

**Rating Action: [Compass Minerals Group, Inc.](#)**

**Moody's upgrades Compass Minerals to Ba3; revises outlook to stable**

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New York, June 26, 2007 -- Moody's Investors Service upgraded Compass Minerals Group, Inc.'s ("Compass Minerals") corporate family rating (CFR) to Ba3 from B1 and probability of default rating to Ba3 from B1, following a period of debt reduction and reflecting credit metrics supportive of the upgrade. The outlook was revised to stable from positive. The following summarizes the rating changes:

Ratings upgraded:

Compass Minerals Group, Inc.

Corporate family rating - Ba3 from B1

Probability of default rating -- Ba3 from B1

\$350 mm gtd sr sec term loan facility due 2012 -- Ba1 (LGD2, 27%) from Ba3 (LGD2, 29%)

\$125 mm gtd sr sec revolving credit facility due 2010 - Ba1 (LGD2, 27%) from Ba3 (LGD2, 29%)

Debt not rated by Moody's (amounts as of 3/31/2007):

Compass Minerals International, Inc.

\$113 mm 12-3/4% sr discount notes due 2012

\$157 mm 12% sr sub discount notes due 2013

The upgrade reflects improved credit metrics supportive of the ratings that have resulted from steady earnings as well as the reduction of its term loan debt that has more than offset the accretion of its payment-in-kind (PIK) notes and reduction in interest expense. In 2005, the company refinanced high coupon debt, improving its cash flow. The company has experienced relatively stable operating performance despite the effects of adverse weather conditions on salt operations in 2006 and 2007.

The ratings continue to reflect Compass Minerals' moderate / elevated leverage with Debt to EBITDA of 3.7 times for the LTM ended March 31, 2007 (ratios incorporate Moody's global standard analytical adjustments) and debt almost equal to 2006 revenues; the company's entrenched position as the leading North American producer of highway deicing salt with an annual production capacity of 11.7 millions tons/year (13.7 million tons including European operations); its access to extensive and high quality salt deposits; its efficient distribution network characterized by access to lower cost water transportation; as well as its position as the leading North American producer of sulfate of potash (SOP). The ratings also consider generally favorable weather patterns within the North American regions (Canada and Midwestern United States) in which it operates, which reduce the volatility of operating results; a diverse customer base with no customer accounting for more than 5% of sales; and substantial barriers to entry, including the extensive time required for planning and obtaining zoning approval for a new rock salt mine, and the substantial amount of capital required for the acquisition of mineral rights and mine construction.

However, the ratings also consider the mature nature of the highway deicing business, characterized by low single digit volume growth rates, and the seasonal nature of SOP sales to agricultural markets. Additionally, the ratings recognize that volatile natural gas and energy costs (which represented 13% of the company's total production costs in 2006) can put pressure on operating margins. Moody's also notes that Compass Minerals International, Inc. pays a significant dividend to shareholders, which is required to be funded out of Compass Minerals' cash flow.

The stable outlook reflects Moody's expectation that Compass Minerals will continue to generate positive free cash flow and improve profitability under normal winter weather conditions and anticipates a consistent pattern of debt reduction, limited dividend growth, and capital expenditures that will be above maintenance levels over the intermediate term. The rating is currently limited by the company's leverage profile as well as its size (annual revenues less than \$1 billion) and business profile. Moody's would expect Retained Cash

Flow / Debt to exceed 15% and Debt to EBITDA to approach 3.2x on a sustained basis before a higher rating would likely be considered. The rating could be negatively pressured if the company failed to generate positive free cash flow and pay down debt. The salt business has been historically stable, but successive winter seasons with unseasonably warm weather could worsen credit metrics.

Compass Minerals Group, Inc., headquartered in Overland Park, Kansas, is a global producer of salt used for highway deicing, food grade applications, water conditioning, and other industrial uses, and a producer of sulfate of potash (SOP) used in specialty fertilizers. Its holding company parent, Compass Minerals International, Inc., is publicly traded. The company had revenues of \$707 million over the LTM ended March 31, 2007.

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