

# THE FOOD CHALLENGE

**1st Quarter 2012 Results · Investor and Analyst Conference Call**  
10 May 2012, 3:00 p.m. CEST

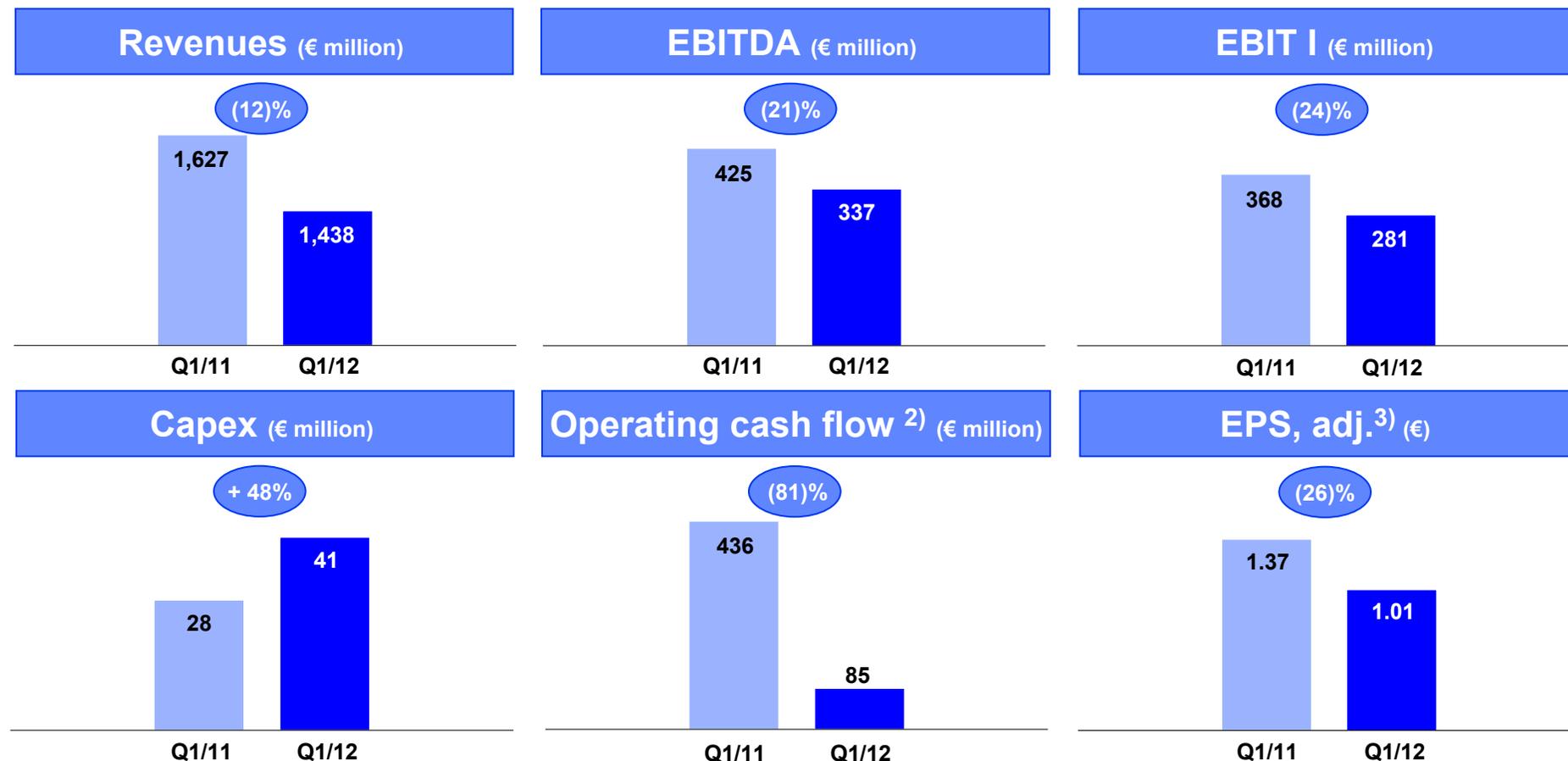


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# Q1 Figures Impacted by Weak De-icing Salt Sales Volumes <sup>1)</sup>

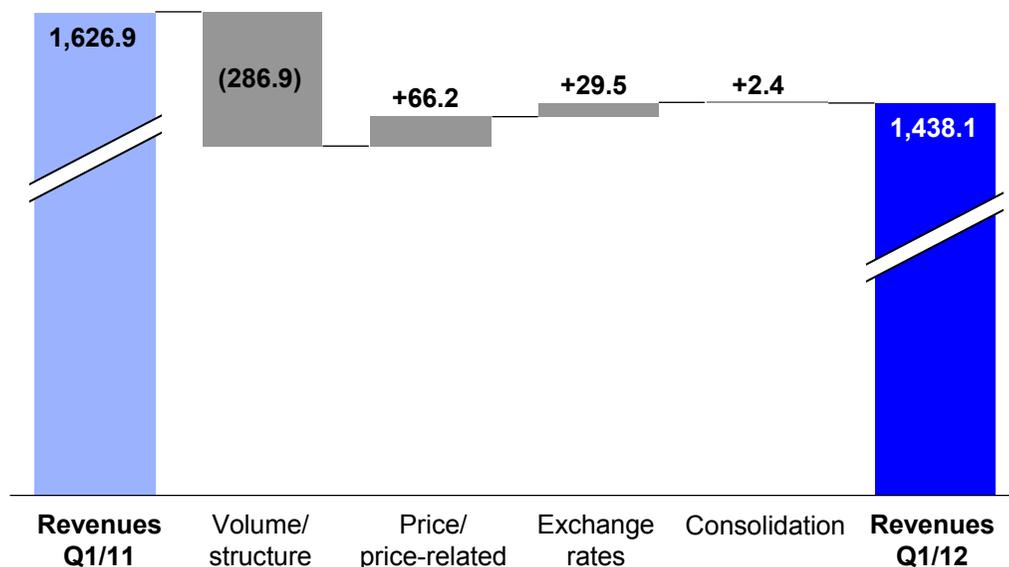


1) Information refers to the continued operations of the K+S Group. Due to its divestment, COMPO is in accordance with IFRS disclosed as a “discontinued operations”. While the income statement and the cash flow statement of the previous year were restated, the balance sheet was not.

2) Operating cash flow adjusted for the out-financing of pension obligations in the amount of € (3.7) million (Q1/11: € (86.3) million).

3) The adjusted key figures only include the result from operating forecast hedges of the respective reporting period included in EBIT I, which eliminates effects from changes in the market value of the hedges. Related effects on deferred and cash taxes are also eliminated; tax rate for Q1/12: 28.4% (Q1/11: 28.3%).

### Changes in Revenues Q1/12 (€ million)



- **Volume/structure effects**

Sales volumes in the Salt business segment decreased strongly due to the unusually mild and dry winter in Q1/12, while sales volumes of the Potash and Magnesium Products business segment held up quite nicely despite macro-economic and industry challenges.

- **Price/price-related effects**

While prices in the Fertilizer business sector clearly increased compared to Q1/11, salt prices were slightly below last year's level.

- **Exchange rate effects**

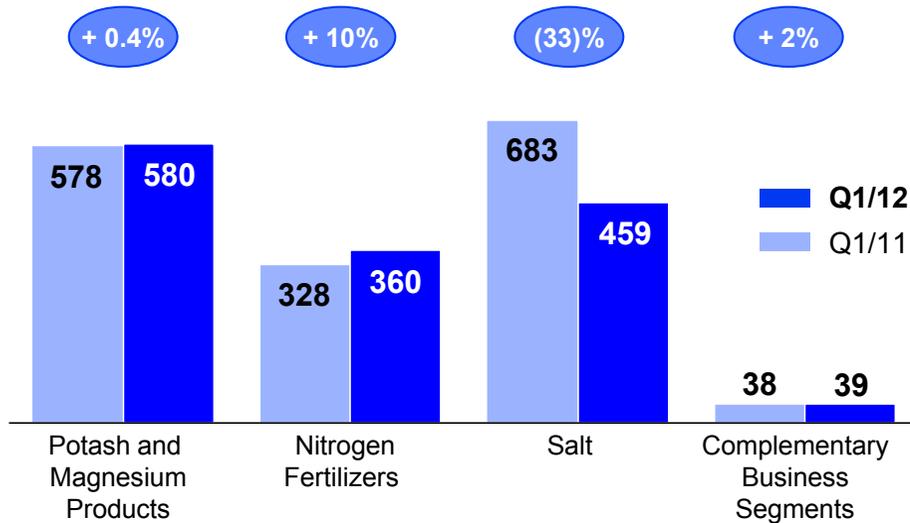
A slightly stronger US dollar led to a small positive effect in revenues in all business sectors (Ø Q1/12: 1.31 USD/EUR; Ø Q1/11: 1.37 USD/EUR).

# Record Quarter in Potash and Magnesium Products Mitigates Weak Salt Performance



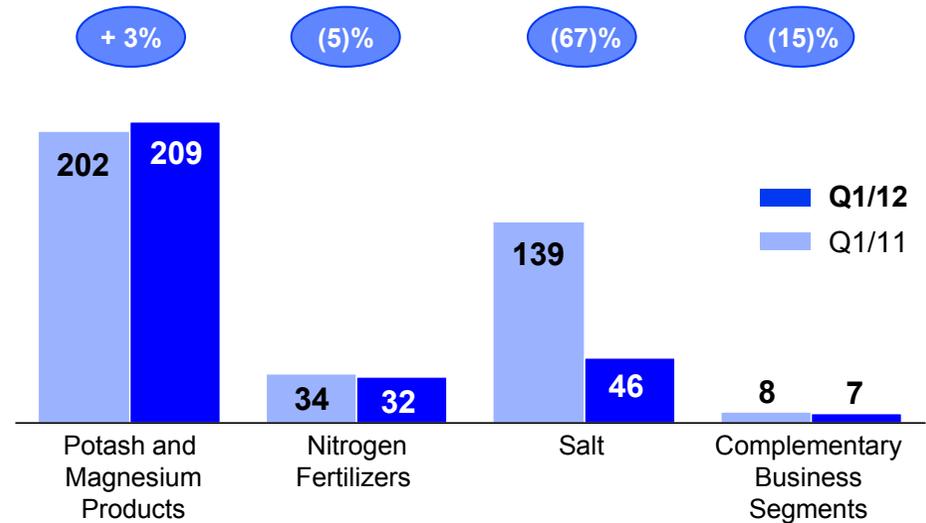
## Revenues (€ million)

- The decline in Group revenues of 12% is purely attributable to the below-average de-icing salt business caused by the unusually mild and dry winter weather in Europe as well as overseas.



## Operating earnings EBIT I (€ million)

- The Potash and Magnesium Products business segment showed the strongest earnings ever achieved in a first quarter.
- Salt earnings were burdened by the lowest de-icing salt sales volumes of the near past.



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# Core Business Sector Fertilizers

## Market Environment during Q1/12

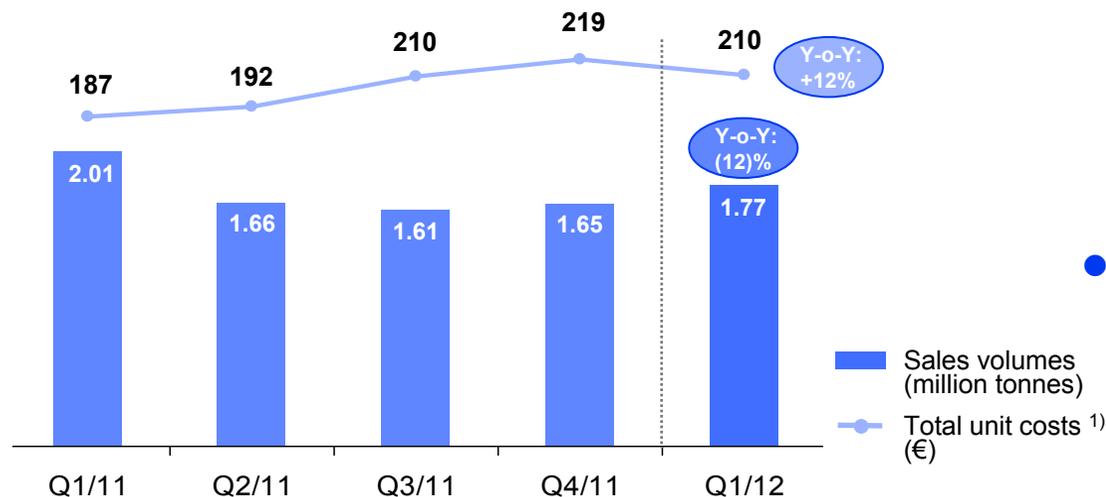
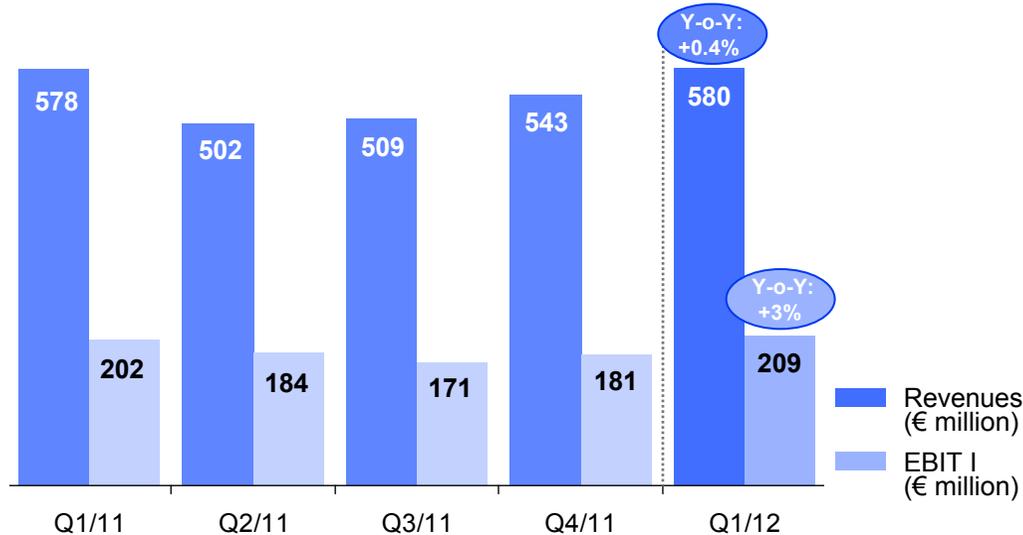


- In the wake of the European sovereign debt crisis, the trade sector was more cautious in its early stocking-up of fertilizers at the end of 2011 and the beginning of 2012.
- Moreover, winterkill resulting from very dry and cold weather led to a postponement of the European spring season.
- However, throughout the first quarter, the price level for agricultural raw materials continued to offer attractive income prospects for farmers and therefore an incentive to use fertilizers.
- At the end of the first quarter, there was an upturn in demand for potash fertilizers, especially after the contractual negotiations with China for the first half of 2012 were concluded with unchanged terms in mid-March.

## Volumes and Average Prices in Q1/12

	Year on Year			Quarter on Quarter		
	Q1/12	Q1/11	%	Q1/12	Q4/11	%
Volume (million t)	1.77	2.01	(11.9)	1.77	1.65	+ 7.3
- Europe	0.97	1.19	(18.5)	0.97	0.82	+ 18.3
- Overseas	0.80	0.82	(2.4)	0.80	0.83	(3.6)
Average price (€ per t)	327.2	287.6	+ 13.8	327.2	327.8	(0.2)
- Europe (€ per t)	325.8	284.4	+ 14.6	325.8	315.9	+ 3.1
- Overseas (US\$ per t)	431.1	399.7	+ 7.9	431.1	457.9	(5.9)

- Y-o-Y: Sales volumes declined mainly due to lower sales volumes in Europe caused by a more cautious management of early stocking-up by the trade sector and a delayed start of the spring season. Average European prices increased more than the overseas prices, as the overseas price level in Q1/11 had already been on a higher basis than in European markets. The overall increase of the average price in euro-terms was supported by positive currency effects (Q1/12: 1.31 USD/EUR, Q1/11: 1.37 USD/EUR).
- Q-o-Q: Sales volumes increased due to seasonally higher sales volumes in Europe. While the overseas price level declined due to a competitive market environment especially in Brazil, the European price slightly increased because of positive product mix effects (more higher-priced MOP/SOP, less specialities).



- Revenues of the Potash and Magnesium Products business segment reached € 580 million and were therefore up slightly on the very good figure for the previous year's quarter. Higher prices and positive currency effects could compensate for decreases in sales volumes. EBIT I increased by 3% to € 209 million. This was the best result yet in a first quarter in the Potash and Magnesium Products business segment.

- Compared to one year ago, the overall cost base decreased slightly. However, on the back of lower sales volumes, unit costs increased tangibly to a level of € 210 (Q1/11: € 187).

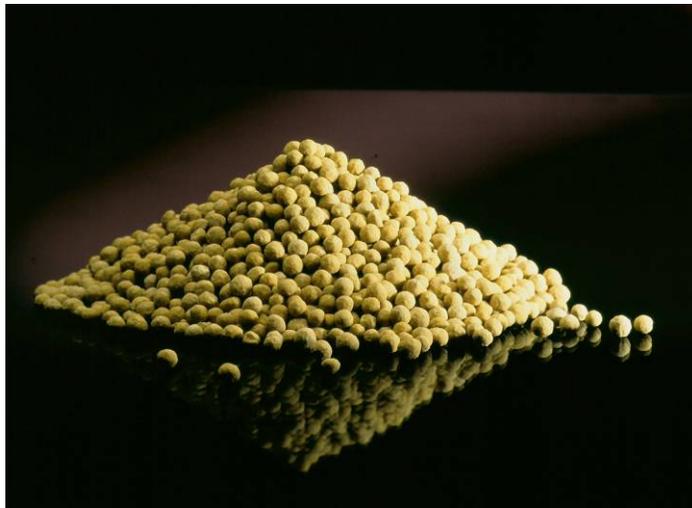
1) Total unit costs are defined as revenues minus EBIT I divided by sales volumes.

# Nitrogen Fertilizers

## Sale of K+S Nitrogen



**K+S** *nitrogen*



- On 8 May 2012, K+S Aktiengesellschaft announced an agreement with EuroChem regarding the sale of K+S Nitrogen, one of the leading suppliers of nitrogenous fertilizers.
- The transaction, with an enterprise value of € 140 million, is likely to be closed at the end of the second quarter of 2012.
- For K+S, the sale will generate a book profit of around €70 to €80 million, depending on the net earnings of K+S Nitrogen generated by the time the transaction is closed, together with other effects.
- Following the divestment of COMPO last year, the sale of K+S Nitrogen consequently fits into our strategy, which pursues the goal of focusing management and financial resources particularly on the Potash and Magnesium Products and Salt business segments.

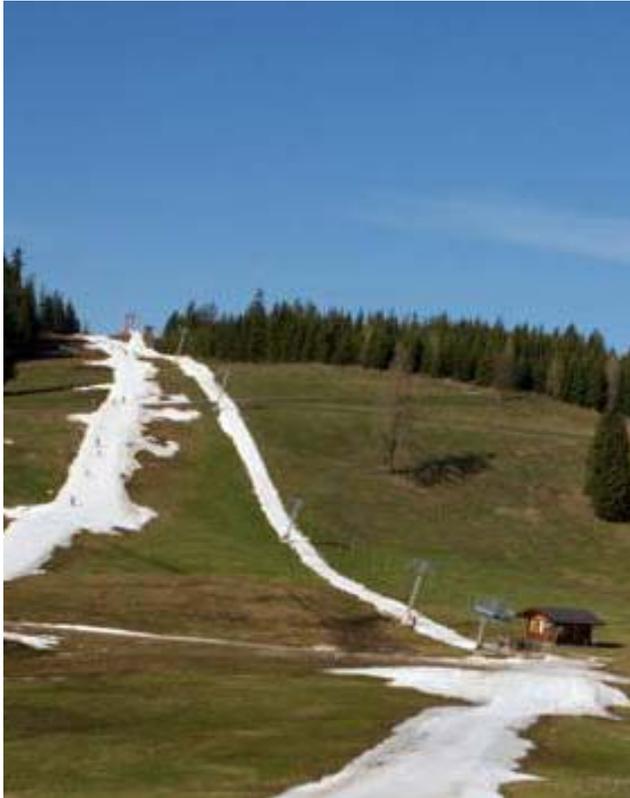
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- **European de-icing salt business**

As a result of the very mild and partly dry weather conditions at the beginning of the year, the demand for de-icing salt was unusually weak, particularly compared to the above-average Q1/11, but also compared to the long-term average sales volume. Prices were slightly higher than one year ago and relatively stable compared to Q4/11.

- **North American de-icing salt business**

On the US East Coast, too, the demand was very weak due to the unusually mild winter, and it was below average in the de-icing salt regions of Canada. Most producers responded to high inventories by cutting back production. A slight reduction in price was noted particularly on the US East Coast and in other de-icing salt regions of the USA.

- **Industrial and food grade salt**

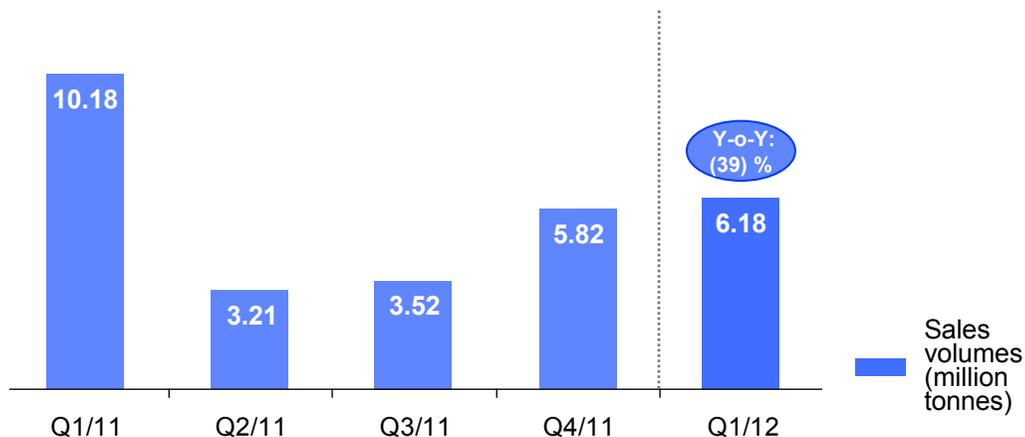
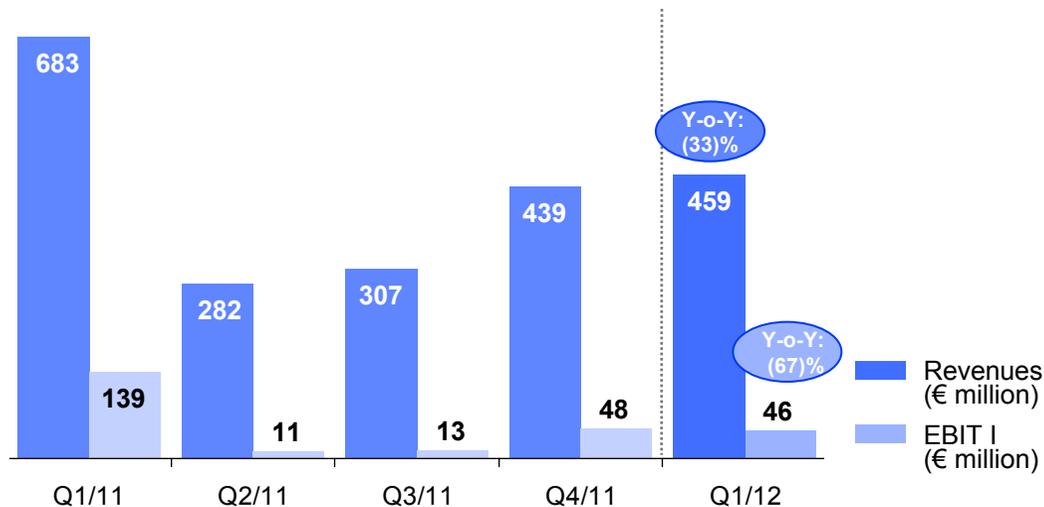
Industrial demand remained relatively stable in all regions; demand for food grade salt was at a good level in all regions.

- **Salt for chemical use**

The demand in Europe decreased somewhat in the course of Q1, so that following tangible increases in the previous year prices stabilised at the level reached at the end of 2011. North and South American demand for salt for chemical use remained stable.

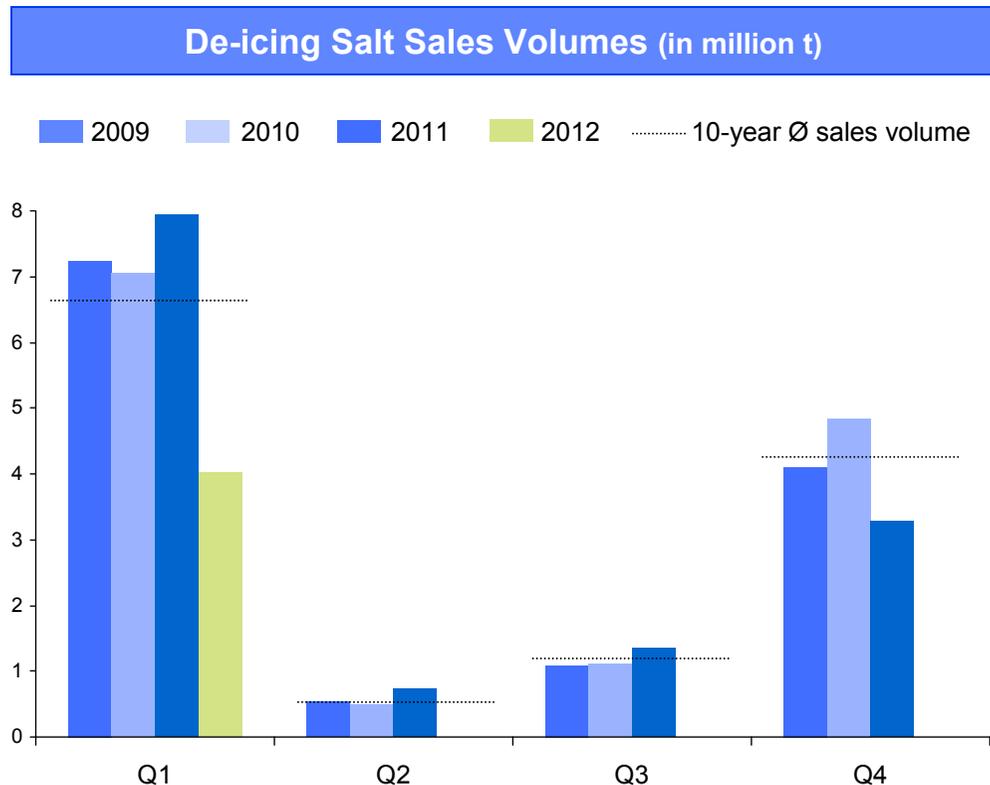
	Year on Year			Quarter on Quarter		
	Q1/12	Q1/11	%	Q1/12	Q4/11	%
Volume (million t)	6.18	10.18	(39.3)	6.18	5.82	+ 6.2
- De-icing salt	4.02	7.94	(49.4)	4.02	3.28	+ 22.6
- Non de-icing salt	2.16	2.24	(3.6)	2.16	2.54	(15.0)
Average price (€ per t)						
- De-icing salt	51.5	54.8	(6.0)	51.5	56.6	(9.0)
- Non de-icing salt	105.8	101.2	+ 4.6	105.8	92.6	+ 14.3

- Y-o-Y: Q1/12 de-icing salt volumes were significantly lower year on year due to the unusually mild and dry winter conditions in all our de-icing salt regions. The average price level declined moderately. While volumes slightly declined for non de-icing salt, an improved product mix, in addition to a positive exchange rate effect and some price increases, led to a higher average price.
- Q-o-Q: Following normal seasonal patterns, Q1/12 de-icing salt volumes increased, but reached only half of last year's level. De-icing salt pricing decreased, especially in North America, mainly due to product mix effects as a result of lower consumer sales volumes. The other product group's volume declined, but price increases along with an improved regional product mix and a favorable exchange rate effect resulted in a higher average price.



### Business seasonality

- De-icing salt seasonality clearly observable in the development of total salt revenues, sales volumes and operating earnings.
- Compared to one year ago, revenues decreased significantly due to the weak de-icing salt business. The strong decline in earnings was mitigated by savings in maintenance and personnel costs.
- Sales volumes declined by 39% leading to a lower fixed cost coverage and thus to a lower profitability, but still generating an EBIT margin of 10%.



- Access to multiple de-icing salt markets in different climate regions usually mitigates the overall degree of fluctuation in the de-icing salt business. The results of the last years proved that the overall concept works.
- But: Extraordinary situation in Q1/12. The mild weather conditions in Europe as well as North America led to very low de-icing salt sales volumes in all regions:
  - Sales volumes in Q1/12 were 40% below the 10 year average
  - Sales volumes in Q1/12 were 49% below the record Q1/11

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### Fertilizer Business Sector

- In the first two months of 2012, the demand for fertilizers initially was somewhat restrained. Due to the sovereign debt crisis, the trade sector rather cautiously managed its early stocking-up, and as a result of winterkill attributable to the very dry and cold weather conditions, there was a delay in the European spring season. Furthermore, in the case of potash fertilizers, the volumes from contracts with Indian customers were shifted to the second quarter.
- Against the background of potash supply contracts concluded with China in the middle of March 2012 at unchanged conditions and continued attractive agricultural prices, demand for potash fertilizers improved towards the end of the first quarter.
- This development should continue in the following months, so that we assume global potash sales volumes of up to 58 million tonnes\* for 2012 as a whole (2011e: 60.2 million tonnes\*).

### Salt Business Sector

- Due to the unusually mild weather conditions at the beginning of the year, in 2012, the demand for de-icing salt in Europe as well as in North America will be reduced accordingly.
- In the food grade salt area, we expect demand to remain largely stable in the sales markets relevant for K+S, and in the industrial salt area, we expect it to decline somewhat, especially in North America.
- While the sales volumes for salt for chemical use should fall moderately due to the economic cooling in Europe, the demand of the chemical industry for salt for chemical use in North America is likely to climb slightly and to remain stable in South America.

\* Incl. potassium sulphate and potash grades with lower K<sub>2</sub>O content of around 3 million tonnes eff.

## Outlook 2012

### Potash and Magnesium Products:

- Sales volumes probably close to that of last year (2011: 6.9 million t); moderately increasing average price level<sup>2)</sup> → moderately increasing revenues
- Tangibly higher unit costs, mainly because of strongly rising energy costs and slightly increasing personnel costs → Operating earnings could again approach the good level of 2011

### Nitrogen Fertilizers:

- Slightly positive trend for the revenues, higher input costs and stable operating earnings expected

### Salt:

- As a result of the unusually weak start of the de-icing salt business, a significant reduction of sales volumes expected
- Tangible decrease in revenues and strong decrease in operating earnings compared to an above-average 2011

### K+S Group:

- Revenues should develop stable
- Moderately decreasing operating earnings

<sup>1)</sup> Outlook as of 2 May 2012

<sup>2)</sup> In line with our customary, purely technical forecast policy, which maintains the currently achieved potash price level unchanged for the remainder of 2012

## Outlook K+S Group 2012 <sup>1)</sup>

- The sale of K+S Nitrogen clearly follows our strategy, which pursues the goal of focusing management and financial resources in future particularly on the Potash and Magnesium Products and Salt business segments
- Strong earnings power of K+S becomes even more visible after the divestment of the lower-margin trading business of K+S Nitrogen
- 2011 pro forma revenues: ~€ 4.0 billion; 2011 pro-forma EBIT I: ~€ 900 million; EBIT-margin > 20%
- Pro-forma adjustment for the sale of K+S Nitrogen has no impact on 2012 outlook:
  - ➔ Stable revenues and moderately decreasing operating earnings for the year 2012 still expected

<sup>1)</sup> Outlook as of 2 May 2012; 2011 pro-forma figures excluding the Nitrogen Fertilizers business segment; a detailed adjustment will follow in Q2/12.

This presentation 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 should certain risks – such as those referred to in the Risk Report – materialise, actual developments and events may deviate from current expectations. The Company assumes no obligation to update the statements, save for the making of such disclosures as are required by the provisions of statute.

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