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PRESENTATION

Unidentified Company Representative

All right. So [gathered] all together. Welcome to Frankfurt, for the first time here in the MesseTurm, because we have a little of a refurbishment in the hotel we usually use in the [Hafen] Tower.

You know the gentlemen here on the stage, and I quickly hand over to Mr. Steiner.

Norbert Steiner - K+S AG - Chairman of the Executive Board

Thank you very much. Welcome from my side as well. I will be at your service for the next 90 minutes or so, and would like to start with our investor conference today.

I will indicate most likely almost the pages in which we are, what we are dealing with, that you can follow over the phone. For example, page 2, you will find the agenda for today. And yesterday, we already informed you about our dividend proposal for the Annual General Meeting in May, as well as about key data for financial year 2013.

Today we would like to look at trends and some key figures for the Group in greater detail after that. My colleague, Burkhard Lohr, will comment on the results for the potash and magnesium products and the salt business units, as well as on our financials before I will wrap up with our guidance for 2014.

We turn to page number 3. As a commodity company, we think and act long term. We are convinced of the attractiveness of our products and our markets, and therefore are heading for further growth. Last year too, we further developed the K+S Group in a focused way. We invested heavily in our Legacy project, our new potash plant in Canada.

Legacy opens up a long-term perspective for the Company that goes beyond the time range of our German potash deposits. Thus, you could say this is a kind of a K+S inter-generational contract. We are sowing now in order to reap a harvest over at least 40 years to 50 years, and in my conviction, even 100 years.
In the salt business unit too, we have initiated important steps to remain profitable in a sustainable manner. We’ve set up a strategy project that examines the potential end-capacity of all salt entities and sites, and which will further strengthen the entire business unit.

In addition, we have launched our Group-wide Fit for the Future program. By means of this, we do not only want to improve the cost situation, but also improve our structures and processes. In this way, we want to make the Company more robust vis-a-vis economic fluctuations and secure its future.

Allow me to go into more detail regarding the three points I’ve mentioned before; Legacy, strengthening of the salt business unit, and Fit for the Future.

The construction of our new plant in the Canadian province of Saskatchewan is proceeding according to schedule; page number 4. Over the past few months we have erected the first buildings and steel elements, laid utility supply lines, and begun to install the electrical and control technique.

In addition, we have made great progress in developing the caverns. Thus, a few weeks ago, we saw the completion of the first test cavern for the extraction of brine containing potash at a depth of 1,500 meters, and a further 36 will be developed for production units to be the [two for] production until the planned commissioning of the plant in the summer of 2016.

In the autumn of 2013, we completed the basic engineering, a comprehensive engineering plan for the plant. It confirmed two cornerstones of the project; the planned timing of the commissioning of the plant, as well as the total investment cost of CAD4.1 billion.

Orders to supply us amounting to approximately CAD1.5 billion have been placed or already processed up to the end of February. The volume of orders will increase considerably over the coming weeks and months. Thus, the advantages of Legacy can materialize over the foreseeable time horizon and enable us to participate in the growth of the global potash market.

In the salt business unit too, we are geared up for sustainable growth markets. For those who listen, please turn to page 5.

Positive market signals are coming from Asia in particular. Salt consumption there is continually growing. Local production cannot meet the growing demand. This creates good opportunities for our production network.

To further strengthening our market positions, we have determined three strategic areas for action; growth, efficiency, and culture.

Growth represents the goal of further improving the marketing of our products. The focus is on expanding our existing sales markets in the direction of Asia, South America and Eastern Europe, but we also want to improve certainly our margins.

Efficiency is directed at enhancing international cooperation. This is mainly about optimizing capacity utilization in our global production network, as well as the exploitation of synergies and best practices.

Culture is about directing our attention towards developing an even greater focus on the needs of our customers on the one hand. On the other hand, it is also about to increase attention to our employees for whom we want to make our goals more transparent.

As a result of the measures that we have initiated in these three areas of action, we want to initiate a significant rise in the profit of the salt business unit in conjunction with the expected market growth I have described, doubling the earnings of the business unit by 2020. In order to deal with an easy formula for this and for its employees, the business unit has set out these goals, mainly for this.

You will no doubt ask immediately, doubling? What does that mean? We deliberately do not communicate any medium-term earnings targets, and one should not try to calculate our target for 2020 on the basis of the current year or an earlier one. What is important in the salt business unit is the strategic direction and our own aspiration.
We want to and can grow significantly. That is borne out by the markets, the measures that we have now initiated; and last but not least, our more than 5,000 employees in our global salt business. It’s a formula mainly for them.

Last but not least, and now we are on page number 6, to enhance the competitiveness of the K+S Group, we launched our Fit for the Future program last November 2013. This year, we want to save at least EUR150 million compared to what we have planned for in 2014 in our budget as per mid-2013.

To repeat it, compared to what we have planned for 2014 in our budget as per mid-2013.

By the end of 2016, savings are expected to accumulate to a volume of about EUR500 million, thus summing up savings of each of the three years.

The Fit for the Future program is, however, more than a cost-cutting program. Of course, we want to reduce our costs, and where it is not possible, limit cost increases. However, we also see further potential for greater efficiency in cooperation within and between the operating and administrative areas. That is why we are simultaneously working on improving our structures and processes.

We had already resolved to further optimize efficiency and structures for 2013. The number of projects to that end were already initiated or continued at the beginning of last year. In the fourth quarter of 2013, we brought these projects together under one roof and set ourselves further goals.

The first month of intensive project work indicates that we are on the right path. Progress is being made on detailed work, and many of the savings planned for this year have already been given the form of concrete measures.

In the extraction and production area, for example, we will optimize our maintenance intervals, and in distribution and along the value chain, make order processes more efficient, among other things. In North America, we are streamlining our logistics networks and bundling cross-departmental functions in administrative units.

Why are all these measures so important? We want to increase our corporate value sustainably in the medium term. This corresponds not only to our investors' expectations of us, but also to our own understanding as it grows oriented commercial enterprise.

In order to provide you with a better impression of what we are working on within our Fit for the Future program, I will provide you with some examples to make the program more tangible, starting on slide number 7.

You will see the next two pages are mainly related to our salt business and the holding in Kassel. This of course does not mean that we are not working on projects concerning our business unit potash and magnesium products. However, most of the projects, especially those that shall have a sustainable positive effect, are still in an early stage. We will provide updates regularly, so there is nothing to worry about as of today.

Coming to our logistics network in North America now. Our network there has grown over the years in response of meeting service and growth objectives for the organization. Initially, customers were served by warehouses attached to the production plants, and later, as volumes, packaging types and customers grew, also by a number of external warehouses and co-packers.

We have identified significant potential in our warehouse structure and line haul management that would not only lead to a leaner and more efficient structure, but also reduce complexity in the entire logistics network for both Morton and K+S Chile, which also delivers to the US east coast, as you know.

By reducing the number of warehouses and distribution centers, we will also be in a position to optimize line haul between our facility and our customers, who will benefit from better service and shorter delivery times.

We are currently working on the design of the future network that will help us eliminate a good chunk of spending on North American logistics.
Page 8 shows you an example from our overhead functions. From the beginning of 2014, we have introduced the so-called center concept for our headquarters in Kassel. We have divided the holding into [few] corporate centers which are responsible for the definition and the steering of Group-wide processes in conjunction with the Board of Executive Directors, and business centers as well as technical centers that will deliver services to both the corporate centers and the business units.

This clearer focus will increase transparency about redundancy costs within the holding and eliminate inefficiency through increased specialization. Similar projects at our salt offices in Chile and Chicago have already led to encouraging results.

Ladies and gentlemen, please turn to slide number 9. Raw materials production is the original production, and like every industrial activity, is inevitably bound with interventions in nature. But this does not at all mean that economy and ecology are mutually exclusive.

We have for decades been working intensively to increase our efficiency of resources and to utilize or avoid mine waste. A glance at the diagram makes it clear to what extent since the 1970s the volume of saline waste water has been able to be reduced, among other things, by technological innovations.

And we are well on the way to again improve with the implementation of our comprehensive package of measures for water protection. Already in a few days’ time, we will officially put into operation three new facilities in our integrated Werra plant, and we will have achieved about 90% of the saline water reduction aimed at only by the end of 2015 officially.

That has not only been enormous technical challenge which has demanded much of our teams, it has also financially been a [veritable Buddha] that we have been containing. Against the background of the significantly more difficult economic framework conditions, this should therefore also not be [struck off] as being a matter of course.

Even those who are critical of our industry in the Hess-Thuringia potash district can see that we keep alert, even if with this great capital expenditure we are beset by doubts over the Werra and whether it’s being considerably burdened by other stress factors regarding ecologically proportionality.

So as not to be misunderstood at this point, it is good that we in Germany have high environmental standards and have to minimize interventions in nature. But we should in the process preserve a reasonable measure and constantly also keep the whole in mind. My impression is that we sometimes lose this view of the whole, which also includes interest necessary for the common good to secure our industrial basis.

For K+S, economic activity, competitive sites and workplaces and a sustainable relationship with nature belong inseparably together. We will thus also in the future conduct research and work to reduce the environmental effects of the potash mining even further. However, if anyone is expecting completely residue free potash production, he is expecting too much. This does not exist anywhere in the world within today’s best available techniques.

It is therefore a question of reconciling interest between modern raw material mining and questions concerning environmental and water protection by concentrating on what is feasible. German mining requires stable and reliable framework conditions in order to also remain internationally competitive in the future.

We implement whatever we ourselves can contribute towards strengthening our international competitiveness. This is what I wanted to get over to you in my comments so far.

Let’s now look back at the business development of the K+S in 2013, starting on slide number 11.

The year 2013 was a year of major challenging -- challenges for the K+S Group. In particular, July 13, 2013, frequently also referred to as the Black Tuesday, with its consequences for the price trends on the global potash market, has had an effect on us, no doubt. But neither do we want to forget the CO2 explosion in the Unterbreizbach mine which cost the lives of three of our colleagues and brought production to a standstill for weeks.
Nevertheless, K+S proved yet again that the Company is able to adapt to changes operatively and strategically in order to secure long-term success. Let’s look at the figures.

A good EUR3.9 billion. Revenues again reached the high figures of the year 2013. At about EUR656 million, operating earnings did indeed decrease significantly year on year but were within the limits of our most recently published forecast for the year.

And adjusted Group earnings fell to EUR435 million, though in the previous year, EUR100 million was still attributable to the discontinued operations and the sale of our nitrogen business.

If we look at the division of our revenues and earnings in our business units on page 12, a widely varying picture emerges. While we had to record significant declines in our potash and magnesium products business, our salt business developed positively. In this case, operating earnings in particular improved greatly after what was, however, a weak previous year.

Dr. Lohr will soon go into greater detail about the main reasons and causes. Before that, however, a short look at our complementary activities into which, alongside the waste disposal and recycling segment, we bundle our important activities, more important activities for the Group. This segment ultimately recorded reasonable growth, of course, on a low basis.

Now Dr. Lohr will go more into detail about the market developments in our financial results. Please.

Burkhard Lohr - K+S AG - CFO
Thank you, Mr. Steiner. Ladies and gentlemen, a warm welcome from my side as well. Let’s move on to page 14.

We started out with confidence in 2013. The potash business had a promising start, with prices remaining stable. Then on July 30, Uralkali issued its statement to cease corporation with Belaruskali, and this announcement immediately gave rise to many questions, and prices declined subsequently.

As you know, we are referring here to numbers from the FMB source. Also, the previously expected global sales volumes for potash were reduced as many competitors cut capacity.

Please move to page 15. We always stressed out potash and magnesium portfolio to be robust. We are close to our customers in Europe and deliver reliably to selected overseas regions. And this does not only apply to potassium chloride, the standard product. Thanks to fertilizer specialties and industrial products, our portfolio is far more diverse than that of most of our peers.

This was also true in the challenging year 2013. Despite the already mentioned uncertainties and the impact of the dramatic accident at our Unterbreizbach site, we were able to keep sales volumes at the high level of the previous year.

We also felt the pricing effects in revenues and earnings. In particular, revenues with potassium chloride products declined year on year, while fertilizer specialties and industrial products remained reliably stable. The EBIT decreased accordingly.

Let’s have a more detailed look at sales volumes and prices, on page 16.

It is obvious that both in Q4 and full year, Europe could [virtually] compensate the volume decline in overseas regions. Also with regard to pricing, shown here in terms of average selling price per tonne, Europe showed relative strength.

For the business unit as a whole, average selling prices were at EUR271 per tonne in Q4, which was only marginally below realized prices in Q3. Comparing this with the development of our competitors, we were holding up well. Despite declining revenues, we have achieved an improvement in our cost position, as shown on page 17.
As a reminder, when we talk about cost per tonne, we are referring to revenues minus EBIT over sales volume. Accordingly, our cost per tonne declined from EUR219 in 2012 to EUR214. We saw an improvement in all lines, except for depreciation. D&A increased due to the capital expenditure into the Werra package of measures in particular.

In addition, one should keep in mind that in 2013, for the first time, we incurred significant operating expenditures for the Legacy project. Adjusted for this, cost per tonne improved even stronger to EUR211.

To make it very clear, of course we appreciate the progress we made. However, we can only preserve the Company's international competitiveness when we continue to follow that path.

Now let's move to our salt division on page 19. In our business unit salt, our strategy to be present in all important regions also paid off. This has been proven in the de-icing salt business in particular. While the first quarter and early storage in Europe was good, winter in Q4 was rather mild in that region.

In North America on the other hand, demand normalized at the beginning of 2013, and benefited especially from the hard winter in Q4.

Thanks to our diversified portfolio, we could also level regional changes in the industrial salt business. The market for chemical salt was weak in Europe due to lower economic activity. However, we saw an improvement in North America.

This development also impacted our earnings, as you can see on page 20. Crystallized sales volumes increased by 5 million tonnes, mainly due to the de-icing salt business. This also reflected revenues and EBIT.

However, one should keep in mind that our salt earnings were negatively affected for several reasons; at Morton, for example, in connection with the implementation of SAP, as well as a planned closure of a production site. In addition, losses from the sale of a vessel, as well as maintenance backlogs. And the currency effects partly offset the increase.

Please turn to page 21. As you can see, average selling prices for de-icing salt declined in a quarter-over-quarter comparison. This was mainly due to high inventories in North America after two mild winters. Above all, we saw price trends in the non-de-icing business. On a full-year view, prices in both areas remained almost at the same level as in 2012. With regard to salt for chemical use, price pressure in Europe due to over-capacities could be virtually compensated by higher demand in the US.

Let's have a look at our financial key figures of 2013, starting on page 23. I will focus on our cash flow and our balance sheet, as we talked about the most important P&L numbers already.

As always, we have adjusted the cash flow for funding of our pension fund and for trading of securities.

Despite a lower operating result, the operating cash flow increased from EUR607 million in 2012 to EUR756 million in 2013. This is mainly due to a lower working capital which decreased as a result of lower inventories and receivables in salt. Also reduced, receivables in the business unit potash and magnesium products due to lower prices and volumes, mainly in the overseas business, contributed to that.

The free cash flow decreased as expected, mainly as a result of capital expenditure for the Legacy project.

Now please turn to page 24. Net debt for the Group increased as planned to a good billion at the end of 2013. This number also includes our pension and mining provisions. The Group’s equity ratio decreased to 45%. While the equity remains stable, our financial debt increased due to the new bonds issued in December. We remained within our target corridor for both net debt to EBITDA as well as the equity ratio.

Mr. Steiner will elaborate on the guidance in a minute, but I will remind you here that our leverage will not remain within this corridor in the next couple of years due to the planned investment into the Legacy project. Nevertheless, our intention is to return into that range.
On page 25, you will find the slide showing the credit facilities which are available to us. The successful placement of two bonds last December with a volume of EUR500 million each has again confirmed the attractiveness of the K+S Group as an issuer. In addition to that, we are able to prolong and extend our revolving credit facility to EUR1 billion in July 2013.

The EUR750 million bond, which we will pay back in September 2014, is already excluded in the numbers above. As you can see, we are well equipped with regard to our debt capital structure for the tasks ahead.

And now I’ll hand back to Mr. Steiner.

Norbert Steiner - K+S AG - Chairman of the Executive Board

Thank you very much. Ladies and gentlemen, before I go to our outlook for 2014, a few words about our dividend proposal on page 27, which you know already since yesterday.

Although some participants of the financial markets already expected a full dividend cut, the decision has not been easy for us to propose a dividend of EUR0.25 per share only. This corresponds to a dividend payout ratio of 11% based on adjusted Group earnings after taxes. We deviate this year for the first time significantly from our longstanding dividend policy, and of course, looking at 2013 only would compute a higher dividend, around EUR0.90.

However, we must look ahead too in the current situation as there are still great challenges to face. The uncertainties in the market for potash products are not over yet, and as planned, we have to cope with significant investments in order to create the prerequisites for the Group’s growth. This concerns in particular our Legacy project.

To strengthen our earnings power, we have initiated the Fit for the Future program, which is demanding much of the Company and the employees. Also, the investors in our bonds have subscribed a volume of EUR1.5 billion over the past years, and confirmed with that great confidence in the future of K+S. With agreeing to a lower dividend, the shareholders would also strengthen our capital base further and support our growth, which benefits all.

Ladies and gentlemen, we would not be over-financed, even after this strengthening of reserves. However, our objective is quite clear; to return to our long-term oriented dividend policy as soon as possible, in other words, to a payout ratio of 40% to 50% of the adjusted Group earnings after taxes.

But now, last but not least, our forecast for 2014 on page 28. In the potash and magnesium products unit, we started the New Year from a significantly lower price basis than 2013. In terms of volumes, the fundamentally available capacity is not completely avoidable, in particular to the production limitations after the accident at the Unterbreizbach site, which will probably be overcome at the end of the month. With this in mind, sales volumes should be at the previous year’s level. In the salt business unit, the volumes should reach the high level of the previous year.

The revenues of the K+S Group should on the whole be moderately below those of the previous year. Operating earnings, our EBIT 1, should, however, taking into account the savings from the Fit for the Future program, also be significantly lower than the previous year.

Capital expenditure of the K+S Group will increase strongly. As planned, we are investing the greatest amount in the construction of Legacy in Canada and in the Werra package of measures. Altogether, capital expenditure in 2014 should come to EUR1.2 billion.

Ladies and gentlemen, despite the great challenges ahead of us, we can continue to be confident. The K+S Group is solidly operating and robust company, and a robust company with a clear setup and the right strategy to also in the future serve our customers reliably, as usually, and to offer our employees an exciting and challenging environment. Our investors will also profit for this.

Thank you very much so far for your attention, and now we are pleased to answer your questions, if possible.
**Questions and Answers**

**Christian Faitz - Macquarie Research - Analyst**

Your expansion plan into Asia involves -- was that also, [say, effectively] buying production there?

And then second, if I look at your operating costs in potash. You mentioned they were down for the year but they were actually up in Q4. I believe if I did my calculation correctly, it was up to EUR234 per tonne, or something like that. Can you comment on that? Is that completely due to lower volumes, slightly lower volumes? Or how are you going about costs there?

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**Unidentified Company Representative**

Let me just repeat the first part of the question for the people on the Internet. The question was by our expansion plans in salt, if it also includes buying production (inaudible).

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**Norbert Steiner - K+S AG - Chairman of the Executive Board**

Okay. I would like to take the first question. I’ll answer it. We think that the network of production sites that we are having right now has the ability to open markets in Asia, but when we look into the markets, we need to acknowledge the fact that the distances between our Chilean operations and Asia, China, Indonesia, Philippines, is vast. And from that, it is not very likely that we can more or less satisfy all demand that we see in China and the area which I’ve described only from that source of production.

But due to that, we certainly need to take into consideration to get closer to the area, and this needs more or less to think about own production capacity in the neighborhood of an area, which does not necessarily mean that we purchase something, like you have asked, but also that we can develop something from the scratch.

But there is nothing very concrete on the table right now because you might remember that we have always said after the expansion of the salt business up to, let’s say 2009/2010, it is now the time to expand our potash and magnesium business, which we are doing right now in connection with Legacy. And only after this is more or less well achieved then it can be the time of the salt business to get closer to any idea to do that what I’ve mentioned with respect to Asia.

When you look into salt consumption all over the world, sorry, one last question -- one last sentence, you will notice that the salt markets in general are in the neighborhood of 250 million/260 million tonnes, and the growth rate in that area are significant. Therefore, if you want to really become a global salt supplier, you need to be there, and this is not doable only from Chilean sources. And this would then also mean that we certainly would look into an area where we can supply bigger volumes. That means industrial salt, or salt for chemical transformation.

But down the road, if you want to talk about strategy in one of our two pillars, you need to allow them also to more or less go into such ideas of external growth, which is not there yet. And this also means, and maybe I already answered a question which might follow afterwards, when we are talking about doubling of results, then this can definitely not be achieved from the sources that we have right now. And, therefore, there is vision included in that.

But to make it simple, for all our employees, the formula was created to double our results, and of course the people might take different [basis] for that. 120 [million tonnes], roughly, is what we have achieved in 2013, or 100 million tonnes. I don’t know; 60 million tonnes what we have done in 2010. So don’t stick too much to the figure as an expectation. This is strategy. This includes vision and, therefore, it is not right now already started what we have in there.
Burkhard Lohr  - K+S AG - CFO

A quick answer from my side because you already gave the biggest portion of the answer. So the reason for the higher cost per tonne in Q4 is mainly quantity driven; and remember, the accident in Unterbreizbach was something which affected Q4.

Unidentified Company Representative

So it’s a change in inventories, actually.

Oliver?

Oliver Schwarz  - MM Warburg & Co. - Analyst

Thank you. Mr. Steiner, you said that the CapEx and the operations, preparations in Canada, related to EUR20 million of OpEx in 2013. Bearing in mind that we’ll see a much larger chunk of investments coming on in 2014, could you be prepared to give us a guidance how that would affect OpEx in 2014? So would we see a larger proportion of OpEx also stemming from the oncoming operations in Canada?

Secondly, second question is bearing in mind the Fit for the Future program with accumulated EUR500 million target in regard to savings, and putting that into perspective with the salt, the midterm salt target you gave today, would it be fair to assume that maybe 50% of that increase in operating earnings in the salt business might be related to cost savings and not too much to volume growth? Or would that be unfair to assume because the timeframe is not, say, like 2015 and 2020?

And lastly, a quick question. Could you give us a figure of how much of 2013’s CapEx was related to Legacy, please?

Thank you.

Norbert Steiner  - K+S AG - Chairman of the Executive Board

With a view to the OpEx development in Legacy, we certainly will have an increase in the figures in the coming years already in 2014. This goes together with the fact that we need of course to increase the headcount significantly in order to prepare for the starting of operations in the middle of 2016.

So I always get some remarks and some hints as to what I should say in order not to make any mistakes, and this makes me [invite] my consciousness.

We will have more or less an increase of about -- from about 30 to 40 in the year 2014 to maybe in the neighborhood of 50 to 60 in 2015, which is then still a year where we don’t have so many people on board; and maybe 120, something like that, in the year 2015, as OpEx figures in Legacy. So this is a concrete one.

Pardon? Any remark?

Oliver Schwarz  - MM Warburg & Co. - Analyst

(inaudible - microphone inaccessible).
Norbert Steiner - K+S AG - Chairman of the Executive Board

We have midterm planning, 2014, 2015 and 2016, and therefore, as we have full production, or let's say that we have the Legacy project running, it is not in a way accountable any more. We have profit and losses there in the normal way and we cannot identify in this way what we do, although we need to more or less compare the volume of sales that we have out of Legacy. So the figure is more or less valid structurally for the years to come, as I've mentioned it.

Second question went to -- and as we are sticking with Legacy, we have about EUR365 million of investment last year. We had planned to do more, but we have, as I have elaborated on, invested much work into the basic engineering and more or less to also improve the basis of the figures that we have.

And so far, something has been postponed out of the year 2013 into 2014, 2015 and 2016. Nevertheless, the time schedule, as mentioned, is still intact and we want to have the commissioning, as mentioned, middle of 2016.

So the other question was going to the salt operations, and maybe I need to be clear and exact on that. What we have said to the year 2014 was that we will have -- where is it what I said?

Operating earnings; EBIT 1 should, however, taking into account the savings from the Fit for the Future program, also be significantly lower than the previous year. This was an overall picture for the K+S Group, and I did not specify that yet.

And I also mentioned that it was not a midterm planning scenario when I elaborated on the salt 2020 strategy and vision. Therefore, one should not mix it up and come from more or less the overall figures of the entire Group in connection with the salt 2020 figure to a speculation about the outcome of salt business in 2014.

But certainly, the year 2013 with the result of about EUR115 million/EUR120 million gives an indication, at least for let's say where we can start from. What we have said is that we have had an enormous business in the US in the beginning of the year what was visible and easy to detect.

We need to see that the price level of de-icing salt in the US was, let's say, burdened by the fact that there were two consecutive mild winters with high inventories in our customers' areas; low demand for additional capacities in the early stocking up; and, of course, as you know the business, lower prices.

That means that we are still dealing on the low price levels that have been more or less the consequence out of 2011, 2012 and the beginning of 2013. And this means that a tonne in the US does not have the same profitability as a tonne in Europe, which we have less, where we have less.

From that perspective, and taking into account the savings out of the Fit for the Future program, which will not completely more or less absorb cost inflation, you might put something together to be fitting into your own model for the future of salt in 2014.

Unidentified Company Representative

Lutz Grueten.

Lutz Grueten - Commerzbank Corporates & Mkts - Analyst

Sorry. One question on potash. End of last year or in the final quarter, you sent out a pricing list for Europe. How have these prices been received by your customers? How was the inventory situation in potash by end of last year? You might give us a year-on-year comparison. And how was the start into the Q1 on potash?
Norbert Steiner - K+S AG - Chairman of the Executive Board

I wanted to make some notes in order not to forget three questions.

The price list sent to the customers was well received and they were surprised that it was so low. No, I'm joking. It was a price list which we established and where we are following, and you might take into consideration that this is not a price list for each and every product that we supply to Europe. This is a [con carry] price list and nothing else. And therefore, the price list for the other products that we are selling to the European markets like overseas are subject to negotiations in each and any case.

But so far, we can say that this price list has been followed quite nicely. And also the question -- or it is a matter of fact that the absence of winter situation in Europe right now in the beginning of the year 2014 was helpful for the economical sector, because last year, farmers were hindered to go on the fields for a very long period of time. It was in some of the cases a matter of emergency to put -- even to put fertilizers on the ground and to reach the timeframe in which the plant can take it up, and this is definitely different right now.

Of course, our salt colleagues are moaning a little bit, but our people from the potash and magnesium business sector are quite content and happy about the situation in which we are. And also, the trends having a certain basis found in China of seeing the development only quoting FMB figures in Brazil gives a certain indication that European markets are not running very badly.

So I would say at the end of the spring season, or the end of the first quarter, potash and magnesium products might be very -- quite satisfied; not very satisfied, quite satisfied; taking into account certainly that we have had some difficulties relating not only but mainly to the accident in Unterbreizbach which caused a couple of tonnes of inability to produce, and it is still lasting on, hopefully ending at April 1 with full return to full capacity utilization.

This is hindering us because we are not able to produce as much as we can, and therefore we are -- we were forced more or less to take our inventories into account. And therefore, at the end of 2013, we had only 730,000 tonnes, which as you know as one who is following K+S since long, is low. Maybe 100,000/115,000 tonnes below, but Unterbreizbach's behind others. And this is certainly also hindering us a little bit for the spring season.

But anyway, we are happy about that. We had a quite good start. Inventories are decreasing certainly and we are running at full capacity wherever possible, and hopefully also in Unterbreizbach from April 1 onwards.

Unidentified Company Representative

Andreas Heine.

Andreas Heine - Barclays - Analyst

I'd like to ask question on the dividend first. You said that you have reduced the dividend because of what you plan to invest in Legacy. And the outlook says that the earnings will decline and the CapEx will increase. Could you elaborate then for this time horizon of three years until Legacy is coming on stream how you see the dividend in these years?

And secondly on the cost savings, you said the cost savings were measured against your budget you have given to Board in 2013. If we try to model what we should expect in cost savings for the potash division, what does it mean for the unit costs for potash? Is that something which is flat, or will it be slightly down?

And maybe for salt, you have given quite some guidance what we can expect from this year. Maybe you can add to quantify the non-recurring effects you had in 2013 which will not come again.
And maybe one also for modeling. What is the delay you have between the market prices we see in FMB and what you see at realized prices in your P&L?

Norbert Steiner - K+S AG - Chairman of the Executive Board

Dividend first. I can only repeat my sentence -- well, two sentences which I have mentioned before during our presentation that first of all, on the basis of that what Burkhard Lohr explained on bonds, syndicated loans, etc., you can see what we are dealing with there. On the other hand, we have 191,400,000 shares, and then you can simply calculate what we save on the dividend payments should the AGM accept our proposal of EUR0.25.

The payout ratio of 40% to 50% would mean something in the neighborhood of EUR0.90, and this means that around EUR130 million are not paid as a dividend but put into the reserves should the AGM follow our ideas and our proposal.

And when I then add the sentence that we are not over-financed, you can maybe come to the conclusion that for the time being and from the perspective as of today, it should be okay so far.

Taking this as given, which is certainly is assumption, the sentence we would like to turn back into the established long-term dividend policy can be interpreted that from today's perspective, it might not be very likely that we look into the dividend for 2014 once again for a cut.

But this is from today's perspective, and as everything that we do, you do in your job, we in our job, we need to earn. That's what we expect from our plannings in the future. It is something that is then the basis for the discussion within the Board of Directors and the Supervisory Board in the beginning of 2015.

But these two elements together should give you some idea how we see future dividend developments, but as mentioned, we need to see where we are heading to.

Second question, cost and Fit for the Future. For us, it was necessary to launch our project Fit for the Future more or less in the timeframe after the developments in the potash markets occurred and we saw that the beginning of the year -- that there is no continuation of the market situation in potash and magnesium products like we have seen in the beginning of the year.

That means that we wanted to put together all these projects and programs, more programs, to increase our efficiency and bundle it under the umbrella of Fit for the Future, but we were not willing to wait for the outcome of the entire year after yearly results of 2013, which would then be a basis that more or less officially can be taken from everybody.

So we needed to put these figures into perspective based on an internal planning scenario, which we did not publish and will not publish certainly, and from that starting point to say 'what do we want to save' was [invested] for the future.

And as we have mentioned, we have a certain cost position there, overall cost position, and then we subtract EUR150 million. This is then the result of Fit for the Future in the year 2014.

But time goes by. Cost issues, cost items are varying up and down, and from that perspective, we only can say compared to that situation, we need to achieve the EUR150 million at the end of 2014, but we cannot say how can it work from the cost position as laid down in our P&L at the end of 2013.

This makes a difficulty, we know, and ours as well. But this is the only way to start with such a comprehensive program of saving measures, of increasing efficiency, with all that's what is included there once you have such a midyear starting point. And what we do not -- what we cannot exclude is cost inflation, something like that.
So if you want to ask me how does it fit into your planning, yes, we have something in the planning and it’s established the EUR150 million in the Group and about half of it in the potash business, but it will be for you very difficult to trace it afterwards in the P&L.

The salt business. Now I’ve need to (inaudible) what’s --

**Andreas Heine** - Barclays - Analyst

One-offs.

**Norbert Steiner** - K+S AG - Chairman of the Executive Board

One-offs, yes. We have a long discussion between the salt operations and the Board what is one-off, but I would say the real one-offs in the year 2013 might be in the neighborhood of EUR30 million, the real ones.

And delay, what was the delay question?

**Andreas Heine** - Barclays - Analyst

Yes. The timing between [FMB] prices and [realized prices].

**Norbert Steiner** - K+S AG - Chairman of the Executive Board

Yes. As always, there is a lag of two to three months.

**Unidentified Company Representative**

Norbert Barth, Baader Bank.

**Norbert Barth** - Baader Bank Equity Research - Analyst

Sorry for the first question, but I must admit I have not really understand your interpretation of the proposal or the dividend for 2014. So you said no [capital]. So it means under this -- what you said, or under this condition that you would come back already more or less in 2014. No? Then I understand it wrong. Sorry. So perhaps for clarification once again.

Should I continue?

**Norbert Steiner** - K+S AG - Chairman of the Executive Board

Yes, certainly.

**Norbert Barth** - Baader Bank Equity Research - Analyst

The second question about overall potash market, global potash market. I know it’s quite speculation and rumors, but how do you see -- there’s a lot of speculation once again back what the Russians and Belarus are doing, especially, so how you see from your point of view how that could
develop. And especially, taking also a little bit the current situation into account where we have this crisis in Ukraine and Russia, how in your perspective could that impact the fertilizer market?

And perhaps the third question is about energy costs. I don't have to repeat it how that's heavily discussed in Germany. But can you give us a little bit a figure? What do you think you have to pay additionally on what is at the moment the proposal on the table? And how you see that going forward.

**Norbert Steiner - K+S AG - Chairman of the Executive Board**

Okay. Thank you for the questions. To give an easy answer to the first question and then try to explain the complicated way which I took in order to arrive to that. The answer is quite simple. I do not make any comments on the dividend for 2014 as of today. And I wanted to avoid that, and this was more or less the heart of my remark, which took a long time and many words.

But this does not mean that we will cut, and it does not meant that we will not cut. We are being very clear on this. There is no comment on dividend for 2014, but I wanted to elaborate a little bit on the likelihood. And taking the figures that Burkhard Lohr presented to you, what we have available as more or less liquidity capital in order to move forward our projects, and of course the cash flow out of operations needs to be added to that. And the sentence that we said that we are not over-financed; we would not dare to do much more than necessary.

And then I wanted to lead you to the fact that these figures that Burkhard Lohr presented to you with the peak investment in 2016 and 2017, and the calculation what is it about when the AGM accept EUR0.25 as a savings compared to expectable dividend between 40% and 50% of about EUR130 million. And I said we are not over-financed; means we are close to that.

And from that background for investment I wanted to make clear that from today's perspective, you can speculate on that what you want.

Understood now?

**Norbert Barth - Baader Bank Equity Research - Analyst**

(inaudible - microphone inaccessible).

**Norbert Steiner - K+S AG - Chairman of the Executive Board**

Okay. Sorry. Overall potash market. We have the expectation that we are able to place our material of about the same range of 2013, 6.9 million tonnes-something in the markets. The demand so far in Europe and in Brazil is nice, and it was certainly helpful that China and some suppliers came to conclusions of sales in the first half year into China on the price of [EUR305]. India will be a problem insofar as the Congress elections must first happen. I think this happens in March or April, and then they need to come to conclusions what is it about. So India will be delayed anyway.

But from our perspective, as we are not more or less trying to establish new record sales and we are basically also taking into account the case in [trapat] and others, are more or less technically then done.

Certainly, it will be also issues in our markets and overseas markets, South America, South East Asia, not touching India and China. As you know, we are not that very much exposed to that kind of markets. There will be quite a good competition. There's also competition between Belaruskali and Uralkali visible in the markets over there, as at least the people hear that Belaruskali is saying we were more or less pushed back to square 1 after the exit out of Belaruskali -- BPC.

Belaruskali, we needed to start from scratch and, therefore, we have lost market share and volumes, and this is something that we need to get back. Therefore, there might be some particular competition between the two producers in Belarus and Russia.
And you have seen the comments out of the ownership of Uralkali that they are willing and ready for negotiations to reform BPC or some company with a different name based in Moscow with the participation of 65% Uralkali and 35% Belaruskali. And only one day later, President Lukashenko said "Moscow never again, it's Minsk". And then you can easily see how likely it is that they come to terms within the next couple of weeks or months.

And certainly, the Ukrainian issue is not really creating trust, and trust was the highest good that was damaged last year between Belaruskali and Russia.

But once again, I've mentioned that several times, since the privatization in the former Soviet Union, we have seen two sales organizations. The one for Silvinit, it was IPC and the joint one was for Uralkali and Belaruskali, BPC until the merger between Uralkali and Silvinit in the end of 2011. So the normality in the markets were all just two, and only in the short timeframe between end of 2011 and middle of 2013, they were just one.

So we are not sitting in their chairs and we are not discussing that with that, but I would not find it likely to assume that there will be a joint operation quite soon.

Energy, you are referring to the discussions of the EEG and if we would get the firm basis, text of the planned new law for each and every issue, then I could answer your question more precisely. But as there are still some areas where we do not have text, I cannot give you any idea about what it could mean to K+S.

As the initial idea not to charge the industry which is exposed to international worldwide competition by that law is still prevailing, I hope that the politicians in Berlin respect this idea that they have set out by themselves once creating EEG and do not charge German industry generally with something which others do not at all have. And this needs to be seen. I think I have heard that the cabinet of Mrs. Merkel needs to discuss it and accept it most likely beginning of April and do no more.
SOP, it’s certainly benefiting from the fact that the supplier structure have some difficulties, or the suppliers have some difficulties in their own production. This creates -- or as a consequence, the material is scarce. And as a further consequence, the people are some kind of nervous to get the necessary volumes of SOP that they need to have. And with respect to that, they are accepting also higher prices and higher premiums than we have seen in the, let’s say, last five or six years.

This should prevail as long as the difficulties in the production area of the suppliers, meaning not K+S, we are running at full capacity, is not overcome yet, but I do not have really any idea, really any idea, how long it will take. But it’s -- certainly it’s helpful for us.

And one interesting issue should be mentioned. The Chinese Government has allowed for exports of potash for the first time, and some of the qualities they are getting from their domestic lakes is going into the neighborhood of SOP quality. And it might be that they will show up in the market, but as the time is still very wintry and freezing in that area, production also cannot take place.

So we are certainly doing the utmost to serve all of our customers and beyond with a view to SOP. And as long as it is there, it is helpful certainly for us and our P&L, but it might not be an external situation. It might be maybe a development that will be there over a longer period in 2014, but then we need to see.

Guidance; I think the one or the other of you have already done some thought experiments with a view to that what you expect for the year 2014. And I have at least been given the information from our investor relations that there are some figures in the world of an assumed average price for K+S potash and magnesium products for the year 2014.

And we can easily compare this, and I talk about that theoretically right now, with the average price in 2013 which you can take from our data which we have released yesterday.

And I have here some composition of figures where I read that the consensus is dealing with EUR244 for the tonne in 2014, which then would need to be compared to EUR294 in the year 2013. And, therefore, as -- I do not confirm that figure, it might be a little bit too harsh, you can multiply that with 6.9 million tonnes and add a certain portion coming out of Fit for the Future; maybe not 100% out of the 50% of the EUR150 million, and then you could by yourself create a certain idea.

Thomas Swoboda - MainFirst Bank AG - Analyst
It’s minus 30%.

Norbert Steiner - K+S AG - Chairman of the Executive Board
This is not a guidance. Pardon?

Thomas Swoboda - MainFirst Bank AG - Analyst
Minus 30%, [I get].

Norbert Steiner - K+S AG - Chairman of the Executive Board
I’m not able to calculate. I’m a lawyer (laughter).

Thomas Swoboda - MainFirst Bank AG - Analyst
Fair enough.
Norbert Steiner - K+S AG - Chairman of the Executive Board

Yes. And I think this is what I will contribute to you to that topic as of today, and we have talked about salt already a little bit. You can imagine that [various] payments are shrinking when you look to the reconciliation, so you are perfectly informed right now.

Unidentified Company Representative

So I want to make sure that we get all questions covered here. (Multiple speakers).

Burkhard Lohr - K+S AG - CFO

Yes. Your question to the one-offs in the fourth quarter, again, what Mr. Steiner said earlier, it’s a matter of how to define one-offs. And you know in the fourth quarter, we put together our final accounts. We have valuations with provisions, etc., which partially runs through the P&L. But at least from the EUR30 million package mentioned earlier, nothing was in the Q4, and there was besides that nothing significant in Q4.

Michael Schaefer - ESN/Equinet Bank - Analyst

Michael Schaefer, ESN/Equinet Bank. Two questions from my side, if I may. I was missing the famous cost outlook slide in P&M, by the way, in the presentation deck, so I try it from a different angle here to figure out what’s going to happen.

Looking at your annual report you are suggesting, or you are providing an outlook for the specific energy consumption across the whole Group what you’re expecting for 2014 compared to rather peakish years 2012 and 2013. It suggests to me that there’s a low double-digit decline in specific energy consumption you are expecting for the whole Group. So I wondered whether we should translate this into also potentially a slow or low one-digit or a single -- double-digit decrease in specific energy costs for P&M, for instance.

You are also suggesting that water consumption per tonne produced is going to decline, so this all adds up basically to reduce utilities costs potentially. So any kind of confirmation would be helpful, whether we should think about a reduction in specific energy costs in P&M and salt would be helpful.

Second question is probably more an accounting one and referring to Legacy. You are now heading into the peak CapEx years, and I wonder whether there was -- is any consideration in the Board to apply IAS 23 accounting rules; i.e., capitalization of financing costs; whether you have identified some qualifying assets on this one. Any kind of quantification would be helpful on this one.

Thank you.

Burkhard Lohr - K+S AG - CFO

I will take your questions; first of all, energy. I think it’s worth mentioning before we look into 2014 that the new gas delivery contract that we have finalized at the end of 2012 could be effective in 2013 for a whole year. And there out of this we had a significant energy cost decrease already. I don't think that we will have a decrease in 2014 in the same magnitude, but there will be a further decrease.

And of course, all cost items are relevant for the future efforts as well, so it's hard to qualify. I hope you can -- you are happy with the trend. We further decreased our energy cost, but most likely not in the same magnitude that we have done between 2012 and 2013.

Yes. IAS 23 is a tricky thing. As you know, it’s not our decision whether to apply or not. We have to ask ourselves whether the assets are qualified assets in terms of the IAS 23, and then we have to recognize interest expenses which are allocated to that asset. Most probably, our Legacy project will be such a qualified asset, and most probably, we're going to recognize interest expenses starting in the second half of this year.
It's too early to give you a number what the effect will be. It will, of course, be a positive effect, not in the EBIT but in the interest expenses, so in the net profit. But as this is, let's say a quite new animal, again, it's too early to give you a number here.

**Norbert Steiner - K+S AG - Chairman of the Executive Board**

I would like to add one comment with a view to energy cost. What Burkhard tells us is mainly dedicated to the anticipated production scheme in our potash and magnesium products area, but we need to take into consideration that the enormous wintry situation in North America has more or less emptied our inventories completely, and also those of our customers, which means that we need to replenish both theirs and ours, which most likely will then lead to the consequence that our plants that are belonging to the salt operations, maybe also including the European ones, need to work very hard in order to reach that goal. And this means that we need to run over shift, etc.

And therefore, don't be surprised if at the end of the year the energy bill is rising, but mainly due to that fact that we need to do a lot in order to come to that point again. If you then generally are going in a situation that we have to deliver millions and millions of tonnes for the early procurement in North America, USA, East Coast, Midwest, Canada, and then fill up our own inventories, you can easily understand that it is very hard work and connected with energy. So at the end of the year, I predict that the energy bill in the salt operations will be significantly higher than in a normal year.

**Unidentified Company Representative**

Jesko Mayer Wegelin.

**Jesko Mayer Wegelin - HSBC Global Research - Analyst**

Jesko Mayer Wegelin, HSBC. I have two questions, first of all on your inventories. You said you have -- in potash and magnesium, you have 735,000 tonnes. What would be your minimum inventory level you need just to -- for your operation, day-to-day business? And what's the inventory level you could reduce during 2014?

And then second question on your industrial products in potash and magnesium, the price premium here. Is this sustainable, or is it due to contracts you have and the contracts are running out and the price would also decline here (inaudible)?

**Norbert Steiner - K+S AG - Chairman of the Executive Board**

730,000 tonnes was the figure at the end of the year and we are certainly taking out of -- material out of the inventories in the course of the year. We from time to time have some difficulties, have had, hopefully to say it this way, some difficulties to produce what our customers would like us to produce were due to that what we've mentioned a couple of times already.

But after that, we should be under the assumption that no negative technical issues occur and our operations should run flat, and then go down in the summer, and then replenish it back into the region of hopefully 700,000 tonnes. But we have also overcome situations where the inventory situation was a little bit lower.

But this needs to be taken also very seriously into consideration, not only to satisfy all demand during the year; as mentioned 6.9 million tonnes-something/7 million tonnes, but also to be ready for the spring season in 2015. That needs to be balanced against each other. But I'm quite confident that, at the end of the year we will have achieved a level that we find comfortable.

The second question was industrial products. Yes, there we have some pressure on prices. This is undeniable. And so far as the industry, our customers, particularly in Europe, are suffering a little bit to some extent from the energy cost situation in which they are and they try more or less
to moderate also their production, which then leads to the fact that the, let’s say historical price premium of maybe two or three years ago is, for the time being, not achievable.

And overseas markets, which are very much connected with agricultural knowledge, they also do only accept a small premium as they need to recognize that the creation or the production of SOP -- of industrial potash, is something that needs a certain additional activity, and this will be compensated and honored, but not much above that.

Christian Faitz - Macquarie Research - Analyst

Two quick questions, I hope. First of all, you practiced forced holidays (inaudible) in the past in your potash mines. I believe you also did that in the wake of these unfortunate [price developments]. Are you still having people on forced holidays at present?

Norbert Steiner - K+S AG - Chairman of the Executive Board

No.

Christian Faitz - Macquarie Research - Analyst

Okay. Question answered. Second of all, connected to inventories, this time salt again, would it be fair to assume that the European municipalities are pretty much completely [replenished] with salt and would not need any salt also going into Q3/Q4; i.e., we should expect somewhat of a lower salt business activity in Q3/Q4 for the European activities?

Norbert Steiner - K+S AG - Chairman of the Executive Board

It’s difficult to predict. When you have entered into such a winter like we have seen from December onwards, then at the beginning, you are as a municipality, [rural] authority, with a view to the pressure that they have seen in the past, not having prepared themselves properly for wintery seasons and wintery occurrences, then you are tending to replace the material immediately.

That meant that even in December, although there was not much snow, in that area where we found snow there was the utilization of de-icing salt and replenishment immediately. That means the sales of Esco into that area was quite nice; not 100% like expected, but it was also not nothing.

The longer the winter does not show up, the less is your desire to fill it up immediately. And then you need to calculate and at least get an impression about that what could have been used during the winter by them.

Therefore, for the time being, I would not dare any projection and prediction how they will act, because it will only show up once they issued their biddings, their request for biddings, and then you see the volumes that they want to have. But it is absolutely fair to assume that we will by far not reach the levels of early procurement that we have had in the year 2013.

Unidentified Company Representative

Mr. Steiner doesn’t like it when somebody in the Company uses the word final, but this is what describes it best. We consider your question as the final question and can conclude now.
Norbert Steiner - K+S AG - Chairman of the Executive Board

Yes. First of all, I want to thank you for showing up. Secondly, I want to thank you also for giving us the opportunity to be clearer to the utmost that we can dare for the time being in that what you would like to hear from us. And I think insofar the meeting, if I were you, I would find it very fruitful (laughter).

Insofar I hope that you are sharing my view, maybe not 100%, but if you would share it to 65% or 70%, I would also be content. And once again, thank you very much. And if you want to have more information, more clarity outlined as of today, then please feel free to contact us and we will certainly see each other in the course of the year.

Thank you very much and have a safe trip home.

Unidentified Company Representative

Thanks for joining. The IRR team will be around for further questions. Thank you.