

WORLD TELEVISION

K+S Group

Results Presentation
12th March 2015

Introduction

Thorsten Boeckers, Head of Investor Relations

Good afternoon from sunny Frankfurt, good morning to the US, and good evening to India, we've also some analysts sitting there and following us on the internet. And I'm just going to hand over to Mr Steiner.

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Presentation

Norbert Steiner, Group Chief Executive

What can I say, good night to whom? I hope everybody will stay awake. Welcome to our Q4 and Full Year 2014 Conference. We are delighted to have you here in the room, plenty of people, more than expected - like our results and also welcome to those following us on the internet. The internet broadcast includes a Q&A button, so that questions can also be raised by investors and analysts not physically present.

Dr Lohr and I will share the presentation and allow sufficient time for questions afterward. I will comment on the full year results and elaborate on projects and initiatives underway. My colleague will give you more detailed insights into the Q4 numbers and our outlook for the year 2015.

On slide number three we see that the year 2014 delivered a solid result compared to the market expectations a year ago. And frankly also compared to our own forecast of that time. We have achieved the upper end of our €580 to €640m EBIT 1 range. And I would like to remind you that we moved this range upwards in 2014.

This achievement was the results of a sequential price recovery both in potash and salt and strict cost discipline across the entire Group. Despite being pleased that we beat our initial projects you should not forget that this result is still well below what we could have generated without the confusion in the market created by the so called 'Black Tuesday'.

The main negative factor on slide 4 was the lower average selling price in the Potash and Magnesium business unit which could not be offset by the improved earnings in our Salt business unit.

Positive factors included a strong contribution from our Fit for the Future programme and an insurance payment received as compensation the incident at our Unterbreizbach site in October 2013.

We will talk about these other effects in more detail in the Q4 section.

This brings me to our dividend proposal for the year 2014, slide number 5. You remember that we deviated from our usual policy to payout 40 to 50% of the net profit last year and cut the dividend to an 11% payout ratio. This was done in light of the uncertainties in the potash market and heavy investments ahead, especially for the

Legacy project and the insights prevailing at the time the decision for the dividend was made.

Now we are a year further down the road. As I indicated at the beginning of my presentation we are not yet where we were in the potash market two years ago, however 2014 was a year of a substantial recovery and we subsequently outperformed expectations also due to the success of our Fit for the Future programme.

The capex into Canada is still massive of course. But you will see in a second that we are making very good progress with the project over there.

So in light of the fact that we feel more confident about the prospects of the Group we will stick to our promise and return to normality in terms of payout by proposing a dividend of €0.90, well positioned within our general payout corridor.

Based on yesterday closing, this payment once accepted by the AGM would bring the dividend yield into 3.0% and be above the long term yield of K+S distribution to shareholders. And of course I would not object to a yield below 3% in case our share price is affected.

Now I will come to the update of our various projects and initiatives. On slide 7, I already mentioned that the Legacy project is making good progress. 50% of the capex earmarked for this investment has been spent. The pictures at the bottom of the slide show the progress over time. In total 75% of the budget is assigned to suppliers, which significantly reduces the risk procurement related overruns. Of course execution is still key and 2015 will be the year when the main components of the ECC, which is evaporation, clarification and crystallisation, the heart of the plant will be put together.

But let me state it clearly again, we are on track to commission the plant in summer 2016 and we are on track to come in with the assigned budget of C\$4.1bn. As you can see from my slide number eight a great deal has been achieved. Important contracts have been signed like the one with Canadian Pacific Railway for the fabrication of our railcars and with Pacific Coast terminals to manage our port facility. The test cabin was successfully connected and the first solutions pads were commissioned.

On the right hand you can see a drawing of the final design of the plant and by looking at the milestones below that there is still a lot of work to do. We want to finish important buildings in the course of the year, as well as gradually commission the pads on the well field

From summer 2016 onwards we will begin to commission the site and the start up sequence in order to have the first haul of potash available in the second half of next year. You see that there is still a lot of work left, but again we are well underway.

Slide 9, our Fit for the Future programme is also well on track to achieving our target savings of €500m by 2016. We had a good start into the programme and have even exceeded the goals we set for ourselves for 2014. Numerous different cost positions have contributed to that, also structural improvements in logistics were made. There are too many different initiatives to mention them all; therefore we have highlighted a

few on the charts to give you a better understanding of where progress has been made and what we are working on.

As you know the basis for our target savings of €500m is a budget for 2014 to 2016 which we had on the table when we implemented Fit for the Future. This number also includes first savings in 2013, as well as awarded costs. These are measures that we planned, but then were taken off the table after Fit for the Future was launched.

In 2014 alone Fit for the Future has contributed a bit more than €120m compared to and this is essential to keep in mind, the actual operating profit in 2013. And not any more in comparison to the old budget for 2014.

The goal of our Fit for the Future programme is to deal with cost related challenges. Nevertheless we also need to have an eye on growth initiatives which is the aim of programmes like Kali 2.0 and Salt 2020.

In the business unit Potash and Magnesium products we have implemented the new organisational structure to improve market orientation and efficiency, as well as to streamline the order to cash process.

State of the art business process management will make the business unit more flexible and competitive. In the current month we will focus on the concrete design of processes and interfaces in the new structure. Our Salt business unit will merge its operations further and enter new markets under Salt 2020.

Synergies were already achieved in 2014 by integrating de-icing and supply chain activities in the Americas. Further measures for growth, like strengthening our consumer brands and further improvement in product quality and customer service will follow.

We will also expand our business into markets where we could have more presence.

The fact remains that our production impacts nature, our considerable efforts include the investments of millions in environmentally friendly facilities and conservation measures. Staff in our research centre, as well as our headquarters and sites, do their utmost to keep the consequences of production at a minimum. However, demand such as production without residues and the North Sea pipeline crossing four German states are high, too high. The former is an illusion as production without residues is simply not feasible anywhere in the world, even taking the ecological benefits into consideration the latter is not economically viable at least.

Against this background we have joined to develop the Four Phase Plan with the Hesse of Ministry of the Environment to reconcile economic and ecological feasibilities. This represents the road maps for future production in the Hesse-Thuringia potash districts, even after depletion of resources there.

K+S will invest a total of €400m in several steps, the bulk of the investment will take place after the Legacy plant has been commissioned, peaking in the years 2018 to 2021 from today's perspective.

Now I can hand over to Dr Lohr who will guide you through our Q4 financials and the outlook for the year 2015.

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Presentation

Dr Burkhard Lohr, Group Financial Officer

Thank you Mr Steiner, ladies and gentlemen a warm welcome from my side as well. The number to highlight in the fourth quarter is the EBIT 1 which increased year over year by 30%. I will elaborate on these drivers in more detail on the next slide.

The tax rate of 35% appears high, especially compared to the very low number last year. That was triggered by deferred taxes, while 2013 benefited from a tax income; the 2014 number is higher due to a tax reform in Chile which has to be taken into account.

On this slide, slide 14, you can see the different drivers of the EBIT in Q4. Additions to the mining provisions, together with the expected increase in opex for our Legacy project and higher D&A could only partially be offset by higher average selling prices in both business units.

The year finished strong, our Fit for the Future programme continued significantly in the fourth quarter. And along with a small positive impact from currency was an important factor that brought the EBIT 1 to €130m. As expected ongoing investments, especially into the Legacy project have led to a negative free cash flow and net debt increased accordingly.

In addition net debt is also inflated due to the lower discount rates for non-current provisions. These provisions went up by about €230m for that reason. It's worth mentioning here that when we talk about capex, especially for the Legacy project investments in Canadian dollars have been hedged to a large extent at very favourable rates. This gives us not only planning reliability, but also a lower capex in euro terms than we originally planned. In other words that gives us more headroom with regards to our existing financing facilities.

The average selling prices of the Potash and Magnesium business unit improved quarter by quarter in 2014 after bottoming in Q1. The number in Q4 2014 was €291 per tonne, 7% above the quarter of the previous year. There's not much going on in the markets at this point in time, the China contract is pending and the European spring season has not started yet. Overall prices have been stable over the last couple of weeks with some temporary weaknesses in Brazil.

The year over year price development is also positively reflected in the result of the business unit. The EBIT 1 increased by 56% to €84m. This positive development was possible, although there were some negative impacts; I mentioned them showing the EBIT bridge already. This was mainly the additions to the mining provisions, but also the expected increase in Legacy opex and the higher D&A.

This is also reflected in the cost per tonne. We have not highlighted those as non-recurring because the mining provisions are part of our operations. But the magnitude is important to know in order to put the results into the right context. Without the addition to mining provisions the cost per tonne in Q4 would have been closer to €220 per tonne.

The Group diversified in the Salt business with the acquisition of SPL in 2006 and Morton Salt in 2009. The goal was to become more independent from the winter weather in a single region. The year 2014 has again confirmed that this was the right move, while the winter in Europe was mild, North America made up for it, especially with a strong Q1.

Overall we ended up once again above the long term average volume. The strong winter in North America also led to an increase in pricing while the European prices declined only slightly.

When we look at the fourth quarter we find that the operating profit increased by 16%, versus the last year to €57m despite lower volumes.

Q4 2013 was already a record quarter in terms of volume, which could not be repeated in 2014. However the strong previous winter season in North America reduced inventory significantly and this had a positive impact on demand and on pricing for the current season.

Last but not least our Fit for the Future programme also contributed to the results here.

Now let me conclude our presentation with the outlook for 2015.

As you can see on page 21 our underlying assumptions are shown here. I want to highlight a few of them. We expect global potash demand to be slightly below the record number of 2014. Please keep in mind that our calculation includes 4 million tonnes of SOP and other specialties.

K+S should again be able to sell around 7 million tonnes at an average selling price that will tangibly increase year over year as we start into 2015 with a higher price than at the beginning of 2014.

In your hand outs you might see marginally increase of the prices, we have not changed our might overnight, that's easily a mistake. So expectation is - and that is what you can see in the financial report, they tangibly increase.

In the Salt business we expect volumes to decline moderately from the 24 million tonnes sold in 2014. The reason is that for planning purposes we always apply the long term average in our forecasts. Year to date volumes were slightly above average due to a good winter in North America.

Another assumption I want to highlight is the euro/dollar exchange rate. The annual average forecast is 1.15 compared to an average of 1.33 in 2014.

This brings us to the projection that the EBIT 1 in 2015 will be significantly above 2014. As you know at this point in time we do not guide for a concrete number or range, but what we are showing here is an indication of the main contributing factors. The biggest contributor that makes a difference between a stable year over year EBIT 1 and a significant increase is the fact that we benefit from a strong US dollar. Our projection is that a strengthening of the dollar by 10 cent will mean a benefit of around €50m on the EBIT 1 level for 2015.

Ladies and gentlemen thank you for listening; now we are happy to answer your questions.

Questions and Answers

Norbert Steiner, Group Chief Executive

Thank you very much, also I see the first signs for questions. I would like to show that our technical system works and therefore I would like to start with the answer of a question which you have not raised, which came in from outside, from Peter Gehrmanm from Hauck & Aufhäuser and he has two questions. And the first one is can we assume due to the weakness of the euro that the economic activities of K+S will be changed, could K+S supply other areas in the world, for example North America?

I think what we have done in the past was always to execute out capacity as good as possible, we foresee in the neighbourhood of 6.9 to 7 million tonnes also for the 2015. And last year we have seen that we have had demand which was exceeding by far our ability to deliver.

So from that perspective we certainly will continue to concentrate on these area of business that we have done since decades. That means that we want to make our European customers happy as well as those in South America and in Southeast Asia with our speciality. So from that perspective to enter into a market like North America with only minimum volumes does not make sense. And of course we are not excluding the euro/dollar development, but primarily we are looking to the demand that we get in the different areas in the world. And there is some ups and down from let's say the eurozone into the dollar zone, but I would not say that we should leave behind any of our European customers and only go into the dollar room, this is not really helpful for long term relationships with customers.

The second question asks whether Uralkali or Belaruskali respectively could export more than in the past based on the weakness of their own currency in comparison to sell into their own country and could that be negative for the market shares of K+S in Europe?

Both Belaruskali as well as Uralkali have gained in the last decades, let's say substantial market shares in Europe and they will continue to export material from that perspective maximum volume. They have obligations to service their own country in Belarus and Russia likewise; this is done by orders from the political area. But above that they are free to export and they will certainly look where the returns from the sales are the highest ones.

So I cannot say whether Europe will be the target area, most likely it will be the dollar area, but they have substantial market share and cannot expect, or do not expect that this situation in Belarus and Russia likewise will have a significant impact on Europe. So Christian Faitz.

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Christian Faitz, Kepler Cheuvreux

Thank you. Just a couple of questions, first of all on potash you talked about the potential USD exposure, can you talk about the Brazilian markets at the moment how that is going for you in terms of currency, how you are hedged there, how the payment terms have developed during the economic crisis, if that is a problem for you at all?

And then second on the Salt side, I believe you mentioned last year that you were looking at expanding into Asia, i.e. also making acquisitions there, is that still the geography you were also alluding to in your presentation?

And on Salt can you quickly comment on your view, your sales peoples' view on the inventory situation, both in Europe as well as in North America, in de-icing? Thanks.

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Norbert Steiner, Group Chief Executive

Yeah, the Brazilian market, the potash market has seen some, let's say relaxed weeks where - with not big noise, all the major participants of the market have started to discuss with customers deliveries into Brazil. I think in Brazil there is still a certain, let's say, positioning of the customers that they want to be sure that they have the material at hand at a time where they need it. And from that perspective they have started to get into the market and contact suppliers since a couple of years - quite early in the year, this happens as well. And therefore the business into Brazil should be running quite normally.

Burkhard Lohr has mentioned that there was a certain weakness which we think is not really substantial and long lasting, so we should make our business there. However, I think it will be important that at one point of time, let's say during spring, or let's say in the first three or four months there should be an indication from Southeast Asia, meaning that either in India, or in China, or in either country we should have contracts that indicate a certain upswing of prices. Because I could imagine and I think this is normal when I talk about that, that customers were saying that at the beginning of the year 2014 we were quite low in Brazil and China was making deals at 3 or 5. Now we have increased our price levels significantly and now we want to have a certain support. When we don't get the support we need to talk about prices. As those who are dealing with India and particularly China are quite optimistic that a certain price increase can be materialised; we should wait for the outcome but we should not be pessimistic on that.

So we have seen no significant changes in our connection with our customers, payment terms are more or less quite the same like in the past, and hedging is rolling, not particularly for Brazil but for the entirety of our US dollar sales in the way that you know.

To the salt, I'll start with the inventory question. Easy USA, North America, Canada quite low, even quite close to zero in the East Coast area which continues to have a high burden on the excellence of our supply chain and it will continue to have one because the refill of the inventories over the year is also challenging. And it's started also a little bit in Midwest in a positive way, Canada also was above normal. So it will be visible from TV, it will be a good start into the de-icing salt situation in North America and lower the inventories which had not be filled completely, even in the last filling up season 2014.

And Europe quite the opposite, we are not that dry so to say like in the winter, the beginning of the year 2014. There was in our area quite some more sales of de-icing salt, but below budget. And from that perspective I would say that in the southern part of Germany the inventories are low, in other areas they are much more filled. And they could have some negative implications for the pricing for the next stocking up season starting from June onwards.

Salt, I think we did not talk about acquisitions with you, two areas in the world where we are not yet present. But we certainly have in mind with a view to Salt 2020 that we need, we should increase our exposure in those areas where we are not yet present, in particular in those areas where growth figures are exceeding those in North America and Europe, this means Asia.

But so far we are opening the market, we have a very, very tiny joint venture in China, which is called Morton Salt and some Chinese names behind, where we borrow our name of Morton Salt for a company which is based on Chinese domestic production. It uses the Morton Salt brand and is able to utilise the value of the brand for the inner Chinese sales, which are limited, because you need to know that there are monopolies in China, due to the provinces. There's a monopoly for the province of Sichuan and the others. And therefore it's quite difficult to get from one province into the other.

I can imagine that it will be done in some years in the future, there are discussions ongoing, but China - Southeast Asia, it's an interesting market. And sooner or later, due to also Salt 2020 we should be closer to it with our own production, be it from scratch as a Greenfield operation, or in a kind of acquisition of a given production there.

We are active there to analyse the market and also looking for ideas on how we can place ourselves there better than as of today. But this will need time once again, Salt 2020, and the other areas, countries in South America which we certainly will be feeding from Chile. And also Eastern Europe is still in our focus, we are well positioned with our B... plant there. There are products that are not being produced over there in Poland in the Baltic States, in the Ukraine, in Belarus, even in Russia. But it's difficult right now there, you can imagine. But it's on the focus and will stay on the focus.

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Dr Burkhard Lohr, Group Financial Officer

Obviously listeners out of this room are making use of their first time opportunity to ask questions and I have four questions from Andreas Heine. I would to answer them.

First could you say what your euro Legacy budget is after hedging?

Not precisely but I can give you a flavour on that. As you know our original budget assumed a euro/Canadian dollar exchange rate of 1.35 and we used the period of a stronger euro, or the other way around a weaker Canadian dollar to hedge the amount that we need to pay all our bills in Canada. We are - referred to the net position totally done now, almost totally done and we have secured a euro/Canadian dollar exchange rate which is above 1.40.

The second question - how is the average salt price in the first quarter '15?

That's another question where I cannot answer this precisely; let me give you just a tangible answer on that. We again had a very strong winter in North America which surely is a part for pricing in that area. And we unfortunately had a green winter, not as bad as last year, but a green winter in this season again in Europe. But we have seen that the European prices are more stable than they are in North America in such a situation. I hope that helps a bit.

The third question - how do you expect the dollar rise in European potash prices?

In the past we have seen that a long period of strong or weak dollar had an effect on the European prices. That will not occur in a quarter, or in a short period of time, but if the euro remains weak for a longer period there will be an effect.

The last question, it's around currency, again can you explain your US dollar hedging going forward?

Usually with the high volatilities of the currencies you are on the safer ground, definitely to secure the worst case and we will continue to do so. But to save some option costs we have also locked in a best case in the past, which was from hindsight a good decision, because we have saved a lot of options on that. So we have designed a kind of colour structure. Now as we have a view that this is not only a short term development we have opened this range a bit to be safe in terms of worst case, but to as much as possible participate from a stronger dollar.

That's from Andreas Heine.

Joe Dewhurst, UBS

Good afternoon, just three questions. First of all on the tonnage guidance for 2015, maybe I heard it wrong, but I had a feeling that you were maybe going to try and start moving up to that 7.5 million tonnes over time. And maybe why that's being held back, just some reasons on that?

And then just again back to the salt pricing, you know clearly there has been the dramatic move in the de-icing salt, but again I was also under the pressure that because of the kind of clients that you have often local authorities that there has to be some sort of at least I suppose limited kind of spot movements because they have budgets and things. Does that mean that this is maybe an indication of where the kind of budgeted price if you like for local authorities and elsewhere in the United States is maybe sitting?

And then just finally with the SOP situation Tessengerlo - it always seems to be moved forward but potentially maybe that they come back into the market again in the middle of the year, but what you're seeing out there and there's still some indications that the market is still quite tight.

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Norbert Steiner, Group Chief Executive

First tonnage wise, of course you are right in the past we talked a maximum capacity of 7.5 million tonnes and we mentioned that during the time of the materialisation of our plan of measure in the Werra area we are hindered to come to that volume size operationally.

For the time being this is ongoing, but we need also to see that there is some lowering of the K2O content in the crude salts that we will have without changes any - that we would have difficulties to achieve the 7.5 again. But if the so called Four Phases plan that I was talking about with the State of Hesse would materialise, then we would from 2017, end of 2017 onwards would have 250,000 additional tonnes of potash as well as all together, it's right. And from that perspective we should also be lifting up our potentials, but it will require some kind of time.

Pricing in de-icing salt, it's always the matter of the bidding process that you have and these bidding processes are influenced by the fact of what has been done, or what has happened in the past.

So in Europe after strong winters with US likewise you get better prices after a harsh winter when inventories are low and the opposite is true as well. It means that the strong winter end of 2013, beginning of 2014 has helped prices up in the bidding seasons in the US a lot. And then you need also to take into consideration that generally contracts are divided into two parts, a certain fixed volume that you deliver and an optional volume and after that there's nothing any more. It is free game so to say.

It means that you are on the safe side, as long as you are in the area when you supply those areas which are fixed and you get additional because you cannot calculate that you'll sell that material, you'll get additional revenues and earnings from that - what is optionally under contract. And this is helpful because these prices which are set are then prevailing into the new year, into a higher volume than initially expected.

And the so called freelancer contracts for the time being I think are not reachable at all in the US because everybody is trying to materialise the last tonne of de-icing salt production. But I think supply is limited there due to the long lasting, very harsh and very snowy winter in the US that we are not only talking at least in the case of Morton Salt, but I would assume also in the case of - Compass that we are talking - that we have difficulties and need to materialise the last tonne in order to satisfy the optional volumes.

But again low volumes in the inventories will certainly ask - help us to ask for reasonable pricing. And as the de-icing issue is something that is connected with safety issues it is generally not connected with budgetary aspects.

Of course you see, and I see that in my hometown as well, that people are trying to save de-icing salt as good as possible, that wintry roads are not cleaned early enough so that they can stretch the utilisation of the inventories that they have. But generally if you don't get a material to the price that you are willing to pay, then you need either to not purchase de-icing salt which is difficult due to safety, or you need to accept prices. And competition makes the price. So it has basically nothing to do with budgetary issues.

Last question SOP Tessengerlo; I think we can be confident for the SOP market for the entire year 2015. They have announced that they want to get into the market with additional capacity. They are in the market with capacity from 1st October onwards, but it needs to be seen whether the plant will run without any hiccups from the first moment onwards. And this is still, if it would be the case, I think 30,000 tonnes, which is for a 6 million tonnes market not really material. I think these were the questions.

Lutz Grüten, Commerzbank

First question on Legacy. The opex spend in Q4 and full year 2014, could you give us the numbers here please? And also your best guess on 2015 which is needed here for opex on legacy.

And the second question is on slide number 22 on the waterfall chart into your guidance, in former meetings you have mentioned that there may also be a positive impact from energy and lower gas prices. Is this part of the incremental savings or am I missing something here on the gas pricing?

Thorsten Boeckers, Head of Investor Relations

So I can start with the question on legacy opex. See that on page 17 in Q4 there was a legacy opex of 13 million which brings up full year 2014 opex to minus 37 million. And that's going to increase by about 20 million into 2015. Now I'm done.

Dr Burkhard Lohr, Chief Financial Officer

So I must confess I'm not 100% sure if I got your question correctly, but gas price, let me talk a bit about gas price and if it's not 100% your question please repeat it.

As you know we have a gas delivery contract which still has a small link to the oil price and we all know what happened to the oil price last year, so we gained from that. And the energy cost was one factor which helped us which had a significant impact on the cost per tonne number that we disclose every quarter as you know. Looking into 2015 we are not expecting such a big tailwind as we have seen, additional tailwind as we have seen in '14 but there should be an additional slight impact, positive impact on that. Does that cover your question? Perfect.

Oliver Schwarz, Warburg & Co

Two questions from my side please. Firstly you said the increase in the tax rate in 2014 was mainly due to some changes in Chile. Is that an ongoing thing? So are we to expect a tax rate in that range also for 2015 onwards, or is that more or less a one off due to the change in the regime there?

And secondly I think that's a more nitty-gritty question from my side and I excuse myself for posing it, but I am still struggling with calculating the 7 million positive impact due to the FX changes in Q4 2014, because if I do the maths and use the exchange rates you applied for Q4 2013 and Q4 2014, I get a change in the exchange rate of roughly 5% which should translate to more than 12 million impact in Q4 only from the Potash business. And I do presume you had some positive translational effects from the Salt business as well. So could you give me a better feeling how you came up with the 7 million in Q4 please? Thank you.

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Dr Burkhard Lohr, Chief Financial Officer

Let me start with the first question. We're talking about deferred taxes, that's always a tricky thing. We are facing a tax reform in Chile. The tax rates will increase in steps between 2015 and 2018 from 20% to 27%. So that of course did not have a cash effect on the year on the tax rate in '14. But we have significant deferred taxes in Chile and they have to be re-evaluated with these future tax rates. And that's what we have done and that is a one off. That's a non-cash effect but a one off. Of course the increasing tax rates will have an effect on our Group tax rate as well because we are paying more taxes in the future, but the effect will be marginally.

Yeah, coming back to your second question ...

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Thorsten Boeckers, Head of Investor Relations

Yeah I think it has to do with the fact that the dollar especially strengthened in the fourth quarter, and after the fourth quarter when you look at the average exchange rate to the dollar, or dollar to euro in the fourth quarter, it was an average 1.25, and last year it was 1.32. So there was a difference but not as huge as it's now in the first quarter for example, right.

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Oliver Schwarz, Warburg & Co

I agree to that one, we will see a much stronger effect presumably in Q1 but still the effect should have been higher than the 7 million you specified? That's the point. I'm not arguing the point that we see a larger effect in 2015, I think that's a given if exchange rates stay at the level that they are currently, but just using the 1.32 and 1.25 gives you a 5% change only due to FX effects which should translate directly into earnings in the Potash segment of yours, due to the fact that mostly - your costs are mostly, give or take the transportation costs, are mostly in euro and not in US dollar.

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Thorsten Boeckers, Head of Investor Relations

You know what we have to look that up and we'll come back with the answer to you.

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Dr Christian Schlimm, Allianz Global Investors

One quick question. We touched upon gas. What about staff costs? Any guidance here for 2015, how or what you would expect in terms of staff cost development? Last year it was up plus 5%.

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Norbert Steiner, Chief Executive Officer

Staff means workforce, and I would not expect that the increase when you only look into let's say tariff discussions and tariff negotiations would be of that magnitude. This 5% is a mixture of several effects. But if you classically look only into that what is tariff driven X% I would expect a lower one.

Yeah I have got a question here from outside again. Who was it? Patrick Lambert from Nomura. How do you see pricing in Europe in Potash in 2015? Could you raise prices at all?

We do what we can and it depends on certainly competition. I mentioned during one of my first answers that Russian producers are active here in Europe, Israelis from European production as well as from Israel itself. From time to time we also see North American products entering Europe and also from South America, SQM. So there is competition, particularly in those areas where our non-European based producers enter Europe in the areas of harbours where they can reach Europe easily and do not need a differentiated distribution network. In other areas there is certainly still room for I would not call it giant, but for limited price increases. And wherever the chance is there we try to use it and we use it. But I would not - and your question was not how is the price, how do we see pricing. Pricing is not to mention prices I see therefore I want, only to elaborate on developments and possibilities and not on prices exactly. I think this is the answer to the question that was released from Patrick Lambert.

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Question

Just a quick question on the increase in provisions. How much of that was interest rate driven, and how much did you actually increase the provisions due to higher mining provisions, I don't know, in relation to the Unterbreizbach accident or legacy coming up? Did you already build provisions for that? Thank you.

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Dr Burkhard Lohr, Chief Financial Officer

So the major portion, by far biggest portion is linked to the lower discount rate. From both big items, mining provisions and pensions, we have seen an effect of altogether €230m, and now we are talking about 2014 but let's have a look into the near future.

The development of the interest rates is still not in our favour when it comes to that issue. We most probably will take another hit from that development. How big will it be? I don't know but - and that's a pity, as you know that runs into our net debt definition and so we have to keep that in mind very intensively. So the by far biggest item is interest. On the other hand it has no cash effect.

Question

Question to Mr Lohr, it's on total unit costs. Back in November in the Q3 conference call you gave us an indication on the outlook for total unit costs in 2015 saying that maybe it may go beyond 2014, but it may be below 2013 unit costs. So I wonder whether this is still valid or whether you can just update us on this one?

Dr Burkhard Lohr, Chief Financial Officer

Yeah that is still valid but we should start adjusting for the legacy effects because next year it will be significant, and if you adjust only this item still take into account all the other items which are incorporated in our maths, sales minus EBIT, we still believe that this is achievable.

Thomas Swoboda, Société Générale

One question. Assuming that the dollar remains strong and the euro weak, is this in your thinking to delay the start-up of the new mine in Canada? Is this in your game plan or is the ramp up and the production volume increase something which is more or less set in stone?

Norbert Steiner, Chief Executive Officer

I think the answer is simple. When we are ready to start we'll start, and when we are ready to ramp up we will ramp up because this is an issue what we have - let's say as long as we have the Canadian dollar and the US dollar running in parallel we are entirely in the US dollar range and then we only have translational effects. And from that perspective, after such a huge investment you should try to have a return on investment as quick as possible, as fast as possible. So I have not thought about your question so far, but from my gut feeling this is the answer to your question.

Marc Gabriel, Bankhaus Lampe

I have one question regarding the Canadian project. There is still some C\$2bn Canadian dollars to come, and as far as I have seen in your annual report you have hedged some C\$1.3bn. The remaining 0.75, is that a natural position which you want to finance by the US dollars you get in?

Dr Burkhard Lohr, Chief Financial Officer

Exactly. That's why I said earlier the net position is almost entirely hedged. We have quite some contracts in US dollar and even some in euro which of course we have a natural hedge with our US dollar sales, and of course with the euro anyway.

.....

Oliver Schwarz, Warburg & Co

A less tricky one this time I promise. Distribution costs in Salt, I guess that should have had a major proportion of your unit costs. Given that fuel costs especially in the US have come down, does that have any let's say meaningful impact on your unit costs in the Salt business? Thank you.

.....

Norbert Steiner, Chief Executive Officer

Yes.

Laughter

.....

Question

Thank you. That's all I wanted to hear.

.....

Norbert Steiner, Chief Executive Officer

It's simple because the unit cost of a tonne of de-icing salt is significantly lower than Potash. And when we have a certain nice margin out of these figures of sales, the figure of sales prices that we are talking about, then of course you can see how much cost is included. And when we have one dollar or two dollar less per delivery it's material, no doubt.

Anyone else? I'll count from ten down to zero. Nobody anymore? You are kidding.

.....

Markus Mayer, Baader Bank

That's a trivial one. Just maybe can you give us an update on projects and overview of projects in the Potash market? There's recently also competitors like Uralkali, they speak on debottlenecking projects, what do you see in the market?

.....

Norbert Steiner, Chief Executive Officer

Size matters, and from that perspective almost everyone is presenting plans how to achieve sizes. At the very end there will, like also in the past, be quite substantial additional capacity in place compared to the sales figures. And the question is how the big players are dealing with that. Even today, at least when you only look from a bird's perspective into the Potash market you see that there is a quite substantial access

capacity. But you have not felt it, really felt it in 2014. And when we can rely on those comments that we have seen in the recent weeks, nobody really is interested to damage the market. From that perspective, and I do not tell you anything new, it will be the point between the two let's say major areas of Potash production in Canada and in Russia/Belarus how they balance the powers in the big markets which are decisive.

Of course like it or not it surely comes too flooding has helped. Financial markets are extremely positive on that very negative development. And it is helpful that also some of our competitors that have issued also their forecast volume wise for the year 2015 have added sales figures to that what in comparison to the best year 2014 is intended to be sold in 2015. And from that perspective yes there will be additional volumes coming up in the midterm 2016, 2017 and the years behind and then we will see how markets will react. But so far everybody has in mind obviously how past development has been made to be very successful and what can happen if one gets crazy for a moment.

Dr Burkhard Lohr, Chief Financial Officer

Now we are getting the bill for forcing further questions, we have two more from outside the room. The first one from Christian Horst (?). And the question is do you expect further meaningful increase in net debt to EBITDA in the full year 2015?

Part of the answer I gave you already, I expect a further increase of net debt due to the lower discount rates. But what does that mean for us? The number as of the end of '14 was 1.5 so net debt - sorry was 1.9 times EBITDA which was lower than our expectations of course due to more positive development. And now we have two effects in '15, a planned ramp up of this net debt to EBITDA number and most probably an additional effect of the interest rate impact. Both together should lead to the fact that we will see a number which is not higher than our early expectations, so we are still absolutely in line with our financing structures and with our expectations.

Second question is a tricky one. How do you see your Potash hedging strategy evolving after legacy starts, from Patrick Lambert.

History has shown a more parallel development between the US dollar and Canadian dollar so the two currencies who are relevant here. We will have a majority of Canadian dollar costs and of course almost entirely US dollar sales. If this is still the case in the future, a question mark. We are going to analyse it and if there is a risk of a decoupling of the two currencies we will most probably act the way we are acting with the euro and US dollar hedges that we are doing for the - let's say old Potash business. That's from my side.

Norbert Steiner, Chief Executive Officer

So the ball is again in your field.

Marco S....

Looking into Q1 2015 in Potash, I mean last year in Q1 we had a pretty mild winter, a pretty early start of the season and hence you shipped a lot of volume also to Europe and we have seen a significant decline of overseas shipment in the fourth quarter, first quarter last year. So I wonder whether you could provide us some kind of indication on how this, how Q1 2015 is progressing, also bearing in mind that although we didn't have a proper winter, nevertheless farmers started very late going to the fields. So just some kind of indications would be helpful, thank you.

.....

Norbert Steiner, Chief Executive Officer

I think what I have heard from our people that are in contact with the markets and monitor how farmers act, I would not say that we are not very different from the year before. So from that what we have heard maybe ten days ago when we talked about the situation in the markets with our Potash people, they were rather relaxed that things will be done very normally by the farmers in Europe, you talked about Europe.

.....

Question

Just a question on interest rates. When I look at the coupons of the bonds you've recently issued and I calculate the average interest rate which comes out of cash interest payments which were 91 million last year, there is quite a gap, almost one percentage points higher in cash terms than what you have issued. Any reason for that?

.....

Dr Burkhard Lohr, Chief Financial Officer

First of all we have not paid a cent too much but you have to take into account that we had for nine months the €750 bond that we have paid back and that makes the maths a bit more tricky. I am sure if you take that into account completely then you end up with the right number.

.....

Question

And where would you see your costs going forward, interest costs blended?

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Dr Burkhard Lohr, Chief Financial Officer

That's easy. If you only take the cash costs from the debt instruments you have to add up the three instruments that we have, three times 500 million bonds, euro bonds with their individual interest costs.

.....

Question

Okay thank you.

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Dr Burkhard Lohr, Chief Financial Officer

Thank you.

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Norbert Steiner, Chief Executive Officer

Okay last three questions.

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Lutz Grüten, Commerzbank

I don't have three questions, only one. Coming back to the unit cost per tonne in your guidance here, what's the right reference number we should look at on 2014? Is this a unit cost per tonne as reported or should we make an adjustment for the 30 million provisional building you had in the final quarter which then pushed up that number to €239 per tonne?

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Dr Burkhard Lohr, Chief Financial Officer

That's up to you. I'm sorry for that but -

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Question

You give me the guidance.

.....

Dr Burkhard Lohr, Chief Financial Officer

We always said we are not trying to make the number as nice as possible. We give you the entire picture, sales minus EBIT one and if we believe there are some extraordinary we give you the numbers as well, but they are linked to our business so that's why the entire number is correct. But most probably we will not see the same number at least when it comes to the additional provisions next year again.

.....

Norbert Steiner, Chief Executive Officer

So anyone else here? Then I will read the question from Yonah Weisz from HSBC. Could you give an estimate of how much cost savings you generated? Are they fit for the future if you strip out the effect of lower oil and transport prices which the entire economy benefited from in fourth quarter 2014?

They are not at all included in our fit for the future activities. This is something which is connected 100% with normal operations and therefore do not count for that, so the 120 plus million for the entire year 2014 is not affected by that.

So you had your chance. Yeah thank you very much for participating in our 2015 investors and analysts conference. I think the mood in which you are and which we are

with view to K+S is somewhat better than compared to one year ago. And we hope that business is continuing in the let's say promising way like we see it. Of course there are some activities or some impacts and influences which are beyond our control which we like as it is positive in our way, but we also have seen other developments of the US dollar and we also needed to cope with that in the past. Therefore it's not given that it will be lasting forever although there is no real idea whether this strong dollar, low and weak euro situation could change overnight.

Generally I would have said we'll see you at some places around the world when we make road shows or attend financial conferences and then we will see each other next year again, but here we already hint out to our capital market sales on 12th November 2015 somewhere in Germany I would say.

Okay thank you very much and all the best. Thank you.

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END

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