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13 March 2014, Frankfurt am Main

# **Financial Statements Press Conference**

## **Fiscal year 2013**

**Norbert Steiner**

Chairman of the Board of Executive Directors

**Dr. Burkhard Lohr**

Chief Financial Officer

**The spoken word is binding.**

K+S Group  
**Financial Statements Press Conference**

13 March 2014, Frankfurt am Main

Norbert Steiner, CEO  
Dr. Burkhard Lohr, CFO

Ladies and Gentlemen,

We welcome you to this year's financial statements press conference.

K+S Group  
**Financial Statements Press Conference**



- A. K+S growth strategy
- B. Fiscal year 2013
  - a. Potash and Magnesium Products
  - b. Salt
  - c. Financials
- C. Outlook

We are pleased that you are interested in the K+S Group. 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 significant trends and some key figures for the Group in greater detail. After that, Dr. Lohr will comment on the results for the Potash and Magnesium Products and Salt business units as well as on our financials, before I wrap up by mapping out our guidance for 2014.

I would like to begin by saying a few words about our K+S growth strategy, which, in a certain sense, is part of the "DNA" of this Company, both in times that are good as well as those that are less good.



The slide is titled "K+S Group K+S growth strategy" and features the K+S logo in the top right corner. It is divided into three horizontal sections, each with an image on the left and a text box on the right:

- Top section:** Image shows three people in a field looking at a document. Text box: "Legacy is on track".
- Middle section:** Image shows a large salt mine excavation. Text box: "Strengthening of business unit salt".
- Bottom section:** Image shows a large group of employees standing in a line. Text box: "Fit for the future".

A blue banner at the bottom of the slide contains a right-pointing arrow and the text "K+S is well positioned for long-term growth".

At the bottom left, it says "19 March 2014" and at the bottom right, "K+S Group / 3".

Ladies and Gentlemen,

As a commodities company, we think and act in long-term manner. We are convinced of the attractiveness of our markets and are therefore counting on further growth.

Last year too, we further developed the K+S Group in a focussed way.

- We invested heavily in our **Legacy Project**, the construction of a new potash plant in Canada. There is a good reason for that: That is because 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 that it is a kind of K+S inter-generational contract. We are sowing now in order to reap a harvest over at least 40 or 50 years, or even 100 years.
- In the **Salt business unit** too, we have initiated important steps to remain profitable in a sustainable manner: We set up a strategy project that examined the potential and capacity of all unit companies and individual sites and which will further strengthen the entire business unit.
- In addition, we have launched our groupwide **“Fit for the Future”** programme. By means of it, we 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 depth regarding the three points I’ve just mentioned: Legacy, strengthening the Salt business unit and “Fit for the Future.”

## Potash and Magnesium Products

### Legacy project on track



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<b>Spring 2013</b>	✓	Start of the main construction program, incl. earth-works, first piling activities, as well as plant site & offsite utility (e.g. gas supply) works
<b>Summer 2013</b>	✓	Drilling of the first two production pads (2 x 18 wells) completed
<b>July 2013</b>	✓	Rail contract with Canadian Pacific signed
<b>Fall 2013</b>	✓	Completion of Basic Engineering for all areas of the project
<b>February 2014</b>	✓	Test cavern successfully connected; Contract for Detailed Engineering and Project Management with AMEC
<b>Winter 2013/14</b>	✓	Piling & foundation work is starting site wide: first steel structures for facilities needed for development of production caverns

➔
Goal: Participation in the future growth of the global potash market

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Let's look at **Legacy** first.

The construction of our new plant in the Canadian province of Saskatchewan is proceeding according to schedule: 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 technology.

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 until the planned commissioning of the plant in the summer of 2016.

In the autumn of 2013, we completed what's called the "basic engineering, that is, 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 costs of 4.1 billion Canadian dollars. Orders amounting to approximately 1.5 billion Canadian dollars have been placed or already processed in the meantime. The volume of orders will increase considerably over the coming weeks and months. Thus, the advantages of Legacy can materialise over a foreseeable time horizon and enable us to participate in the growth of the global potash market.

Salt

**Strengthening the Salt business unit**



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Three strategic areas to further strengthen our market position

 <b>Growth</b>	<ul style="list-style-type: none"><li>• Expansion of existing sales markets towards Asia, South America and Eastern Europe</li><li>• Margin improvement</li></ul>
 <b>Efficiency</b>	<ul style="list-style-type: none"><li>• Stronger international cooperation</li><li>• Use of synergies</li></ul>
 <b>Culture</b>	<ul style="list-style-type: none"><li>• Clear customer focus (service, quality etc.)</li><li>• Business unit wide goals</li></ul>

→ Goal: Doubling of earnings by 2020

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In the **Salt business unit** too, we are geared up for sustainable growth markets. 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.

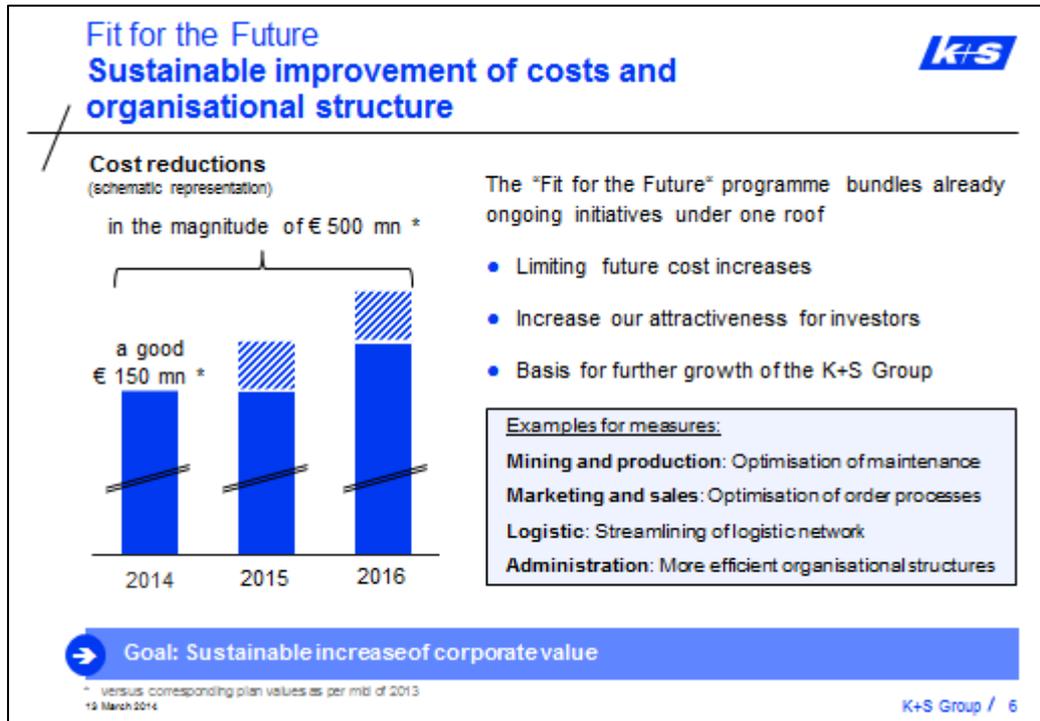
- **Growth** represents the goal of further improving the marketing of our products. The focus is on developing our existing sales markets in the direction of Asia, South America and Eastern Europe, but we also want to improve our margins.
- **Efficiency** is directed at enhancing international cooperation. This is mainly about optimising capacity utilisation 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 devoting attention to our employees, for whom we want to make those of our goals that extend across sites and business units more transparent.

As a result of the measures that we have initiated in these three areas for action, we expect to see a significant rise in the profits of the Salt business unit over the medium term, and especially when taken in conjunction with the market growth I've described. Thus, doubling the earnings of the business unit by 2020 is our aspiration.

You will no doubt be immediately asking yourselves: Doubling? What does that goal mean in absolute figures?

We deliberately do not provide any medium-term earnings targets outside the Company and there is also little point in trying 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, and significant-

ly. 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.



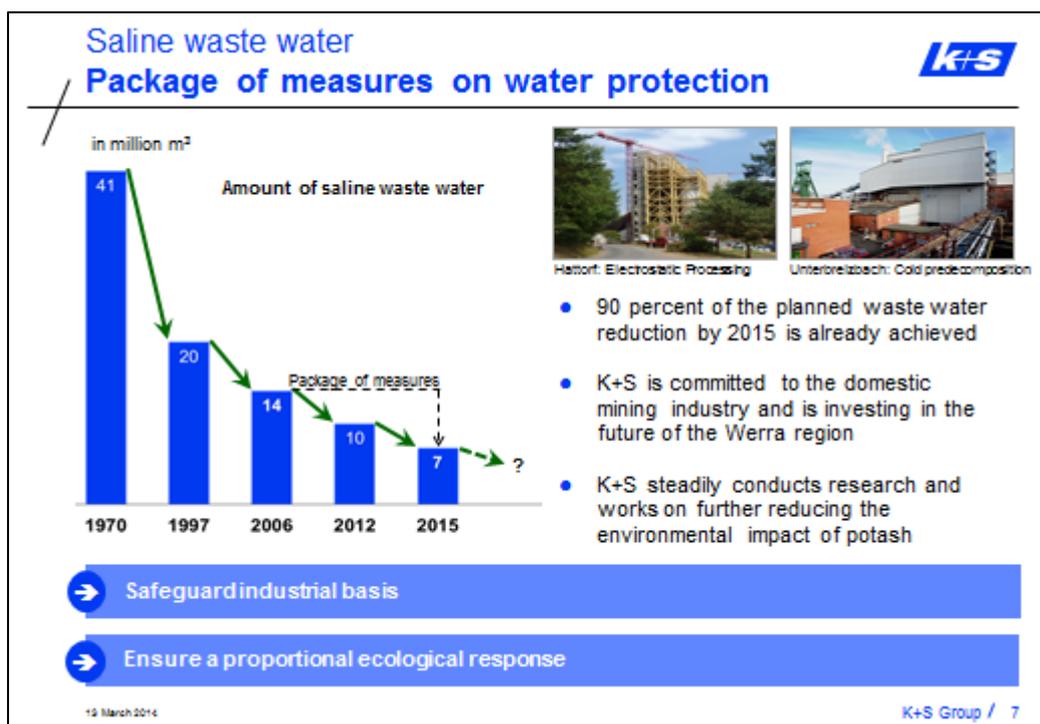
Last but not least: To enhance the competitiveness of the K+S Group, we launched our "Fit for the Future" programme in November 2013. This year we want to save at least 150 million euros and by the end of 2016 savings totalling about 500 million euros.

The "Fit for the Future" programme is, however, more than a cost-cutting programme. Of course, we want to reduce our costs and, where that 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 optimise efficiency and structures for 2013; a 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 months of intensive project work indicate 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, we will, for example, optimise our maintenance intervals and, in distribution and along the value added chain, make order processes more efficient among other things. In North America, we are streamlining our logistics network and bundling cross-departmental functions in administrative units.

Why are all these measures 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 a growth-oriented commercial enterprise.



Ladies and Gentlemen,

Raw materials production is the original production and, like every industrial activity, is inevitably bound up 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 utilise or avoid mine waste. A glance at the diagram makes it clear to what extent, since the 1970s, the volume of saline wastewater 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 Werra Verbund plant and we will have achieved about 90 per cent of the saline water reduction aimed at by the end of 2015. That has not only been an enormous technical challenge which has demanded much of our teams. It has also financially been a veritable boulder we have been containing. Against the background of the significantly more difficult economic framework conditions, this should therefore also not be shrugged off as being a matter of course.

Even those who are critical of our industry in the Hesse-Thuringia potash district can see that we keep our word – even if, with this great capital expenditure, we are beset by doubts over the Werra and the Weser being considerably burdened by other “stress” factors regarding ecological proportionality.

So as not to be misunderstood at this point: It is good that we in Germany have high environmental standards and have to minimise 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 the interests necessary for the common good to secure our industrial basis.

For K+S, economic activity, competitive sites and workplaces and the 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 with today's best available techniques. It is therefore a question of reconciling interests between modern raw materials 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.

Ladies and Gentlemen,

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.

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A.	K+S growth strategy	
B.	Fiscal year 2013	
a.	Potash and Magnesium Products	
b.	Salt	
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C.	Outlook	

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Let us now look back at the business development of the K+S Group in 2013.

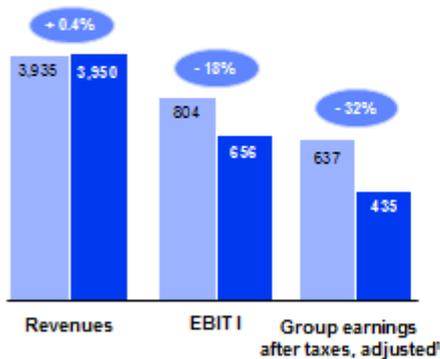
## Fiscal Year 2013

### Major challenges – thanks to our robust business model we achieved good results nevertheless



€ million

2012 2013



- Revenues at previous year's level
- EBIT I significantly lower, however, in line with recently published guidance
- 2012 adjusted group earnings after taxes included € 100 million from discontinued operations due to the sale of the Nitrogen-business

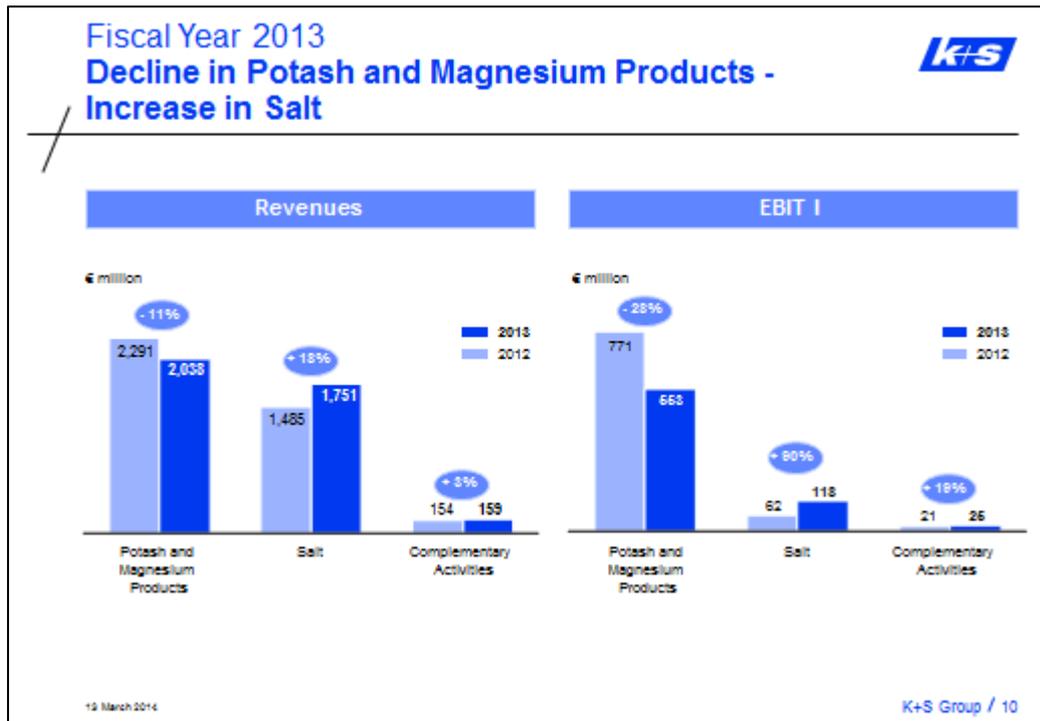
<sup>1)</sup> The figures relate to the continued and discontinued operations of the K+S Group  
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The year 2013 was a year of major challenges for the K+S Group. In particular, July 30th 2013, frequently also referred to as “Black Tuesday”, with its consequences for price trends on the global potash markets, has had an effect on us. But neither do we want to forget the CO<sub>2</sub> 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:

- At a good € 3.9 billion, **revenues** again reached the high figures of the previous year,
- at about € 656 million, **operating earnings** did indeed decrease significantly year-on-year, but were within the limits of our most recently published forecast,
- and **adjusted Group earnings** fell to € 435 million, though in the previous year € 100 million was still attributable to the discontinued operations of the nitrogen business.



If we look at the division of revenues and earnings in our business units, 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

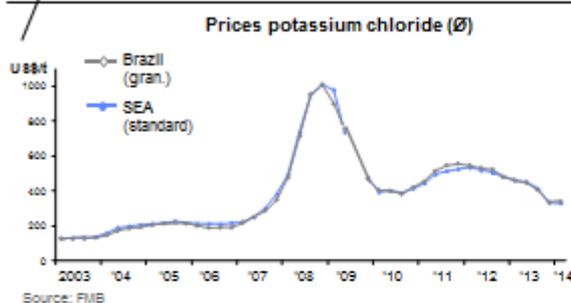
- our **Complementary Activities**, into which, alongside the Waste Disposal and Recycling segment, we bundle other important activities for the Group. This segment ultimately recorded reasonable growth.

A.	K+S growth strategy
B.	Fiscal year 2013
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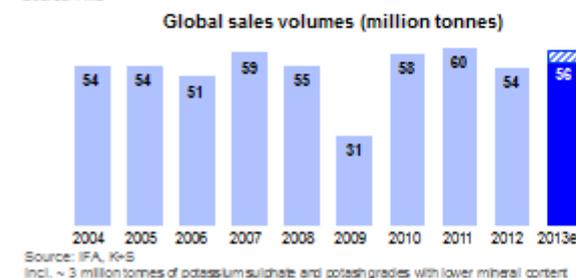
Ladies and gentlemen,

So far from me for the time being. Dr. Lohr will now go into more detail about the market developments and our financial results.

Potash and Magnesium Products  
Uncertainties dominate H2 2013



- International potash prices stable in the first half 2013, but below 2012 levels
- Uralkali statements leading to significant uncertainties with regard to future volume and price development



→ Curbing of production globally and reduction in capacities

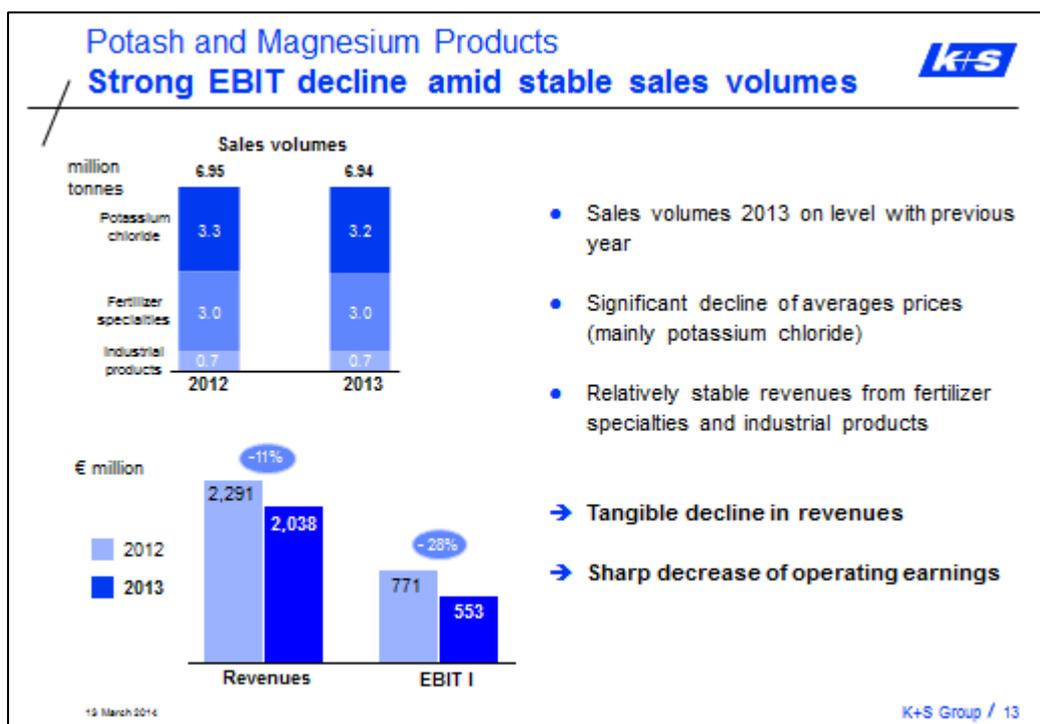
Thank you, Mr Steiner.

Ladies and Gentlemen,

We started out confidently in 2013. The potash business had a promising start, with prices remaining level.

Then on July 30th, Uralkali issued its statement to cease cooperation 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 as source.

Also the previously expected global sales volumes for potash were reduced as numerous competitors sustainably cut capacity.



We always stressed the robustness of our potash and magnesium portfolio. We are close to our customers in Europe and delivery reliably into 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 relatively stable. The EBIT decreased accordingly.

**Potash and Magnesium Products**  
**Improvement in cost position**



	2013	2012	YoY	
- [ Revenues (€ million)	2,038	2,291	- 11%	
- [ EBIT I (€ million)	553	771	- 28%	→ t/o Legacy OpEx: € 22 million
+ [ = Costs (€ million)	1,485	1,520	- 2%	
+ [ Sales volumes (million tonnes)	6.94	6.95	± 0	
= Total costs per tonne (€)	214	219	- 2%	→ excl. Legacy: 211 €/t

- Slight improvement of costs per tonne despite declining revenues
- Positive development of all cost lines with the exception of D&A

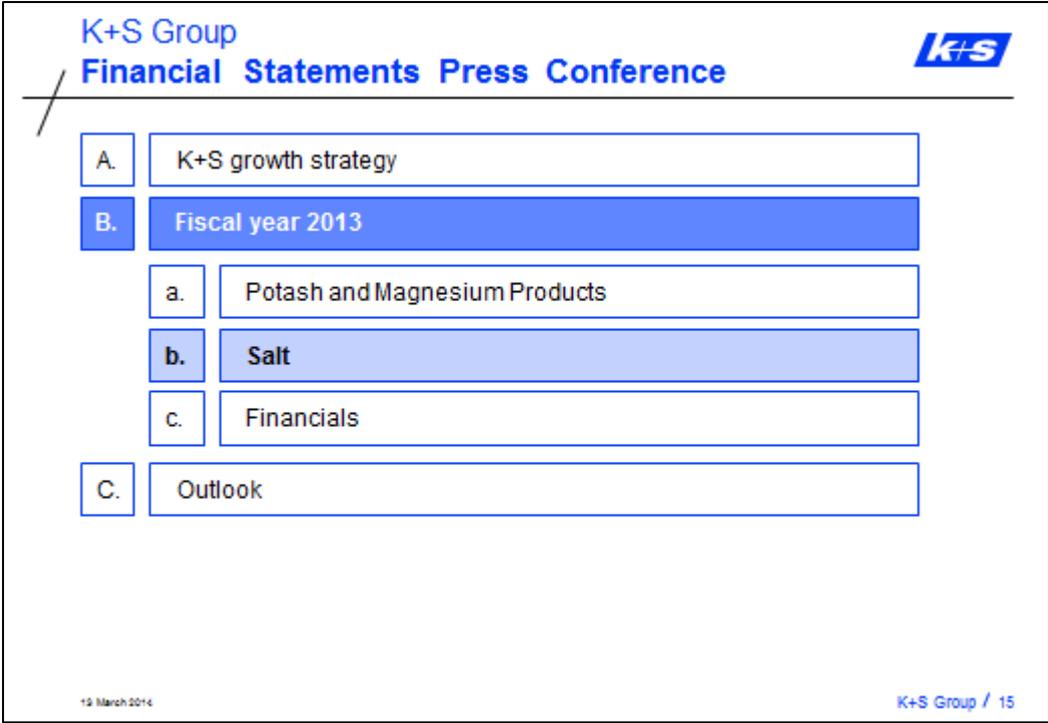
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Despite declining revenues, we have achieved an improvement in our cost position. As a reminder, when we talk about costs per tonne we are referring to revenues minus EBIT over sales volumes, i.e. including everything between those lines.

Accordingly, our costs per tonne declined from 219 Euro in 2012 to 214 Euro in 2013. 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 noteworthy operating expenditure for the Legacy project, despite no revenues were generated there yet. Adjusted for this, costs per tonne improved even stronger to 211 Euro.

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.



The slide is titled "K+S Group Financial Statements Press Conference" and features the K+S logo in the top right corner. The agenda is organized into three main sections: A, B, and C. Section A includes "K+S growth strategy". Section B, "Fiscal year 2013", is highlighted in blue and contains three sub-items: "a. Potash and Magnesium Products", "b. Salt" (highlighted in blue), and "c. Financials". Section C includes "Outlook". The date "19 March 2014" is in the bottom left, and "K+S Group / 15" is in the bottom right.

A.	K+S growth strategy
B.	Fiscal year 2013
a.	Potash and Magnesium Products
b.	Salt
c.	Financials
C.	Outlook

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Now let's turn to our Salt division.

**Europe:**

- Above average de-icing salt demand in Q1/13 and very good early storage
- Unusually mild winter in Q4/13
- Excess supply of salt for chemical use

**North America:**

- Normalised de-icing salt demand in Q1/13 after weak 2012
- Above average demand in December
- Remaining price pressure due to high inventories after „green winter“ 2012/2013
- Improved demand for salt for chemical use

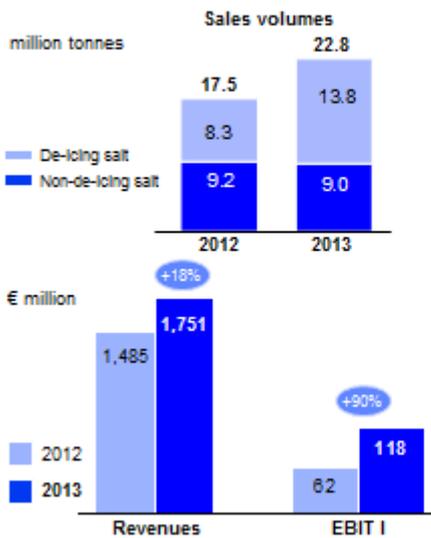
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In our business unit Salt our strategy to be present in all important regions also paid off.

This has been proven in the deicing 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 for 2012 and benefitted especially from the hard winter in Q4.

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



- Sales volumes of crystallised salt significantly above average 2012
    - De-icing salt 66% above previous year
  - Average prices accross portfolio almost stable on full-year basis
- Revenues increased significantly
- EBIT I continually below average
- Non-recurring effects from SAP introduction and sale of a vessel

This development also impacted our earnings. Crystallised sales volumes increased by 5 million tonnes mainly due to the deicing salt business. This is also reflected in revenues and EBIT.

However, one should keep in mind that our salt earnings were negatively affected by several opposing effects. At Morton, for example, in connection with the implementation of SAP as well as the planned closure of a production site. In addition, losses from the sale of a vessel as well as maintenance backlogs and the fx-result partly offset the increase.

A.	K+S growth strategy
B.	Fiscal year 2013
a.	Potash and Magnesium Products
b.	Salt
c.	<b>Financials</b>
C.	Outlook

Let's have a look at our financial key figures of 2013.

	€ million	2013	2012
As reported	Operating cashflow	756	607
	- Cashflow for investing activities	-809	-987
	Free cashflow	-54	-360
Adjusted	Operating cashflow pre out-financing of plan assets	772	651
	- Cashflow for investing activities pre sale/ acquisition of securities	-707	-408
	Free cashflow	65	243

- Higher operating cash flow despite lower EBIT I due to decrease in working capital

- Cashflow for investing activities increasing as planned

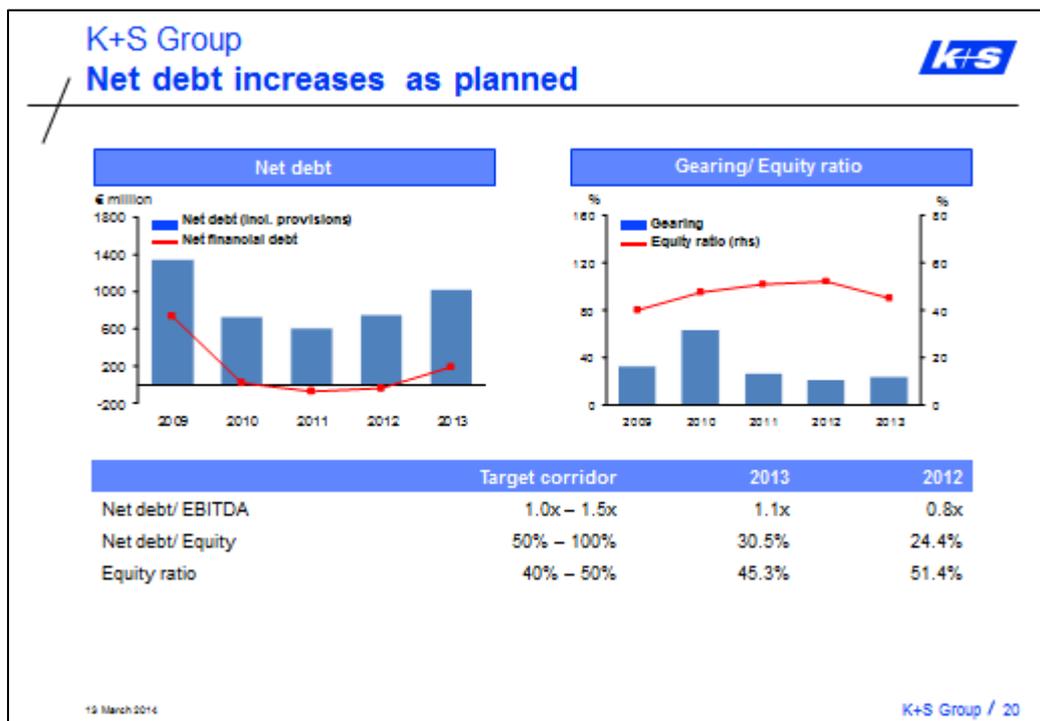
→ Declining free cashflow

I will focus on our cashflow and our balance sheet as we talked about the most important P+L numbers already.

As always, we have adjusted the cashflow for funding of our pension funds and for purchases or sales of securities.

Despite a lower operating result, the operating cashflow increased from 607 million euros in 2012 to 756 million euros 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 cashflow decreased as expected, mainly as a result of the capital expenditure for the Legacy project.

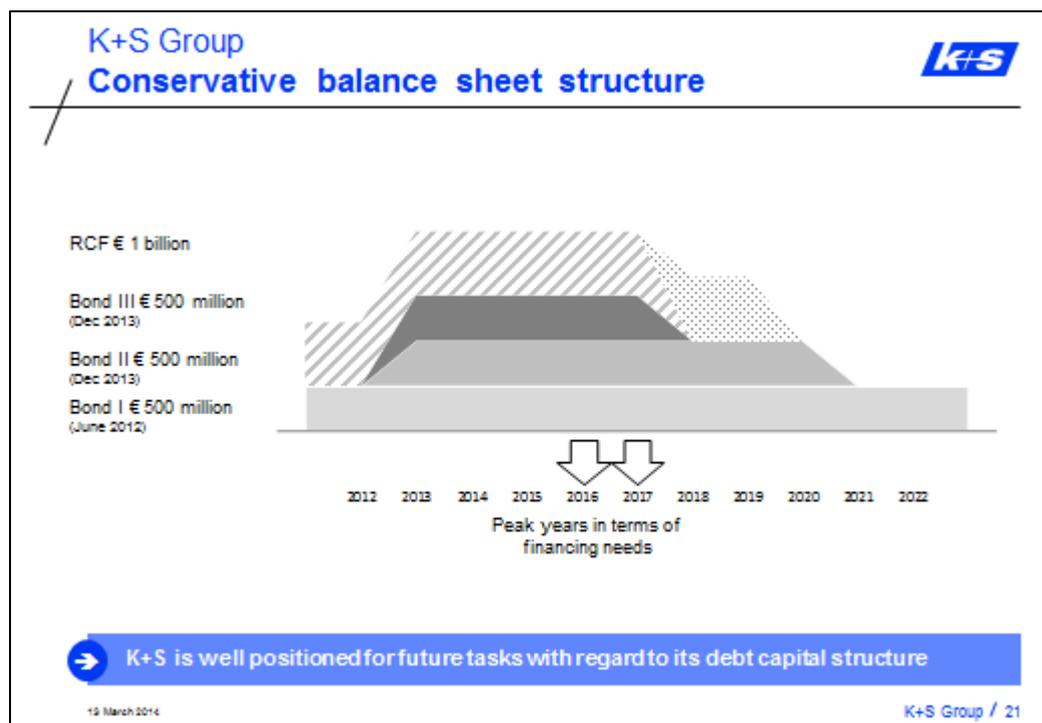


The net debt for the group increased as planned to a good billion at the end of 2013. This number also includes our pension and mining provisions.

The group's equity ratio decreased to 45%. While the equity remained stable, our financial debt increased due to the new bonds issued in December. We remained

within our target corridor for both „NetDebt to EBITDA“ as well as the equity ratio in 2013.

Mr. Steiner will elaborate on the guidance in a minute, but I will remind you already here that our leverage will not remain within this corridor in the next couple of years due to the planned investments into the Legacy project. Nevertheless, our intention is to return into that range.



On this page you will find a slide showing the credit facilities which are available to us. The successful placement of two bonds in December 2013 with a volume of 500 million euro each has again confirmed the attractiveness of the K+S Group as an issuer. In addition to that, we were able to prolong and extend our revolving credit facility to one billion euro in July 2013 already.

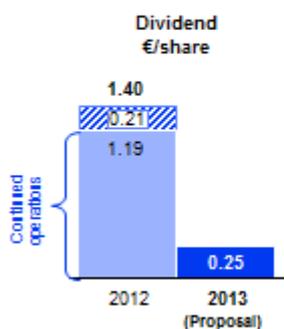
The 750 million bond which we will pay back in September 2014 is already excluded in the numbers above.

As you can see, we are well equipped with regard to our debt capital structure for the tasks ahead.

A.	K+S growth strategy
B.	Fiscal year 2013
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<b>C.</b>	<b>Outlook</b>

So far from my side. I will now handover to Mr. Steiner again.

Dividend proposal  
**Deviation from basic dividend policy**



**Major challenges ahead of us:**

- Uncertainties in the potash market not resolved yet
- Significant investments in the coming years

- ➔ Dividend proposal of € 0.25 per share for 2013
- ➔ Total payout: € 47.9 million
- ➔ Payout ratio: 11%
- ➔ However, no overfunding!

➔ Our goal is to return to our long-term oriented dividend policy as soon as possible (payout of 40-50 % of adjusted Group earnings)

Many thanks, Dr. Lohr.

Ladies and Gentlemen,

Before I get to our outlook for 2014 – a few words about our **dividend proposal**, with which you are already familiar as of yesterday.

The decision has not been easy for us to propose a dividend of 25 cents 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 from our long-standing dividend policy and, of course, looking at 2013 only one would compute a higher dividend.

We must look ahead in the current situation, as there are still great challenges to face. The uncertainties in the market for potash products are not yet over and 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” programme, which is demanding much of the Company and the employees. Also the investors in our bonds have subscribed a volume of 1.5 billion Euros over the past years a 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 overfinanced, 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 40-50% of the adjusted Group earnings.

Outlook  
Our projections for 2014



Basic assumptions

Potash and Magnesium Products

- Global potash volumes of ~ 59<sup>1)</sup> million tonnes (2013: ~56 million tonnes)
- K+S sales volumes at 2013 levels (6.9 Mio t)
- Tangible decline in average price levels (2013: 293.8 €/t)

Salt

- Sales volumes of crystallised salt at 2013 level (22.8 million tonnes), thereof approx. 14 million tonnes of de-icing salt (2013: 13.8 million tonnes)

Revenues	Moderately below 2013 level	➔	(2013: € 3.95 billion)
EBIT I	Significantly below 2013 level	➔	(2013: € 655.9 million)
CapEx	Approx. € 1.2 billion	➔	(2013: € 742.5 million)

<sup>1)</sup> Incl. 9 million tonnes of potassium sulphate and lower mineral grades  
15 March 2014

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But now – last but not least – our forecast for 2014.

In the Potash and Magnesium Products business 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 available, in particular due to 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 EBIT I** should, however, taking into account the savings from the “Fit for the Future” programme, also be significantly lower than in the previous year.

**Capital expenditure** of the K+S Group will increase strongly. As planned, we are investing the greatest amounts in the construction of our potash plant in Canada and in the Werra package of measures. Altogether, capital expenditure in 2014 should come to 1.2 billion euros.

Ladies and Gentlemen,

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

Thank you for your attention. We will be pleased to answer your questions!

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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.