesen in der Landwirtschaft e. V. (KTBL), LAND & Forst, yield according to Agrarstatistik Destatis, nutrient extractions according to Guidelines for Fertilizer Use in German States; fertilizer prices: Retail prices 2010 taken from LAND & Forst: KAS 208 €/t, MOP 335 €/t, TSP 357 €/t. Wheat price estimate follows the development of Euronext price less transportation cost assumption.

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- D. Outlook

# Salt Business Segment

## Historic and Recent Volume and Price Development



- Sales volumes were increased over the past years mainly due to external growth, while keeping the de-icing salt share rather stable
- Price level for de-icing salt was tending upwards over the past years
- Quarterly volumes and prices are affected by seasonal de-icing salt business

\* Average selling price in H1/10

# Salt Business Segment

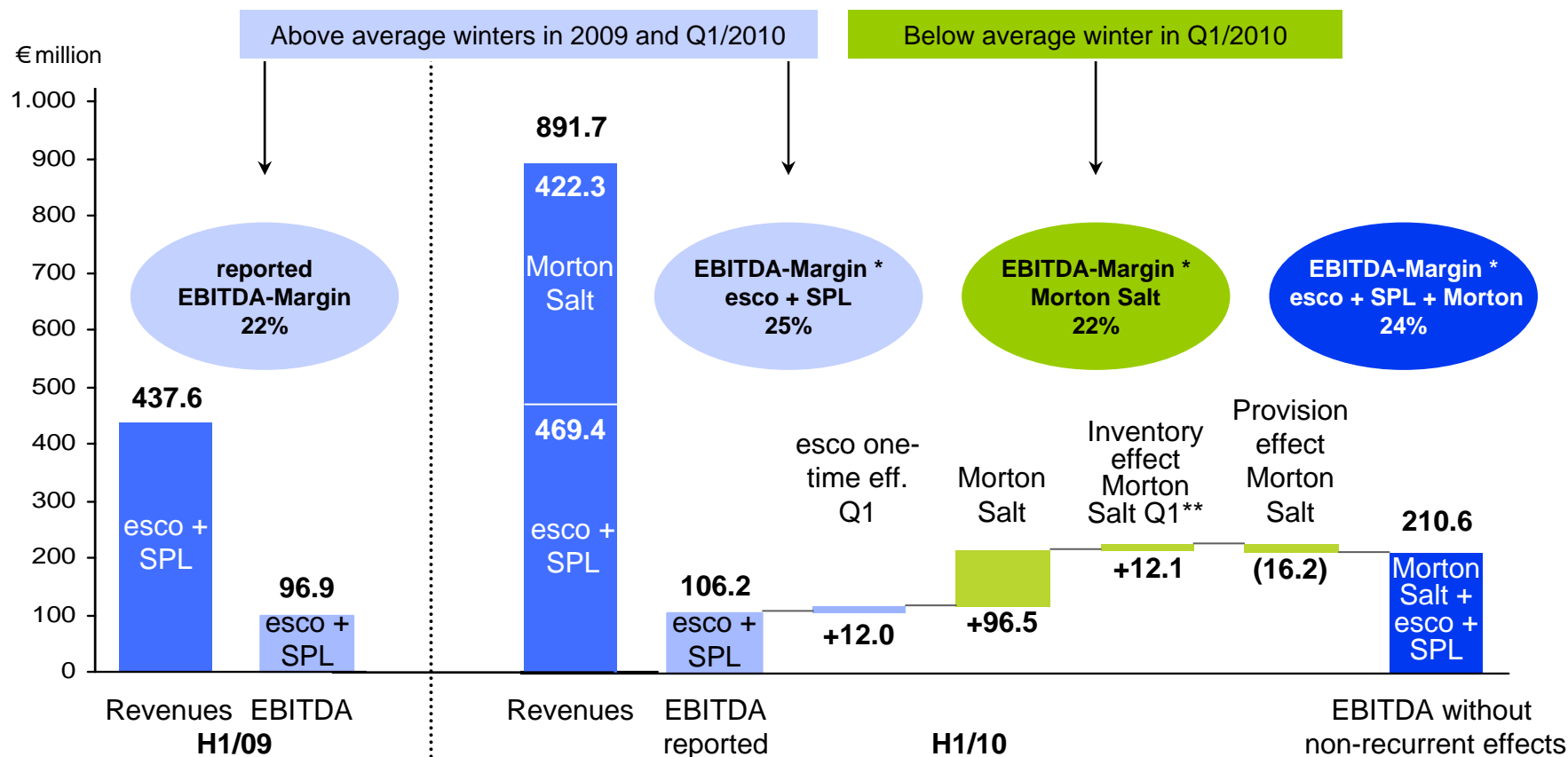
## Volumes and Average Prices in Q2/10



	Year on Year			Quarter on Quarter		
	Q2/10	Q2/09 <sup>1)</sup>	%	Q2/10	Q1/10	%
<sup>1)</sup> without Morton Salt						
Volume (million tonnes)	2.75	1.43	+ 92.3	2.75	9.25	(70.3)
- De-icing salt	0.49	0.33	+ 48.5	0.49	7.05	(93.1)
- Industrial, salt for chemical use and food grade salt	2.26	1.10	+ 105.4	2.26	2.20	+ 2.7
Average price (€ per tonne)						
- De-icing salt	54.5	44.1	+ 23.6	54.5	53.4	+ 2.1
- Industrial, salt for chemical use and food grade salt	102.8	69.5	+ 47.9	102.8	98.9	+ 3.9

- Y-o-Y: Volumes in the salt business increased significantly due to the consolidation of Morton Salt. Prices for de-icing salt were higher than in Q2/09 due to positive product mix effects within North America. Furthermore, the USD/EUR exchange rate had a positive effect. The prices of the remaining product groups improved significantly after the inclusion of Morton Salt.
- Q-o-Q: Following the normal seasonal patterns, Q2 de-icing salt volumes were significantly lower than in Q1. Prices for de-icing salt remained stable compared to Q1 due to the above mentioned reasons.

# Salt Business Segment Performance in H1/10



- Q1: Exceptionally strong de-icing salt business in Europe; very mild winter in Morton Salt de-icing salt regions: K+S' salt business with Morton Salt now well positioned to mitigate the former risk of volatile de-icing salt results
- Combined Salt business in 2010 on very attractive EBITDA-level

\* Without non-recurrent effects \*\* In connections with the first time consolidation of Morton Salt inventories



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## **D. Outlook**


**Outlook for the entire year of K+S Group:**

- Revenues:	€ 4.6 - 5.0 billion	(2009: € 3.6 bn)
- EBITDA:	€ 800 - 850 million	(2009: € 411.8 m)
- Operating earnings (EBIT I):	€ 550 - 600 million	(2009: € 238.0 m)
- Group earnings, adjusted:	€ 330 - 370 million	(2009: € 93.6 m)
- Earnings per share, adjusted:	€ 1.75 - 1.95	(2009: € 0.56)

**Underlying assumptions**
**Fertilizer Business Sector**
**Potash and Magnesium Products**

- Sales volume of 6.5 to 7.0 million tonnes of product (previously: a good 6.5 million tonnes; 2009: 4.3 million tonnes)
- Compared with the first half of the year, moderately declining average prices due to expected seasonal product mix and staggered price effects with an otherwise stable potash price level in the second half of the year

**Nitrogen Fertilizers**

- Significantly rising revenues due to significantly increasing sales volumes
- After the large losses of the previous year, an operating trading margin of about 3% for this year

**Salt Business Sector**

- Consolidation effect of about € 600 million of revenues due to the first-time inclusion of Morton Salt for a whole year
- Total sales volumes of 21 to 22 million tonnes, of which de-icing salt: 12 to 13 million tonnes
- Average de-icing salt business in Q4/10

**Effects on Group level**

- An average USD exchange rate of 1.31 USD/EUR for 2010 as a whole (2009: 1.39 USD/EUR)
- Despite higher interest expenses, a somewhat better financial result, after this had been negatively impacted by special effects in the previous year
- An overall adjusted Group tax rate of a good 26% (2009: 23.7%)

\*Outlook statement as of 5 August 2010

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