COMPASS MINERALS INTERNATIONAL INC
Form 424B4
July 09, 2004
Table of Contents

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-116254

7,241,082 Shares

Compass Minerals International, Inc.

Common Stock

All of the shares of common stock in this offering are being sold by the selling stockholders identified in this prospectus. Compass will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

The common stock is listed on the New York Stock Exchange under the symbol CMP. The last reported sale price of the common stock on July 8, 2004 was $19.10 per share.

See Risk Factors beginning on page 10 to read more about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total

Initial price to the public	$ 19.00	$ 137,580,558.00
Underwriting discount	$ 0.855	$ 6,191,125.11
Proceeds, before expenses, to the selling stockholders	$ 18.145	$ 131,389,432.89

To the extent that the underwriters sell more than 7,241,082 shares of common stock, the underwriters have the option to purchase up to an additional 1,086,162 shares of common stock from certain selling stockholders at the initial price to the public less the underwriting discount.

The underwriters expect to deliver the shares on July 14, 2004.

Goldman, Sachs & Co. **Credit Suisse First Boston**

CIBC World Markets

Deutsche Bank Securities

JPMorgan

UBS Investment Bank

Prospectus dated July 8, 2004.

MARKET AND INDUSTRY DATA

This prospectus includes market share and industry data and forecasts that we obtained from internal company surveys, market research, consultant surveys, publicly available information and industry publications and surveys. Industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, internal company surveys, industry forecasts and market research, which we believe to be reliable based upon management s knowledge of the industry, have not been verified by any independent sources. In addition, we do not know what assumptions regarding general economic growth were used in preparing the forecasts we cite. Except where otherwise noted, references to North America include only the continental United States and Canada, and statements as to our position relative to our competitors or as to market share refer to the most recent available data. Statements concerning (a) North America general trade salt are generally based on historical sales volumes, (b) North America highway deicing salt are generally based on historical production capacity, (c) sulfate of potash are generally based on historical sales volumes and (d) United Kingdom salt sales (general trade and highway deicing) are generally based on sales volumes. Except where otherwise noted, all references to tons refer to short tons. One short ton equals 2,000 pounds.

The following items referred to in this prospectus are fiduciary registered and other trademarks pursuant to applicable intellectual property laws and are the property of our wholly owned subsidiary, Compass Minerals Group, Inc., or its subsidiaries: Sifto®, American Stockman®, Safe Step®, Winter Storm®, Guardian®, FreezGard®, Nature s Own® and K-Life®.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights important information about this offering and our business. It does not include all information you should consider before investing in our common stock. Please review this prospectus in its entirety, including the risk factors and our financial statements and the related notes, before you decide to invest. Unless otherwise noted, the terms the Company, Compass, we, us and our refer to Compass Minerals International, Inc. and its consolidated subsidiaries, and Compass Minerals Group refers to Compass Minerals Group, Inc., a wholly owned subsidiary of the Company. Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters over-allotment option is not exercised.

Our Company

We are the largest producer of rock, or highway deicing, salt in North America and the United Kingdom, and operate the largest highway deicing salt mines in these regions. We are also the third largest producer of general trade salt in North America and the second largest in the United Kingdom, serving major retailers, agricultural cooperatives and food producers. In addition, we are the largest producer of sulfate of potash, or SOP, in North America, which is used in the production of specialty fertilizers. Salt is one of the most widely used minerals in the world and has a wide variety of end-use applications, including highway deicing, food-grade applications, water conditioning and various industrial uses.

We sell our highway deicing salt primarily to state, provincial, county and municipal highway departments for deicing applications. While subject to weather-related variations in demand, highway deicing salt is not materially affected by economic downturns, as it is an essential part of highway maintenance to ensure public safety and continued personal and commercial mobility. Due to the lack of cost-effective alternatives and the steadily expanding highway infrastructure, the production of highway deicing salt in the United States has increased over time at a historical average of approximately 1% per annum during the thirty year period ending 2002, while prices have increased at a historical average of approximately 4% per annum during the same period.

We offer a full range of general trade salt products distributed to several end-use markets, including consumer applications such as table salt, water conditioning and consumer ice control, as well as food processing, agricultural applications and a variety of industrial applications. Based on tonnage, we believe we are the largest private label producer of water conditioning salt and the largest producer of salt-based agricultural products in North America. We manufacture more than 70 private labels of table salt for grocers and major retailers and, in Canada, we market salt under the popular Sifto® brand name. We are also the market leader in the United Kingdom for water conditioning salt. We believe that our general trade salt products are generally not susceptible to economic cycles as a result of the non-discretionary need for, and low cost of, salt. During the thirty year period ending 2002, the production of general trade salt in the United States has increased over time at a historical average of approximately 1% per annum, while prices have increased at a historical average of approximately 5% per annum.

We are the market leader in North American sales of SOP. Approximately 73% of our SOP sales in 2003 were made to domestic customers, which include fertilizer manufacturers, dealers and distributors. SOP is primarily used as a specialty fertilizer, providing essential potassium to high-value, chloride-sensitive crops, including some types of nuts, vegetables and fruits, tea, tobacco and turf grass. We believe that there are growth opportunities for SOP both domestically and internationally because of its favorable impact on crop yield and quality and its superior performance over commodity

1

Table of Contents

potash. As a result of our renewed marketing and sales focus on the SOP segment, our sales volumes of SOP increased at a compound annual growth rate of 15% for the two years ended December 31, 2003. Our abundant mineral resources and low cost manufacturing processes have enhanced margins that are attractive compared to those of other fertilizer products.

We operate eleven facilities in North America and the United Kingdom, including the largest rock salt mine in the world in Goderich, Ontario. We also operate the largest salt mine in the United Kingdom in Winsford, Cheshire. In addition, we operate the largest North American SOP production facility in Ogden, Utah. At most of our production locations, we estimate the recoverable minerals to exceed 100 years of reserves at current production rates and capacities. These facilities and the approximately 75 local depots we utilize are strategically located to serve our highway deicing markets in a cost-effective manner.

For the twelve months ended March 31, 2004, we sold approximately 13.2 million tons of salt and other minerals, generating sales of $638.4 million and net income of $32.0 million. For the three months ended March 31, 2004, we sold approximately 5.6 million tons of salt and other minerals, generating sales of $250.5 million and net income of $30.3 million. See Management s Discussion and Analysis of Financial Condition and Results of Operations.

Our Competitive Strengths

Leading Market Positions We are the second largest producer of salt in North America with approximately 28% of total production capacity and, together with the other two largest salt producers, represent approximately 77% of total production capacity in North America. In the United Kingdom, we are the largest highway deicing salt producer with 63% of total production capacity and, together with the next two largest producers, represent 100% of total production capacity. In the North American SOP market, we are the leading producer and, together with the second largest North American SOP producer, represent approximately 66% of sales in the North American market.

Low Cost Producer We believe that our Goderich, Ontario, Cote Blanche, Louisiana and Winsford, Cheshire facilities are the lowest cost, high volume rock salt mines in the markets in which we sell. This cost advantage is a result of the size and quality of our reserves, effective mining techniques and efficient production processes. In addition, our North American mines are located near either rail or water transport systems, thereby minimizing shipping and handling costs, which constitute a significant portion of the overall delivered cost of salt. Through our solar evaporation facility in Ogden, Utah, we believe that we are among the lowest cost solar salt producers in our North American markets and among the lowest cost producers of SOP in the world. Since 1998, we have implemented cost-cutting measures, including manpower and energy efficiencies, and pursued significant capital investments to improve mining technology and production efficiencies, and to expand and rationalize production.

Stable Financial Performance Our business is generally less susceptible to economic cycles based on the non-discretionary need for salt products and their low cost nature. The overriding concern for public safety insulates the demand for salt used for highway maintenance from economic cycles. For example, from the 1999-2000 winter season to the 2002-2003 winter season, total volumes tendered to us and our competitors in the annual bidding process in the markets we serve in North America have increased an average of 1.8% per year. Total volumes tendered increased an additional 5% for the 2003-2004 winter bid season in the same markets. Also, in our highway deicing product line, pricing is set and volume is reserved up to a year in advance under annual contracts. The volumes tendered in the annual bidding process are non-binding indications of customers expected

2

Table of Contents

volume requirements for the upcoming winter bid season. While winter weather conditions in individual locations are difficult to predict, the overall amount of snowfall and general intensity of winter weather conditions across our major target markets in the U.S. Upper Midwest and the U.S. and Canadian Great Lakes region are relatively stable. As a result, over the last 18 years, we have, on average, sold approximately 100% of our committed volume. During the 2003-2004 winter season, we sold 102% of our committed volumes. In our general trade salt product line, sales are generally secured through our long-term customer relationships. Our manufacturing costs are relatively stable and our cost per ton has remained relatively constant over the last several years. Our fully-integrated manufacturing processes do not materially depend on the consumption of any individual raw materials susceptible to market price fluctuations.

Strong Free Cash Flow We generate strong cash flow from operations, after capital expenditures, as a result of our high margins and low maintenance capital expenditures. We believe that our high margins are the result of our low and stable production costs, variable operating cost structure, efficient distribution network, strong market positions and the related multiple end-use regional markets in which we operate. From 2000 to 2003, we have been able to improve our gross profit as a percentage of sales from 19% to 25% due to higher prices and our improved cost structure. Our recurring low maintenance capital expenditure requirements of approximately $20 million to $25 million per annum, coupled with the non-cyclical nature of our business, provide a stable stream of cash flow. During 1998 to 2001, we spent on average in excess of $17 million per year in capital expenditures for capacity expansions and productivity enhancements. We believe that our capacity is sufficient to meet our current growth initiatives without significant additional spending and that future growth capital will be spent only upon the expectation of significant returns. Our free cash flow allows us to reduce our indebtedness, reinvest in our business or pay dividends.

Diversified Customer Base We have a diversified customer base in a wide variety of end markets that have few economical substitutes for the products we sell. Salt is used in many different products and in a wide variety of consumer and industrial applications. Consumption of salt is relatively stable over the long term and generally increases as the general population grows. Due to the unique characteristics and low cost of salt, consumers cannot cost-effectively substitute any other product for salt, resulting in relatively stable consumption and growth over the long term. Salt is one of the most cost-effective products available for deicing applications. For example, the next most cost-efficient highway deicer is calcium chloride, which costs approximately three to five times more, depending on freight charges. Similarly, there is currently no cost-effective substitute for salt in the water conditioning and food processing markets. We believe that our presence in different segments of the general trade market effectively diversifies our exposure to events affecting any single end-use market. No single customer accounted for more than 5% of our 2003 sales while our top ten customers accounted for approximately 19% of our 2003 sales.

Industry Expertise We believe that our mining and logistics expertise and quality of service in the highway deicing salt business give us a strong competitive advantage. As a result of our low production costs, transportation and handling costs tend to be a significant component of the total delivered cost of salt, making logistics a key competitive factor in the industry. We maintain approximately 75 depots in North America for storage and distribution of highway deicing salt and we consider our salt distribution network to be the most extensive in the markets in which we sell. Our over 35 years of market experience in the North American highway deicing salt business, proven customer service, product quality and modeling techniques enable us to bid effectively on highway deicing salt contracts. Our customers in charge of maintaining public safety over their road network have stringent qualification standards and a strong preference for dealing with existing salt manufacturers that can handle bulk capacity and have track records for on-time delivery.

Significant Barriers to Entry We believe that our rock salt mines are the lowest cost, high volume mines in the markets in which we sell. In addition, our mineral rights are strategically located and we believe that there are no undeveloped high quality salt reserves available for new market entrants in close proximity to both low cost transportation systems and our end-use markets. Since shipping and handling costs constitute a significant portion of the overall delivered cost of salt, it would be difficult for new market entrants to significantly encroach on our highway deicing service territory, which is concentrated around the U.S. Upper Midwest and the U.S. and Canadian Great Lakes region. Our asset base for all of our significant businesses is large and it would be extremely expensive and time-consuming to replicate. Our long-term relationships with many of our general trade and highway deicing salt customers, coupled with the higher standard of care required in handling food grade salt, create a deterrent for potential new entrants. High quality potassium sulfate reserves for our SOP business are scarce and we believe that there are no known comparable commercially viable sources in North America other than those currently being extracted.

Our Business Strategy

Increase Sales We seek to be the market leader with respect to profitable sales growth. We believe that we can achieve this goal by:

Leverage our leading market positions. We intend to strengthen our leadership position in the highway deicing business by focusing on the customers located within our distribution network. We believe that this will allow us to efficiently grow our business in line with market volume and price growth, which in the United States have increased at a historical average of approximately 1% and 4% per annum, respectively, during the thirty year period ending 2002. We believe we can further increase sales to our existing and new customers by offering liquid deicing products and other value-added deicing and anti-icing products that improve the application of the product to roads and permit the conditioning of roads prior to the impact of snow and ice. We plan to improve our profitability in our general trade salt product line by focusing on shifting our sales mix to more higher-value consumer salt products, which contribute more margins per volume of product sold. For example, the production capacity of our premium consumer water conditioning product is being increased to meet the continued growth in demand in this faster growing segment of the salt business. In addition, in 2002 we launched our first high-value deicing product in Canada, Sifto ® Extreme Icemelter, which is beginning to effectively compete in this under-served market.

Increase service offerings. We plan to expand the scope of our management of customer inventory and replenishment systems, such as the deicing management services we provide for some U.K. customers. We currently have several contracts in place for these services in the United Kingdom and anticipate entering into additional contracts in the future. Also, we are beginning to develop alternative mine uses, such as waste disposal and document storage. For this purpose, we have entered into a joint venture with a subsidiary of Violia Environnement to use the excavated space in our mine in the United Kingdom as a document storage site and the joint venture awaits a final permit to also dispose of hazardous waste. In addition, we are working with various third parties to develop some of our North American salt facilities as storage sites for natural gas and waste. We expect to generate new ongoing cash flow streams from these alternative uses.

Continue to take advantage of growth opportunities in SOP. We believe that the declining sales volumes in the SOP product line from 1999 to 2001 were the result of SOP, a non-core product of IMC Global, not receiving sufficient focus to realize its market potential. Following the acquisition of the Company from IMC Global Inc., or IMC Global, in November 2001, we recruited an experienced

4

global sales force dedicated to marketing the many benefits of SOP versus other potassium sources. This renewed marketing focus improved sales volumes in our SOP business by a compound annual growth rate of 15% for the two years ended December 31, 2003. In December 2003, we completed the purchase of IMC Global s remaining SOP marketing business, which sold over 100,000 tons of SOP in 2002. With the existing capacity of our single, low-cost solar evaporation production facility in Ogden, Utah, we intend to continue to build our customer service focus in our SOP business line.

Supplement growth through acquisitions. To supplement internal growth, we may pursue acquisitions of small complementary businesses in both North America and Europe. There are several smaller producers of highway deicing salt, the acquisition of which could be attractive to further expand the scope of our operations. There are also several independent salt producers in various niches of the salt market, the acquisition of which could broaden both our geographic coverage and product diversity.

Improve Profitability We are focused on improving our profitability by achieving productivity enhancements and by improving our cost platform. From 1998 through 2001, we implemented manufacturing programs to consolidate our facilities and expand our production capacity by over 300,000 tons while divesting less efficient operations. We have increased our workforce productivity as measured by production head count per ton by over 7% per annum in our general trade salt product line over the period from 1998 to 2003 through increased automation and capacity increases. In 2002, we began operating a continuous miner and shaft automation system, which has decreased manufacturing costs and increased manpower productivity at our Winsford facility. More recently, we have focused our discretionary capital spending projects on energy efficiencies and incremental capacity expansions to grow our production capabilities with the market. We monitor the performance of each product line on a regular basis to aid in meeting target sales and margin goals. By growing our share of the highway deicing market, we believe that we have an opportunity to improve our margins and overall profitability in this product line. We intend to continue to achieve greater productivity from previously invested capital and to improve our average price levels and our customer mix.

Maximize Cash Flow For the twelve months ended March 31, 2004, cash flow from operating activities (which includes cash interest and cash taxes), less capital expenditures, was $76.3 million. We intend to maximize our cash flow realization through effective working capital management and prudent reinvestment in our business. We intend to manage our working capital efficiently and generate cash flow from enhanced management focus. We expect to spend approximately $20 million to $25 million annually on maintenance capital expenditures in support of our operations. During 1998 to 2001, we spent on average more than $17 million per year in capital expenditures for capacity expansions and productivity enhancements. Because of this spending, we believe that our capacity is sufficient to meet our current growth initiatives without significant additional spending and that future growth capital will be spent only upon the expectation of significant returns. Also, in connection with the recapitalization of the Company in November 2001, we received net operating loss carryforwards, or NOLs, and expect to realize cash tax savings if these NOLs are able to be utilized. We intend to use our free cash flow to reduce our indebtedness, reinvest in our business or pay dividends.

Table of Contents

The Offering

Common stock offered by the selling stockholders	7,241,082 shares
Common stock outstanding after this offering	30,652,702 shares
Use of proceeds	All of the shares of common stock offered hereby will be sold by the selling stockholders. We will not receive any proceeds from the sale of these shares. See Use of Proceeds.
Dividend policy	We intend to continue to pay quarterly cash dividends on our common stock at an annual rate of $1.00 per share. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors our board of directors deems relevant. See Risk Factors We may be restricted from paying cash dividends on our common stock in the future.
NYSE symbol	CMP
Risk factors	See Risk Factors beginning on page 10 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

The number of shares of common stock outstanding after this offering excludes 2,306,608 shares of common stock reserved for issuance under our 2001 Stock Option Plan, under which options to purchase 1,777,656 shares of common stock are outstanding as of the date of this prospectus with a weighted average exercise price of $1.59 per share.

Our Address

Our principal executive office is located at 8300 College Boulevard, Overland Park, Kansas, 66210. Our telephone number at that address is (913) 344-9200. Our internet address is http://www.compassminerals.com. The contents of our website are not part of this prospectus.

Table of Contents

Summary Combined and Consolidated Financial Information

The following table presents summary combined and consolidated financial information. The statement of operations data for the years ended December 31, 2001, 2002 and 2003 and the balance sheet data as of December 31, 2002 and 2003 have been derived from our audited combined and consolidated financial statements included elsewhere in this prospectus. The statement of operations data for the year ended December 31, 1999 and 2000 and the balance sheet data as of December 31, 1999, 2000 and 2001 have been derived from our audited combined and consolidated financial statements that are not included herein. The historical statement of operations data for the three months ended March 31, 2003 and 2004 and the twelve months ended March 31, 2004, and the historical balance sheet data as of March 31, 2003 and 2004 have been derived from unaudited consolidated financial statements that, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for such periods. The results of operations for the interim periods are not necessarily indicative of the operating results for the entire year or any future period.

In connection with the completion of our initial public offering in December 2003, Salt Holdings Corporation was renamed Compass Minerals International, Inc. Prior to November 28, 2001, Salt Holdings Corporation was incorporated as IMC Potash Corporation, an inactive wholly owned subsidiary of IMC Global. On November 28, 2001, Apollo Management V, L.P., or Apollo, through its subsidiary YBR Holdings LLC, or YBR Holdings, acquired control of our business from IMC Global pursuant to a recapitalization of the Company, or the Recapitalization. Accordingly, prior to November 28, 2001, the combined and consolidated financial data reflect only the results of Compass Minerals International s wholly owned subsidiary, Compass Minerals Group, and Compass Minerals Group s subsidiaries. As part of the Recapitalization, IMC Potash Corporation was reincorporated as Salt Holdings Corporation. At November 28, 2001, IMC Global contributed Compass Minerals Group to the Company.

The information included in this table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited and unaudited combined and consolidated financial statements and accompanying notes thereto included elsewhere in this prospectus.

7

Table of Contents

	For the years ended December 31,					For the three months ended March 31,		For the twelve months ended March 31,
	1999	2000	2001	2002	2003	2003	2004	2004(6)
	(dollars in millions, except per share data)							
Statement of Operations Data:								
Sales	$ 494.4	$ 509.2	$ 523.2	$ 502.6	$ 600.6	$ 212.7	$ 250.5	$ 638.4
Cost of sales shipping and handling	126.9	140.0	143.2	137.5	165.3	64.1	74.4	175.6
Cost of sales products(1)	213.1	227.7	224.4	202.1	246.2	85.7	93.6	254.1
Depreciation and amortization(2)	55.1	44.3	32.6	37.1	42.1	9.8	10.5	42.8
Selling, general and administrative expenses	37.2	35.5	38.9	40.6	49.0	11.6	14.4	51.8
Goodwill write-down(3)	87.5	191.0						
Restructuring and other charges(3)(4)	13.7	425.9	27.0	7.7	2.4			2.4
Operating earnings (loss)	(39.1)	(555.2)	57.1	77.6	95.6	41.5	57.6	111.7
Interest expense(5)	19.0	16.4	14.4	42.4	56.3	11.9	15.4	59.8
Net income (loss)	(67.5)	(467.7)	19.0	18.9	27.2	25.5	30.3	32.0
Dividends on preferred stock			0.8	10.6	1.2	0.6		0.6
Gain on redemption of preferred stock					(8.2)			(8.2)
Net income (loss) available for common stock	(67.5)	(467.7)	18.2	8.3	34.2	24.9	30.3	39.6
Balance Sheet Data (at period end):								
Total cash and cash equivalents	$ 4.3	$ 0.3	$ 15.9	$ 11.9	$ 2.6	$ 50.1	$ 71.3	$ 71.3
Total assets	1,290.5	636.0	655.6	644.1	686.5	625.5	676.8	676.8
Series A redeemable preferred stock			74.6	19.1		19.7		
Total debt	196.0	152.4	526.5	507.8	603.3	479.4	585.0	585.0
Per Share Data:								
Net income (loss) per share:								
Basic	$ (135,452.15)	$ (938,709.50)	$ 5.65	$ 0.24	$ 1.05	$ 0.71	$ 1.00	$ 1.27
Diluted	(135,452.15)	(938,709.50)	5.65	0.23	1.01	0.68	0.94	1.22
Cash dividends declared per share			8.28		2.85		0.19	3.04
Weighted-average common shares outstanding:								
Basic	498	498	3,220,724	35,039,110	32,492,792	35,104,091	30,241,662	31,277,185
Diluted	498	498	3,220,724	35,474,539	33,983,983	36,176,300	32,174,309	32,566,523
Other Financial Data:								
Cash flows provided by operating activities	$ 78.4	$ 72.1	$ 112.4	$ 82.4	$ 69.1	$ 72.7	$ 101.7	$ 98.1
Cash flows used for investing activities	(48.1)	(34.0)	(43.6)	(19.1)	(45.6)	(2.7)	(3.8)	(46.7)

Cash flows used for financing activities	(33.6)	(43.3)	(53.7)	(69.8)	(36.3)	(30.6)	(29.8)	(35.5)
Capital expenditures	45.6	33.7	43.0	19.5	20.6	2.7	3.9	21.8

(1) Cost of sales products is presented net of depreciation and amortization.

(2) Depreciation and amortization for purposes of this table excludes amortization of deferred financing costs.

(3) Based on anticipated proceeds from the sale of the Company by IMC Global, we recorded an asset impairment charge of $616.6 million, $482.1 million after tax, in the fourth quarter of 2000. In connection with this non-cash charge, goodwill was reduced $191.0 million and intangible assets mineral properties was reduced $425.6 million. The goodwill write-down in 1999 was the result of lowering goodwill to its recoverable value based on estimated future discounted cash flows of the business.

(4) Restructuring and other charges include primarily those charges related to the restructuring of our business in the fourth quarter of 1999 designed to reduce employee headcount and an asset impairment in the fourth quarter of 2000 related to the

planned disposition of the Company by IMC Global as described in note (3) above. During 2001, we incurred $27.0 million of transaction and transition costs in connection with the Recapitalization. During 2002, we incurred $7.7 million of transition costs in connection with separating the Company from IMC Global. All cash payments relating to these charges have been made. During 2003, we incurred $2.4 million of costs related to our initial public offering. Of these costs, $1.1 million and $0.1 million remain accrued and unpaid as of December 31, 2003 and March 31, 2004, respectively.

(5) As we have incurred substantial indebtedness in connection with the Recapitalization, we believe it is helpful to provide a measure describing the cash requirements necessary to satisfy our debt service in terms of cash interest expense, which is interest expense less non-cash interest related to the 12 3/4% senior discount notes due 2012, or the senior discount notes, the 12% senior subordinated discount notes due 2013, or the subordinated discount notes, the senior subordinated debentures issued to IMC Global in connection with the Recapitalization, or the Seller Notes, and the amortization of debt issuance costs, plus amortization of the original issuance premium. Cash interest expense was $37.7 million, $9.3 million and $9.1 million for the year ended December 31, 2003 and the three months ended March 31, 2003 and 2004, respectively. Cash interest expense is not calculated under generally accepted accounting principles, or GAAP. While cash interest expense and similar variations thereof are commonly used as a measure of the ability to meet debt service requirements, it is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. The following table reconciles the differences between cash interest expense and interest expense, calculated in accordance with GAAP.

	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,
	2003	2003	2004	2004
	(dollars in millions)			
Interest expense	$ 56.3	$ 11.9	$ 15.4	$ 59.8
Less non-cash interest expense:				
Senior discount notes	8.8	2.1	2.4	9.1
Subordinated discount notes	7.4		3.3	10.7
Seller Notes	0.2	0.1		0.1
Less (plus) amortization:				
Deferred financing costs	2.5	0.5	0.7	2.7
Amortization of premium on senior subordinated notes	(0.3)	(0.1)	(0.1)	(0.3)
Cash interest expense	$ 37.7	$ 9.3	$ 9.1	$ 37.5

(6) We have presented operating and financial data for the twelve months ended March 31, 2004 because of the seasonality of our salt sales and the resulting variability in operating results from quarter to quarter. Therefore, the operating and financial data for the twelve months ended March 31, 2004 accompanies the operating and financial data for the three months ended March 31, 2004 to provide a more accurate and complete description of our results of operations.

Table of Contents

RISK FACTORS

You should carefully consider the following risks and all of the information set forth in this prospectus before investing in our common stock. The risks described below are not the only ones facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition or results of operations.

Risks Relating to Our Business

The seasonal demand for our products and the variations in our cash flows from quarter to quarter as a result of weather conditions may have an adverse effect on our results of operations and the price of our common stock.

Our highway deicing product line is seasonal, with operating results varying from quarter to quarter as a result of weather conditions and other factors. Over the last four fiscal years, our North American highway deicing product line has generated over 61% of its annual sales, net of shipping and handling costs, during the months of December through March when the need for highway deicing is at its peak. We need to stockpile sufficient highway deicing salt in the first two fiscal quarters to meet estimated demand for the winter season. Weather conditions that impact our highway deicing product line include temperature, levels of precipitation, number of snow days and duration and timing of snow fall in our relevant geographic markets. Lower than expected sales by us during this period could have a material adverse effect on our results of operations and the price of our common stock.

Our SOP operating results are dependent in part upon conditions in the agriculture markets. The agricultural products business can be affected by a number of factors, the most important of which for U.S. markets are weather patterns and field conditions (particularly during periods of traditionally high crop nutrients consumption) and quantities of crop nutrients imported to and exported from North America.

Our substantial indebtedness could adversely affect our financial condition and impair our ability to operate our business.

As of March 31, 2004, we had $585.0 million of outstanding indebtedness, including approximately $68.1 million under our senior credit facilities, $327.9 million of Compass Minerals Group s senior subordinated notes, $78.3 million of our senior discount notes, $110.7 million of our subordinated discount notes and a stockholders deficit of $117.1 million. As a result, we are a highly leveraged company.

This high level of leverage could negatively impact our business in the following manner:

- it may limit our ability to borrow money or sell stock to fund our working capital, capital expenditures and debt service requirements;

it may limit our flexibility in planning for, or reacting to, changes in our business;

we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;

it may make us more vulnerable to a downturn in our business or the economy;

it will require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness, thereby reducing the availability of our cash flow for other purposes; and it may materially and adversely affect our business and financial condition if we are unable to service our indebtedness or obtain additional financing, as needed.

In addition, our indentures and our senior credit facilities contain financial and other restrictive covenants discussed below that may limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt. See Restrictive covenants in the agreements governing our indebtedness and certain indebtedness of Compass Minerals Group may restrict our ability to pursue our business strategies and Description of Certain Indebtedness.

We are a holding company with no operations of our own and depend on our subsidiaries for cash.

Although our operations are conducted through our subsidiaries, none of our subsidiaries are obligated to make funds available to us for payment on our indebtedness or to pay dividends on our capital stock. Accordingly, our ability to make payments on our indebtedness and distribute dividends to our stockholders is dependent on the earnings and the distribution of funds from our subsidiaries. The terms of our senior credit facilities and the indenture governing the senior subordinated notes of Compass Minerals Group significantly restrict our subsidiaries from paying dividends and otherwise transferring assets to us. Furthermore, our subsidiaries will be permitted under the terms of our senior credit facilities and other indebtedness to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our subsidiaries to us. The terms of our senior credit facilities also restrict our subsidiaries from paying dividends to us in order to fund cash interest on our senior discount notes and subordinated discount notes if we do not maintain an adjusted senior indebtedness leverage ratio of 5.00 or less (as of March 31, 2004) or if a default or event of default has occurred and is continuing under our senior credit facilities. As of March 31, 2004, our adjusted senior indebtedness leverage ratio was 2.95. We cannot assure you that we will maintain this ratio. This ratio is not necessarily comparable to other similarly titled ratios of other companies due to inconsistencies in the method of calculation and we encourage you to read our amended and restated credit agreement, as amended, contained in the exhibits to the registration statement of which this prospectus is a part.

We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund scheduled interest and principal payments on our indebtedness when due.

Restrictive covenants in the agreements governing our indebtedness and certain indebtedness of Compass Minerals Group may restrict our ability to pursue our business strategies.

Our senior credit facilities and other senior indebtedness, including indebtedness of Compass Minerals Group, limit our ability and the ability of our restricted subsidiaries, among other things, to:

incur additional indebtedness or contingent obligations;

pay dividends or make distributions to our stockholders;

repurchase or redeem our stock;

make investments;

grant liens;

make capital expenditures;

enter into transactions with our stockholders and affiliates;

Table of Contents

- sell assets; and
- acquire the assets of, or merge or consolidate with, other companies.

In addition, our senior credit facilities require us to maintain financial ratios. These financial ratios include an interest coverage ratio and a consolidated indebtedness leverage ratio. Although we have historically always been able to maintain these financial ratios, we may not be able to maintain these ratios in the future. Covenants in our senior credit facilities may also impair our ability to finance future operations or capital needs or to enter into acquisitions or joint ventures or engage in other business activities deemed favorable by our management.

If we default under our senior credit facilities under certain circumstances, the lenders could require immediate payment of the entire principal amount. These circumstances include a change of control, default under agreements governing our other indebtedness, material judgments in excess of $5.0 million or breach of representations and warranties. Any default under our senior credit facilities or agreements governing our other indebtedness could lead to an acceleration of debt under our other debt instruments that contain cross-acceleration or cross-default provisions. If the lenders under our senior credit facilities require immediate repayment, we will not be able to repay them and also repay our other indebtedness in full. Our ability to comply with these covenants and restrictions contained in our senior credit facilities and other agreements governing our other indebtedness may be affected by changes in the economic or business conditions or other events beyond our control.

Economic and other risks associated with international sales and operations could adversely affect our business, including economic loss and a negative impact on earnings.

Since we manufacture and sell our products primarily in the United States, Canada and the United Kingdom, our business is subject to risks associated with doing business internationally. Our sales outside the United States, as a percentage of our total sales, were 34% and 38% for the year ended December 31, 2003 and the three months ended March 31, 2004, respectively. Accordingly, our future results could be adversely affected by a variety of factors, including:

- changes in foreign currency exchange rates;
- exchange controls;
- tariffs, other trade protection measures and import or export licensing requirements;
- potentially negative consequences from changes in tax laws;
- differing labor regulations;
- requirements relating to withholding taxes on remittances and other payments by subsidiaries;

restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in these jurisdictions;

restrictions on our ability to repatriate dividends from our subsidiaries; and

unexpected changes in regulatory requirements.

Fluctuations in the value of the U.S. dollar relative to other currencies may adversely affect our results of operations. Because our consolidated financial results are reported in U.S. dollars, if we generate sales or earnings in currencies other than U.S. dollars, the translation of those results into U.S. dollars can result in a significant increase or decrease in the amount of those sales or earnings. In addition, our debt service requirements are primarily in U.S. dollars even though a significant percentage of our cash flow is generated in Canadian dollars and pounds sterling. Significant changes in the value of Canadian dollars and pounds sterling relative to the U.S. dollar could have a material adverse effect on our financial condition and our ability to meet interest and principal payments on U.S. dollar-denominated debt.

In addition to currency translation risks, we incur currency transaction risk whenever we or one of our subsidiaries enter into either a purchase or a sales transaction using a currency other than the local currency of the transacting entity. Given the volatility of exchange rates, we cannot assure you that we will be able to effectively manage our currency transaction or translation risks. It is possible that volatility in currency exchange rates will have a material adverse effect on our financial condition or results of operations. We have in the past experienced, and may in the future experience, economic loss and a negative impact on earnings as a result of foreign currency exchange rate fluctuations. We expect that the amount of our sales denominated in non-U.S. dollar currencies will continue to increase in future periods. See Management s Discussion and Analysis of Financial Condition and Results of Operations Effects of Currency Fluctuations and Inflation and Management s Discussion and Analysis of Financial Condition and Results of Operations Market Risk.

Our overall success as a global business depends, in part, upon our ability to succeed in differing economic and political conditions. We cannot assure you that we will continue to succeed in developing and implementing policies and strategies that are effective in each location where we currently or in the future may engage in business.

Our operations are dependent on natural gas and significant interruption in the supply or increase in the price of natural gas could have a material adverse affect on our financial condition or results of operations.

Energy costs, including primarily natural gas and electricity, represented approximately 12% of the costs of our North American salt production in 2003. Natural gas is a primary fuel source used in the evaporated salt production process. Our profitability is impacted by the price and availability of natural gas we purchase from third parties. We have not entered into any long-term contracts for the purchase of natural gas. Our contractual arrangements for the supply of natural gas do not specify quantities and are automatically renewed annually unless either party elects not to do so. We do not have arrangements in place with back-up suppliers. A significant increase in the price of natural gas that is not recovered through an increase in the price of our products or covered through our hedging arrangements, or an extended interruption in the supply of natural gas to our production facilities, could have a material adverse effect on our business, financial condition or results of operations. In the fourth quarter of 2002, we adopted a policy of hedging natural gas prices through the use of swap agreements.

Competition in our markets could limit our ability to attract and retain customers, force us to continuously make capital investments and put pressure on the prices we can charge for our products.

We encounter competition in all areas of our business. Competition in our product lines is based on a number of considerations, including product performance, transportation costs in salt distribution, brand reputation, quality of client service and support, and price. Additionally, customers for our products are attempting to reduce the number of vendors from which they purchase in order to increase their efficiency. Our customers increasingly demand a broad product range and we must continue to develop our expertise in order to manufacture and market these products successfully. To remain competitive, we will need to invest continuously in manufacturing, marketing, customer service and support and our distribution networks. We may have to adjust the prices of some of our products to stay competitive. We may not have sufficient resources to continue to make such investments or maintain our competitive position. Some of our competitors have greater financial and other resources than we do.

Environmental laws and regulation may subject us to significant liability and require us to incur additional costs in the future.

We are subject to numerous environmental, health and safety laws and regulations in the United States, Canada and Europe, including laws and regulations relating to land reclamation and remediation of hazardous substance releases, and discharges to air and water. For example, the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, or CERCLA, imposes liability, without regard to fault or to the legality of a party s conduct, on certain categories of persons (known as potentially responsible parties) who are considered to have contributed to the release of hazardous substances into the environment. Although we are not currently incurring material liabilities pursuant to CERCLA, we may in the future incur material liabilities under CERCLA and other environmental cleanup laws, with regard to our current or former facilities, adjacent or nearby third-party facilities, or off-site disposal locations. Under CERCLA, or its various state analogues, one party may, under some circumstances, be required to bear more than its proportional share of cleanup costs at a site where it has liability if payments cannot be obtained from other responsible parties. Liability under these laws involves inherent uncertainties. Violations of environmental, health and safety laws are subject to civil, and in some cases, criminal sanctions.

We have received notices from governmental agencies that we may be a potentially responsible party at certain sites under CERCLA or other environmental cleanup laws. We have entered into *de minimis* settlement agreements with the United States with respect to certain CERCLA sites, pursuant to which we have made one-time cash payments and received statutory protection from future claims arising from those sites. At other sites for which we have received notice of potential CERCLA liability, we have provided information to the EPA, that we believe demonstrates that we are not liable and the EPA has not asserted claims against us with respect to such sites. In some instances, we have agreed, pursuant to consent orders or agreements with the appropriate governmental agencies, to undertake investigations, which currently are in progress, to determine whether remedial action may be required to address such contamination. At other locations, we have entered into consent orders or agreements with appropriate governmental agencies to perform remedial activities that will address identified site conditions. At the present time, we are not aware of any additional sites for which we expect to receive a notice from the EPA of potential CERCLA liability. However, based on past operations there is a potential that we may receive such notices in the future for sites of which we are currently unaware. Taking into account established reserves, expenditures for our known environmental liabilities and site conditions currently are not expected, individually or in the aggregate, to be material. However, material expenditures could be required in the future to remediate the contamination at these or at other current or former sites.

We have also developed alternative mine uses. For example, we entered into a joint venture with a subsidiary of Violia Environnement that is in the waste management industry. The joint venture has applied for a permit to allow for the storage of certain stable types of hazardous waste in our salt mine in the United Kingdom. We believe that the mine is stable and should provide a secure storage location. However, we recognize that any temporary or permanent storage of hazardous waste may involve risks to the environment. Although we believe that we have taken these risks into account as much as possible in our planning process, it is possible that material expenditures could be required in the future to further reduce this risk, or to remediate any future contamination.

Continued government and public emphasis on environmental issues can be expected to result in increased future investments for environmental controls at ongoing operations, which will be charged against income from future operations. Present and future environmental laws and regulations applicable to our operations may require substantial capital expenditures and may have a material adverse effect on our business, financial condition and results of operations. For more information, see Business Environmental, Health and Safety Matters.

Table of Contents

The Canadian government s proposal to designate road salt as a toxic substance could have a material adverse affect on our business, including reduced sales and the incurrence of substantial costs and expenditures.

In December 2001, the Canadian government released a Priority Substances List Assessment Report for road salt. This report found that road salts are entering the environment under conditions that may have a harmful effect or constitute a danger to the environment. Based on this report, the Minister of Environment has proposed designating road salt as a toxic substance pursuant to the Canadian Environmental Protection Act. Canada s federal cabinet, which has ultimate responsibility, has not yet taken final action with respect to this proposal and is not subject to any deadline to do so. At this point, Environment Canada has indicated that, whether or not road salts are declared toxic, their preferred course of action is the establishment of voluntary guidelines for users as opposed to any form of regulation. Environment Canada has been developing these guidelines based on consultation with a broad-based stakeholders group, which includes the salt industry. On April 3, 2004, Environment Canada published a Code of Practice to serve as these guidelines. The Code of Practice requires large road salt users to develop salt management plans. We do not believe that this will have a material direct effect on us, but the new salt management plans may lead our customers in Canada to require less road salt.

Given the importance of road salt for traffic safety and the current lack of any practical substitute, we deem it unlikely that any guidelines or regulations would result in a complete ban on the use of road salt. We do, however, recognize the importance of environmental protection in Canada s decision-making process. We cannot predict whether the proposal to designate road salt as a toxic substance will be finalized or the promulgation of any other future regulation. Standardized guidelines for the use and storage of road salt or any alternate deicing products may cause us to suffer reduced sales and incur substantial costs and expenses that could have a material adverse effect on our business, financial condition and results of operations. Our road-salt sales, net of shipping and handling, in Canada generated approximately 13% of our total sales in 2003. In addition, while we are not aware of any similar governmental proposals for the designation of road salt as a toxic substance in either the United States or the United Kingdom, we cannot guarantee that these proposals will not arise.

Our operations are dependent on our rights to mine our property and having received the required permits and approvals from governmental authorities.

We hold numerous governmental environmental, mining and other permits and approvals authorizing operations at each of our facilities. A decision by a governmental agency to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on our ability to continue operations at the affected facility. Expansion of our existing operations also is predicated upon securing the necessary environmental or other permits or approvals. We currently do not have any material pending permits or approvals.

In addition, we have become aware of an aboriginal land claim filed by The Chippewas of Nawash and The Chippewas of Saugeen (the Chippewas) in the Ontario Superior Court against The Attorney General of Canada and Her Majesty The Queen In Right of Ontario. The Chippewas claim that a large part of the land under Lake Huron was never conveyed by treaty and therefore belongs to the Chippewas. The land claimed includes land in which our Goderich mine operates and has mining rights granted to it by the government of Ontario. We are not a party to this court action.

Protection of proprietary technology Our intellectual property may be misappropriated or subject to claims of infringement.

We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret protection, as well as licensing agreements and third-party nondisclosure

15

and assignment agreements. We cannot assure you that any of our applications for protection of our intellectual property rights will be approved or that others will not infringe or challenge our intellectual property rights. The patents we currently have in place expire between 2009 and 2018. We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. Many of our important brand names are registered as trademarks in the United States and foreign countries. These registrations can be renewed if the trademark remains in use. These agreements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure. If we are unable to maintain the proprietary nature of our technologies, we may lose the competitive advantage provided by our intellectual property. As a result, our results of operations may be adversely affected.

If we are unsuccessful in negotiating new collective bargaining agreements, we may experience significant increases in the cost of labor or a disruption in our operations.

As of March 31, 2004, we had 1,541 employees. Approximately 34% of our U.S. workforce and approximately 49% of our global workforce is represented by labor unions. Of our nine material collective bargaining agreements, one will expire in 2004, one will expire in 2005, four will expire in 2006 and three will expire in 2007. Additionally, approximately 13% of our workforce is employed in Europe where trade union membership is common. Although we believe that our relations with our employees are good, as a result of general economic, financial, competitive, legislative, political and other factors beyond our control, we cannot assure you that we will be successful in negotiating new collective bargaining agreements, that such negotiations will not result in significant increases in the cost of labor or that a breakdown in such negotiations will not result in the disruption of our operations.

We rely on independent distributors and the loss of a substantial number of these distributors may reduce our profits and sales.

In addition to our own direct sales force, we depend on the services of independent distributors to sell our products and provide service and aftermarket support to our customers. In 2003, 12% of our sales, net of shipping and handling costs, were generated through these independent distributors. Many of these independent distributors are not bound to us by exclusive distribution contracts and may offer products of, and services to, businesses that compete with ours. In addition, the majority of the distribution contracts we have with these independent distributors are cancelable by the distributor after providing us with notice, which on average is six months prior to termination. The loss of a substantial number of these distributors or the decision by many of these distributors to offer competitors   products to our customers could materially reduce our sales and profits.

If we cannot successfully complete acquisitions or integrate acquired businesses, our growth may be limited and our financial condition adversely affected.

Our business strategy includes supplementing internal growth by pursuing acquisitions of small complementary businesses. We may be unable to complete acquisitions on acceptable terms, identify suitable businesses to acquire or successfully integrate acquired businesses in the future. We compete with other potential buyers for the acquisition of other small complementary businesses. This competition and regulatory considerations may result in fewer acquisition opportunities. If we cannot complete acquisitions, our growth may be limited and our financial condition may be adversely affected.

16

Table of Contents

Our business is dependent upon highly skilled personnel, and the loss of key personnel may have a material adverse effect on our development and results of operations.

The success of our business is dependent on our ability to attract and retain highly skilled managers and other personnel. We cannot assure you that we will be able to attract and retain the personnel necessary for the development of our business. The loss of the services of key personnel or the failure to attract additional personnel as required could have a material adverse effect on our development and results of operations. We do not currently maintain key person life insurance on any of our key employees.

Risks Related to Our Common Stock

Apollo s interest may conflict with or differ from the interests of other holders of our securities.

Upon consummation of this offering, Apollo and its affiliates will still have the ability to influence the election of our directors, the appointment of new management and the potential outcome of all matters submitted to a vote of our stockholders, including entering into mergers, the sale of substantially all of our assets and other extraordinary transactions. The interests of Apollo and its affiliates could conflict with or differ from the interests of our securities holders.

Our common stock price may be volatile.

Our common stock price may fluctuate in response to a number of events, including:

- our quarterly operating results;
- weather conditions that impact our highway deicing product line;
- future announcements concerning our business;
- changes in financial estimates and recommendations by securities analysts;
- actions of competitors;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- changes in government and environmental regulation;

changes and developments affecting the salt industry;

general market, economic and political conditions; and

natural disasters, terrorist attacks and acts of war.

We may be restricted from paying cash dividends on our common stock in the future.

We currently declare and pay regular quarterly cash dividends on our common stock. Any payment of cash dividends will depend upon our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors deemed relevant by our board of directors. The terms of our senior credit facilities may restrict us from paying cash dividends on our common stock if we fail to maintain an adjusted senior indebtedness leverage ratio or if a default or event of default has occurred and is continuing under our senior credit facilities. The terms of our indentures may also restrict us from paying cash dividends on our common stock. The payment of a cash dividend on our common stock is considered a restricted payment under our indentures and we are restricted from paying any cash dividend on our common stock unless we satisfy minimum requirements with respect to our cumulative consolidated net income (plus any additional cash proceeds received upon the issuance of our common stock) and our fixed charge coverage ratio. Furthermore, we will be permitted under the terms of our debt agreements to incur additional indebtedness that may severely restrict or prohibit the payment of dividends. We cannot assure you that the agreements governing our current and future indebtedness, including our senior credit facilities, will permit us to pay dividends on our common stock. See Price Range of Common Stock and Dividend Policy and Description of Certain Indebtedness.

Shares eligible for future sale may adversely affect our common stock price.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline. This could also impact our ability to raise additional capital through the sale of our equity securities. We are authorized to issue up to 200,000,000 shares of common stock, of which approximately 30,286,969 million shares of common stock were outstanding as of March 31, 2004 and approximately 2,106,022 million shares of common stock were issuable upon the exercise of outstanding stock options as of March 31, 2004. We, our directors, officers and the selling stockholders have entered into lock-up agreements described under the caption Underwriting. In addition, we have entered into an amended and restated stock rights agreement and an investor rights agreement granting certain demand and piggyback registration rights to certain of our stockholders, including Apollo. The amended and restated stock rights agreement and the investor rights agreement both provide for piggyback registration rights for certain of our stockholders. Both agreements provide that parties to such agreements shall not sell shares of our common stock until 90 days after the effective date of the registration statement of which this prospectus is a part without our prior consent. See Description of Capital Stock. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock would have on the market price of our common stock. See Related Party Transactions and Shares Eligible for Future Sale.

Delaware law and our charter documents may impede or discourage a takeover, which could cause the market price of our shares to decline.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, provisions of our amended and restated certificate of incorporation and by-laws may also make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our board of directors. These provisions include:

- a classified board of directors;
- the sole power of a majority of the board of directors to fix the number of directors;
- limitations on the removal of directors;
- the sole power of the board of directors to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- the ability of our board of directors to designate one or more series of preferred stock and issue shares of preferred stock without stockholder approval; and

the inability of stockholders to act by written consent or to call special meetings.

Our incorporation under Delaware law, the ability of our board of directors to create and issue a new series of preferred stock, our stockholder rights plan and certain other provisions of our amended and restated certificate of incorporation and by-laws could impede a merger, takeover or other business combination involving the Company or discourage a potential investor from making a tender offer for our common stock, which, under certain circumstances, could reduce the market value of our common stock. See Description of Capital Stock.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements, expressed or implied, by these forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipates, believes, estimates, predicts, potentia negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially and we undertake no ongoing obligation, other than that imposed by law, to update these statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Factors that could cause actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, the following: general business and economic conditions; governmental policies affecting the highway maintenance programs or agricultural industry in localities where we or our customers operate; weather conditions; the impact of competitive products; pressure on prices realized by us for our products; constraints on supplies of raw materials used in manufacturing certain of our products; capacity constraints limiting the production of certain products; difficulties or delays in the development, production, testing and marketing of products; difficulties or delays in receiving required governmental and regulatory approvals; market acceptance issues, including the failure of products to generate anticipated sales levels; difficulties in integrating acquired businesses and in realizing related cost savings and other benefits; the effects of and changes in trade, monetary, environmental and fiscal policies, laws and regulations; foreign exchange rates and fluctuations in those rates; the costs and effects of legal proceedings, including environmental and administrative proceedings involving us; and other risk factors reported from time to time in our Securities and Exchange Commission reports. See Where You Can Find More Information.

You are urged to carefully consider these factors and the Risk Factors that appear elsewhere in this prospectus. All forward-looking statements attributable to us are expressly qualified in their entirety by the foregoing cautionary statements.

Table of Contents

USE OF PROCEEDS

All of the shares of common stock being offered in this offering are being sold by the selling stockholders. We will not receive any of the proceeds from the sale of these shares.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock, $0.01 par value, has been traded on the New York Stock Exchange under the symbol CMP since December 12, 2003. Prior to that time, there was no trading market for our common stock. The following table sets forth for the fiscal quarters indicated the high and low sales prices for our common stock, as reported on the New York Stock Exchange Composite Tape, and the dividends per share declared in respect of those quarters.

	High	Low	Cash Dividends
Year Ended December 31, 2003:			
Fourth Quarter (from December 12, 2003)	$ 14.45	$ 13.00	
Year Ended December 31, 2004:			
First Quarter	$ 16.99	$ 14.00	$ 0.19
Second Quarter	$ 20.00	$ 16.25	$ 0.25
Third Quarter (through July 8, 2004)	$ 19.70	$ 18.60	$

On February 10, 2004, our board of directors declared a quarterly cash dividend of $0.1875 per share on our outstanding common stock. The dividend was paid on March 15, 2004 to stockholders of record as of the close of business on March 1, 2004.

On May 4, 2004, our board of directors declared a quarterly cash dividend of $0.25 per share on our outstanding common stock. The dividend was paid on June 15, 2004 to stockholders of record as of the close of business on June 1, 2004.

We intend to continue to pay quarterly cash dividends on our common stock at an annual rate of $1.00 per share. However, there can be no assurance that we will declare or pay any cash dividends. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, legal requirements, restrictions in our debt agreements and other factors our board of directors deems relevant. The terms of our indebtedness may also restrict us from paying cash dividends on our common stock under some circumstances. See Risk Factors We may be restricted from paying cash dividends on our common stock in the future and Description of Certain Indebtedness.

As of April 1, 2004, there were approximately 2,513 record holders of our common stock.

20

Table of Contents

CAPITALIZATION

The following table sets forth our cash and capitalization as of March 31, 2004. You should read this table together with Selected Combined and Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited and unaudited combined and consolidated financial statements and the accompanying notes thereto included elsewhere in this prospectus.

	As of March 31, 2004
	(in millions)
Cash and cash equivalents(1)	$ 71.3
Debt:	
Senior credit facilities:	
Revolving debt(2)	$
Bank term debt	68.1
10% Senior Subordinated Notes(3)	327.9
12¾% Senior Discount Notes	78.3
12% Senior Subordinated Discount Notes	110.7
Total debt	585.0
Stockholders equity (deficit):	
Common stock, $0.01 par value, 200,000,000 shares authorized; 35,367,264 shares issued and 30,286,969 shares outstanding	0.3
Additional paid-in capital	9.5
Treasury stock at cost, 5,080,295 shares	(9.7)
Accumulated deficit(1)	(144.5)
Accumulated other comprehensive income	27.3
Total stockholders equity (deficit)	(117.1)
Total capitalization	$ 467.9

(1) In connection with this offering, the Company will incur estimated expenses of approximately $0.4 million.

(2) Our revolving credit facility provides for borrowings in an aggregate amount of up to $135.0 million for general corporate purposes and seasonal borrowings, subject to the satisfaction of customary conditions, including absence of defaults and the accuracy of representations and warranties. The average amount of revolver borrowings during the year will vary due to seasonal working capital requirements.

(3) Includes a premium of $2.9 million received in connection with the issuance of $75.0 million in aggregate principal amount of Compass Minerals Group s 10% senior subordinated notes due 2011 on April 10, 2002, or the April 2002 senior subordinated notes, net of amortization.

SELECTED COMBINED AND CONSOLIDATED FINANCIAL INFORMATION

The following table presents selected combined and consolidated financial information. The statement of operations data for the years ended December 31, 2001, 2002 and 2003 and the balance sheet data as of December 31, 2002 and 2003 are derived from our audited combined and consolidated financial statements included elsewhere in this prospectus. The statement of operations data for the years ended December 31, 1999 and 2000 and the balance sheet data as of December 31, 1999, 2000 and 2001 are derived from our audited combined and consolidated financial statements that are not included herein. The historical statement of operations data for the three months ended March 31, 2003 and 2004 and the twelve months ended March 31, 2004, and the historical balance sheet data as of March 31, 2003 and 2004 are derived from unaudited consolidated financial statements that, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for such periods. The results of operations for the interim periods are not necessarily indicative of the operating results for the entire year or any future period.

In connection with the completion of our initial public offering in December 2003, Salt Holdings Corporation was renamed Compass Minerals International, Inc. Prior to November 28, 2001, Salt Holdings Corporation was incorporated as IMC Potash Corporation, an inactive wholly owned subsidiary of IMC Global. Accordingly, prior to November 28, 2001, the combined and consolidated financial data reflect only the results of Compass Minerals International s wholly owned subsidiary, Compass Minerals Group, and Compass Minerals Group s subsidiaries. As part of the Recapitalization, IMC Potash Corporation was reincorporated as Salt Holdings Corporation. At November 28, 2001, IMC Global contributed Compass Minerals Group to the Company.

The information included in this table should be read in conjunction with Prospectus Summary Summary Combined and Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited and unaudited combined and consolidated financial statements and accompanying notes thereto included elsewhere in this prospectus.

Table of Contents

	For the years ended December 31,					For the three months ended March 31,		For the twelve months ended March 31,
	1999	2000	2001	2002	2003	2003	2004	2004(6)
	(dollars in millions, except per share data)							
Statement of Operations Data:								
Sales	$ 494.4	$ 509.2	$ 523.2	$ 502.6	$ 600.6	$ 212.7	$ 250.5	$ 638.4
Cost of sales shipping and handling	126.9	140.0	143.2	137.5	165.3	64.1	74.4	175.6
Cost of sales products(1)	213.1	227.7	224.4	202.1	246.2	85.7	93.6	254.1
Depreciation and amortization(2)	55.1	44.3	32.6	37.1	42.1	9.8	10.5	42.8
Selling, general and administrative expenses	37.2	35.5	38.9	40.6	49.0	11.6	14.4	51.8
Goodwill write-down(3)	87.5	191.0						
Restructuring and other charges(3)(4)	13.7	425.9	27.0	7.7	2.4			2.4
Operating earnings (loss)	(39.1)	(555.2)	57.1	77.6	95.6	41.5	57.6	111.7
Interest expense(5)	19.0	16.4	14.4	42.4	56.3	11.9	15.4	59.8
Net income (loss)	(67.5)	(467.7)	19.0	18.9	27.2	25.5	30.3	32.0
Dividends on preferred stock			0.8	10.6	1.2	0.6		0.6
Gain on redemption of preferred stock					(8.2)			(8.2)
Net income (loss) available for common stock	(67.5)	(467.7)	18.2	8.3	34.2	24.9	30.3	39.6
Balance Sheet Data (at period end):								
Total cash and cash equivalents	$ 4.3	$ 0.3	$ 15.9	$ 11.9	$ 2.6	$ 50.1	$ 71.3	$ 71.3
Total assets	1,290.5	636.0	655.6	644.1	686.5	625.5	676.8	676.8
Series A redeemable preferred stock			74.6	19.1		19.7		
Total debt	196.0	152.4	526.5	507.8	603.3	479.4	585.0	585.0
Per Share Data:								
Net income (loss) per share:								
Basic	$ (135,452.15)	$ (938,709.50)	$ 5.65	$ 0.24	$ 1.05	$ 0.71	$ 1.00	$ 1.27
Diluted	(135,452.15)	(938,709.50)	5.65	0.23	1.01	0.68	0.94	1.22
Cash dividends declared per share			8.28		2.85		0.19	3.04
Weighted-average common shares outstanding:								
Basic	498	498	3,220,724	35,039,110	32,492,792	35,104,091	30,241,662	31,277,185
Diluted	498	498	3,220,724	35,474,539	33,983,983	36,176,300	32,174,309	32,566,523
Other Financial Data:								
Cash flows provided by operating activities	$ 78.4	$ 72.1	$ 112.4	$ 82.4	$ 69.1	$ 72.7	$ 101.7	$ 98.1
Cash flows used for investing activities	(48.1)	(34.0)	(43.6)	(19.1)	(45.6)	(2.7)	(3.8)	(46.7)
Cash flows used for financing activities	(33.6)	(43.3)	(53.7)	(69.8)	(36.3)	(30.6)	(29.8)	(35.5)
Capital expenditures	45.6	33.7	43.0	19.5	20.6	2.7	3.9	21.8

(1) Cost of sales products is presented net of depreciation and amortization.
(2) Depreciation and amortization for purposes of this table excludes amortization of deferred financing costs.
(3) Based on anticipated proceeds from the sale of the Company by IMC Global, we recorded an asset impairment charge of $616.6 million, $482.1 million after tax, in the fourth quarter of 2000. In connection with this non-cash charge, goodwill was reduced $191.0 million and intangible assets mineral interests was reduced $425.6 million. The goodwill write-down in 1999 was the result of lowering goodwill to its recoverable value based on estimated future discounted cash flows of the business.
(4) Restructuring and other charges include primarily those charges related to the restructuring of our business in the fourth quarter of 1999 designed to reduce employee headcount and an asset impairment in the fourth quarter of 2000 related to the planned disposition of the Company by IMC Global as described in (3) above. During 2001, we incurred $27.0 million of transaction and transition costs in connection with the Recapitalization. During 2002, we incurred $7.7 million of transition costs in connection with separating the Company from IMC Global. All cash payments related to these charges have been made. During 2003, we incurred $2.4 million of costs related to our initial public offering. Of these costs, $1.1 million and $0.1 million remain accrued and unpaid as of December 31, 2003 and March 31, 2004, respectively.

Table of Contents

(5) As we have incurred substantial indebtedness in connection with the Recapitalization, we believe it is helpful to provide a measure describing the cash requirements necessary to satisfy our debt service in terms of cash interest expense, which is interest expense less non-cash interest related to the senior discount notes, the subordinated discount notes, the Seller Notes and the amortization of debt issuance costs, plus amortization of the original issuance premium. For a discussion of our indebtedness, see Note 8 to our audited combined and consolidated financial statements and Description of Certain Indebtedness. Cash interest expense was $37.7 million, $9.3 million and $9.1 million for the year ended December 31, 2003, and the three months ended March 31, 2003 and 2004, respectively. Cash interest expense is not calculated under GAAP. While cash interest expense and similar variations thereof is commonly used as a measure of the ability to meet debt service requirements, it is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. The following table reconciles the differences between cash interest expense and interest expense, calculated in accordance with GAAP.

	For the year ended December 31,	For the three months ended March 31,		For the twelve months ended March 31,
	2003	2003	2004	2004
		(dollars in millions)		
Interest expense	$ 56.3	$ 11.9	$ 15.4	$ 59.8
Less non-cash interest expense:				
Senior discount notes	8.8	2.1	2.4	9.1
Subordinated discount notes	7.4		3.3	10.7
Seller Notes	0.2	0.1		0.1
Less (plus) amortization:				
Deferred financing costs	2.5	0.5	0.7	2.7
Amortization of premium on senior subordinated notes	(0.3)	(0.1)	(0.1)	(0.3)
Cash interest expense	$ 37.7	$ 9.3	$ 9.1	$ 37.5

(6) We have presented operating and financial data for the twelve months ended March 31, 2004 because of the seasonality of our salt sales and the resulting variability in operating results from quarter to quarter. Therefore, the operating and financial data for the twelve months ended March 31, 2004 accompanies the operating and financial data for the three months ended March 31, 2004 to provide a more accurate and complete description of our results of operations.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The statements in this discussion regarding the industry outlook, our expectations regarding the future performance of our business, and the other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the Risk Factors section. You should read the following discussion together with the section entitled Risk Factors and the combined and consolidated financial statements and notes thereto included elsewhere in this prospectus.

Company Overview

We are the largest producer of rock, or highway deicing, salt in North America and the United Kingdom, and operate the largest highway deicing salt mines in these regions. We are also the third largest producer of general trade salt in North America and the second largest in the United Kingdom, serving major retailers, agricultural cooperatives and food producers. In addition, we are the largest producer of sulfate of potash, or SOP, in North America, which is used in the production of specialty fertilizers. Salt is one of the most widely used minerals in the world and has a wide variety of end-use applications, including highway deicing, food-grade applications, water conditioning and various industrial uses.

We focus on building intrinsic value by improving our earnings before interest, income taxes, depreciation and amortization, or EBITDA, based on a normal winter weather season and by improving our cost structure. The goals of our management team s stewardship is to generate consistent cash flow despite weather variations and to maximize value from our cash flow generated from operations. We can employ our operating cash flow in a variety of ways, including to pay dividends, re-invest in our business, pay down debt and make small tuck-in acquisitions. Additionally, through our operational excellence program, we strive to maintain or improve our flexible, low-cost structure. We design programs to measure and continuously improve our operating performance.

Our business also includes the following key characteristics:

We believe that our cash flow is not materially impacted by economic cycles due to the stable end-use markets of salt and the absence of cost-effective alternatives. Short-term cash flows are affected by the seasonality of our business and are dependent on weather conditions. See Risk Factors The seasonal demand for our products and the variations in our cash flows from quarter to quarter as a result of weather conditions may have an adverse effect on our results of operations and the price of our common stock.

We operate eleven facilities in North America and the United Kingdom, including the largest rock salt mine in the world in Goderich, Ontario and the largest salt mine in the United Kingdom in Winsford, Cheshire.

We believe that we are among the lowest cost rock salt producers in our markets. Our cost advantage is due to the size and quality of our reserves, effective mining techniques and efficient production processes. In addition, our salt mines in North America are located near either rail or water transport systems, thereby minimizing shipping and handling costs, which constitute a significant portion of the overall delivered cost of salt. Note 13 to our audited combined and consolidated financial statements included in this prospectus provides additional information regarding geographical data.

We recognize sales at the time of shipment to the customer, which coincides with the transfer of title and risk of ownership to the customer. Sales represent billings to customers net of sales taxes

Table of Contents

charged for the sale of the product. Sales include shipping and handling costs which are expensed when the related product is sold.

For the twelve months ended March 31, 2004, we sold approximately 13.2 million tons of salt and other minerals, generating sales of $638.4 million and net income of $32.0 million. For the three months ended March 31, 2004, we sold approximately 5.6 million tons of salt and other minerals, generating sales of $250.5 million and net income of $30.3 million.

Stand-Alone Company

The combined and consolidated financial information related to periods ending 2001 and prior included in this prospectus have been derived from the consolidated financial statements of IMC Global. The preparation of this information was based on assumptions and estimates, including allocations of costs from IMC Global, that we believe are reasonable. This financial information may not, however, necessarily reflect the results of operations, financial positions and cash flows that would have occurred if we had been a separate, stand-alone entity during the periods presented or our future results of operations, financial position and cash flows.

We believe that there are opportunities to improve performance on both the sales and cost sides of our business. For example, we believe that our new management focus on operating efficiencies and monitoring capital expenditures following the consummation of the Recapitalization has led to reductions in our operating costs and maintenance capital expenditures. Additionally, we intend to continue to focus on growing our SOP business and regaining our lost market share.

In connection with the Recapitalization, we have incurred substantial indebtedness, interest expense and repayment obligations. The interest expense relating to this debt has adversely affected our net income. Upon consummation of the Recapitalization, we incurred a number of one-time fees and expenses of approximately $35.0 million. Note 3 and Note 11 to our audited combined and consolidated financial statements included in this prospectus provide additional information related to these fees and expenses.

Management s Discussion on Critical Accounting Policies

Preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses. Management believes the most complex and sensitive judgments, because of their significance to our consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain.

We have identified the critical accounting policies that we believe are most important to the portrayal of our financial condition and results of operations. We believe the policies set forth below require management s most subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Inventory Allowances

We record allowances for unusable or slow moving finished goods and raw materials and supplies inventory. We adjust the value of certain inventory to the estimated market value to the extent that management s assumptions of future demand, market or functional conditions indicate the cost basis is either in excess of market or the inventory will not be utilized or sold in future operations. If actual demand or conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Table of Contents

Mineral Interests

As of March 31, 2004, we maintained $147.6 million of net mineral interests as a part of mineral interests and other intangible assets and $8.1 million of net mineral properties as a part of property, plant and equipment.

Mineral interests include probable mineral reserves. We lease mineral reserves at several of our extraction facilities. These leases have varying terms and many provide for a royalty payment to the lessor based on a specific amount per ton of mineral extracted or as a percentage of sales. Pursuant to Statement of Financial Accounting Standards, or SFAS, No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets, mineral interests associated with properties that we do not own are classified as intangible assets. See Recent Accounting Pronouncements.

Mineral interests recorded as a part of mineral interests and other intangible assets are amortized on a units-of-production method based on internal and third-party estimates of recoverable reserves. Mineral interests recorded as a part of property, plant and equipment are amortized on a straight-line basis.

Our rights to extract minerals are contractually limited by time. If we are not able to continue to extend lease agreements, as we have in the past, at commercially reasonable terms, without incurring substantial costs or incurring material modifications to the existing lease terms and conditions, the assigned lives may be less than that projected by management, or if the actual size, quality or recoverability of the minerals is less than that projected by management, then the rate of amortization could be increased or the value of the reserves could be reduced by a material amount.

Income Taxes

In determining income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments occur in the calculation of certain tax liabilities and in the determination of the recoverability of certain of the deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of sales and expense. We are required to assess the likelihood that we will ultimately be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a reserve, in the form of a valuation allowance, for the deferred tax assets that we estimate will not ultimately be recoverable.

In evaluating our ability to recover our deferred tax assets we consider all available positive and negative evidence including our past operating results, the existence of cumulative losses in recent reporting years and, to some extent, our forecast of future taxable income. In determining future taxable income, we are responsible for the assumptions utilized, including the amount of state, federal and international pre-tax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

As a result of this analysis, after considering all available evidence, both positive and negative, we concluded that a valuation allowance for certain of our deferred tax assets was required. As of March 31, 2004, we had $34.8 million of deferred tax assets resulting from our prior year U.S. NOL carryforwards, accrued interest on discount notes and alternative minimum tax credits.

Since we do not consider recovery of these deferred tax assets to be more likely than not under our current operating structure, a valuation allowance has been recorded. At March 31, 2004, the valuation allowance was $34.8 million for which the ultimate recovery of the deferred tax asset is primarily dependent upon the availability of an adequate level of domestic taxable income. The actual amount of the deferred tax assets realized could ultimately be materially different from those recorded, as impacted by changes in income tax laws and actual operating results that differ from historical and forecasted amounts.

We intend to maintain this valuation allowance until sufficient positive evidence exists to support reversal of the valuation allowance. Our income tax expense recorded in the future will be reduced to the extent of offsetting decreases in our valuation allowance. An increase in the valuation allowance would result in additional income tax expense in such period and could have a significant impact on our future earnings.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in multiple jurisdictions. We recognize potential liabilities for anticipated tax issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If our estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Pension Plans

We make actuarial assumptions in consultation with our actuaries as our advisors that we believe are reasonable. These assumptions include discount rates, expected long-term rates of return on plan assets and rate of compensation increases, and are used in the calculation of the actuarial valuation of our defined benefit pension plans. If actual conditions or results vary from those projected by management, adjustments may be required in future periods to meet minimum pension funding, thereby increasing pension expense and our pension liability. Note 9 to our audited combined and consolidated financial statements included in this prospectus provides additional information regarding pension assumptions used by us.

We have two defined benefit pension plans for some of our employees in the United States and the United Kingdom. The size of the U.S. plan is not significant as compared to the U.K. plan, taken as a whole. The U.K. plan was closed to new participants in 1992. Our funding policy is to make the minimum annual contributions required by applicable regulations. Cash contributions to the plans totaled $1.5 million and $1.1 million during the years ended December 31, 2003 and 2002, respectively.

Seller Notes and Settlement Notes

In connection with the Recapitalization on November 28, 2001, Compass issued $11.3 million in notes payable to IMC Global, or the Seller Notes (see Note 11 in our combined and consolidated financial statements included in this prospectus). If threshold equity returns had not been achieved by Apollo affiliates, the Seller Notes and any accrued and unpaid interest (including any related promissory notes) could have been payable in whole or in part to Apollo affiliates rather than IMC Global.

In 2002, Compass, Apollo, IMC Global and certain of their affiliates amended the Seller Notes in connection with post-closing requirements of the Recapitalization. IMC Global returned a portion of the Seller Notes, plus interest, to Compass. Pursuant to this settlement, we retained a contingent obligation to pay a portion of the notes plus accrued interest (now termed Settlement Notes) that would have been payable, in whole or in part, to Apollo affiliates if specified levels of equity returns had not been achieved. In

June of 2003, the remaining portion of Seller Notes were repurchased and retired. In connection with the completion of the Company s initial public offering in December 2003,

Table of Contents

the performance targets were met that relieved the Company from the contingent obligation whereby the Settlement Notes and related accrued interest could have been payable to Apollo affiliates.

Other Significant Accounting Policies

Other significant accounting policies not involving the same level of measurement uncertainties as those discussed above are nevertheless important to an understanding of our financial statements. Policies related to sales recognition, environmental accruals, financial instruments and consolidation require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. Some of these matters are among topics currently under re-examination by accounting standards setters and regulators. Although no specific conclusions reached to date by these standard setters appear likely to cause a material change in our accounting policies, future outcomes cannot be predicted with confidence.

Results of Operations

The following table sets forth combined and consolidated historical financial information for the years ended December 31, 2001, 2002 and 2003 and for the three months ended March 31, 2003 and 2004. The table and discussion should be read in conjunction with the information contained in our combined and consolidated financial statements and the notes thereto included in this prospectus. However, our results of operations set forth below and elsewhere in this prospectus may not necessarily reflect what would have occurred if we had been a separate, stand-alone entity during the periods presented or what will occur in the future. See Risk Factors We are a holding company with no operations of our own and depend on our subsidiaries for cash.

Table of Contents

	For the year ended December 31,			For the three months ended March 31,	
	2001	2002	2003	2003	2004
	(dollars in millions, except per ton data)				
Results of Operations:					
Sales	$ 523.2	$ 502.6	$ 600.6	$ 212.7	$ 250.5
Cost of sales shipping and handling	143.2	137.5	165.3	64.1	74.4
Cost of sales products	257.0	239.2	288.3	95.5	104.1
Gross profit	123.0	125.9	147.0	53.1	72.0
Selling, general and administrative expenses	38.9	40.6	49.0	11.6	14.4
Restructuring and other charges	27.0	7.7	2.4		
Operating earnings (loss)	57.1	77.6	95.6	41.5	57.6
Interest expense	14.4	42.4	56.3	11.9	15.4
Other (income) expense	(3.1)	4.9	3.7	(0.3)	0.5
Income (loss) before taxes	45.8	30.3	35.6	29.9	41.7
Income tax expense (benefit)	26.8	11.4	8.4	4.4	11.4
Net income (loss)	$ 19.0	$ 18.9	$ 27.2	$ 25.5	$ 30.3
Dividends on preferred stock	0.8	10.6	1.2	0.6	
Gain on redemption of preferred stock			(8.2)		
Net income available for common stock	$ 18.2	$ 8.3	$ 34.2	$ 24.9	$ 30.3
Sales by Segment:					
Salt	$ 485.0	$ 452.5	$ 546.6	$ 200.4	$ 228.7
Specialty potash fertilizers	38.2	50.1	54.0	12.3	21.8
Total	$ 523.2	$ 502.6	$ 600.6	$ 212.7	$ 250.5
Sales Volumes (in thousands of tons):					
Highway Deicing	9,402	7,965	9,663	4,378	4,679
General Trade	2,822	2,786	2,927	732	785
Specialty potash fertilizers	188	242	251	58	101
Average Sales Price (per ton):					
Highway Deicing	$ 26.87	$ 27.96	$ 29.25	$ 30.61	$ 32.45
General Trade	82.35	82.48	89.50	90.15	97.35
Specialty potash fertilizers	203.19	207.02	215.21	212.74	215.42

Three Months Ended March 31, 2004 Compared to the Three Months Ended March 31, 2003

Sales

Sales for the three months ended March 31, 2004 of $250.5 million increased $37.8 million, or 18% compared to $212.7 million for the three months ended March 31, 2003. Sales include revenues from the sale of our products, or Product Sales, as well as pass-through shipping and handling fees charged to customers to reimburse us for shipping and handling costs incurred in delivering salt and SOP product to the customer. These shipping and handling fees were $74.4 million during the three months ended March 31, 2004, an increase of $10.3 million compared to shipping and handling fees of $64.1 million for the three months ended March 31, 2003. The increase in shipping and handling related fees for the three months ended March 31, 2004 is due to the increased volume of products sold as compared to the same period in 2003.

Product Sales for the three months ended March 31, 2004 of $176.1 million increased $27.5 million, or 18% compared to $148.6 million for the same period in 2003. Salt Product Sales for the three months ended March 31, 2004 of $158.0 million increased $19.6 million, or 14% compared to $138.4 million for the same period in 2003, due to increased sales volumes in our United Kingdom highway deicing product line ($4.9 million), increased sales volumes in our North American highway deicing product line ($2.0 million) and increased sales volumes in our general trade product line ($4.0 million). Sales volumes in our U.K. highway deicing product line increased approximately 200,000 tons, primarily due to more normal winter weather in the March quarter of 2004 compared to an extremely mild March quarter in 2003. Sales volumes in our North American highway deicing product line increased approximately 100,000 tons, primarily due to an increase in North American market share. Sales volumes in our general trade product line increased approximately 53,000 tons, primarily due to above average winter weather on the east coast, where our retail deicing products are sold.

Salt Product Sales were also favorably impacted by approximately $8.8 million from the effect of a weakened U.S. dollar against both the Canadian dollar and the British pound. Average prices, net of foreign exchange effects, were slightly lower, by approximately $0.9 million, due to customer mix.

Specialty potash fertilizer Product Sales for the three months ended March 31, 2004 of $18.1 million increased $7.9 million, or 77% compared to $10.2 million for the same period in 2003, reflecting increases in both domestic and international market share primarily due to the purchase of IMC Global s former SOP marketing business in December 2003.

Gross Profit

Gross profit for the three months ended March 31, 2004 of $72.0 million increased $18.9 million, or 36% compared to $53.1 million for the same period in 2003. The increase in gross profit primarily reflects the impact of improved volumes ($6.9 million) and changes in foreign exchange rates as described above ($2.5 million). Additionally, a reduction in costs to produce and distribute products increased our gross profit by $8.4 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended March 31, 2004 of $14.4 million increased $2.8 million, or 24% compared to $11.6 million for the same period in 2003. The increase primarily reflects additional variable compensation and benefit costs of approximately $1.5 million due to improved quarterly financial results and higher costs related to changes in foreign exchange rates of approximately $0.7 million.

Interest Expense

Interest expense for the three months ended March 31, 2004 of $15.4 million increased $3.5 million or 29% compared to $11.9 million for the same period in 2003. This increase is primarily due to higher interest payments resulting from the issuance of senior subordinated discount notes in May 2003.

Other Expense

Other expense for the three months ended March 31, 2004 of $0.5 million increased $0.8 million compared to other income of $0.3 million for the same period in 2003. As part of other expense, we recorded non-cash foreign exchange losses and (gains) of $0.4 million and $(0.3) million in the first quarter of 2004 and 2003, respectively.

Income Tax Expense / (Benefit)

Income tax expense for the three months ended March 31, 2004 of $11.4 million increased $7.0 million compared to income tax expense of $4.4 million for the same period in 2003. This increase is

Table of Contents

primarily due to the overall increase in pre-tax income and a larger portion of pre-tax income being generated outside of the United States. The corresponding decrease in the percentage of domestic pre-tax income resulted in a lesser portion of our taxable income being offset by the utilization of previously reserved NOLs. Our income tax provision differs from the U.S. statutory federal income tax rate primarily due to U.S. statutory depletion, state income taxes (net of federal tax benefit), foreign income tax rate differentials, foreign mining income taxes, non-deductible interest expense, valuation allowance on interest expense on discount notes and changes in the utilization of previously reserved NOLs.

At March 31, 2004, we had approximately $66.1 million of NOLs that expire between 2007 and 2022. Since we do not consider recovery of these NOLs to be more likely than not under our current operating structure, an offsetting valuation allowance has been recorded.

Dividends on Preferred Stock

We repurchased and redeemed all of our redeemable preferred stock in December 2003. As a result, there are no dividends on redeemable preferred stock for the three months ended March 31, 2004.

Year Ended December 31, 2003 Compared to the Year Ended December 31, 2002

Sales

Sales for the year ended December 31, 2003 of $600.6 million increased $98.0 million, or 19% compared to $502.6 million for the year ended December 31, 2002. Sales include Product Sales as well as pass-through shipping and handling fees charged to customers to reimburse us for shipping and handling costs incurred in delivering salt and SOP product to the customer. These shipping and handling fees were $165.3 million during the year ended December 31, 2003, an increase of $27.8 million compared to shipping and handling fees of $137.5 million for the year ended December 31, 2002. The increase in shipping and handling-related fees for the year ended December 31, 2003 was primarily due to more tons of deicing salt and general trade salt sold in North America as compared to the same period in 2002.

Product Sales for the year ended December 31, 2003 of $435.3 million increased $70.2 million, or 19% compared to $365.1 million for the same period in 2002. Salt Product Sales for the year ended December 31, 2003 of $390.0 million increased $67.7 million, or 21% compared to $322.3 million for the same period in 2002. This increase was primarily due to a 1,561,000 ton increase in sales volumes in our North American deicing product line combined with a 141,000 ton increase in sales volumes in our general trade product line. These increases in sales volumes impacted sales by approximately $30.3 million and $15.1 million, respectively. Also contributing to the increase in Product Sales was improved pricing in both our North American deicing product line and general trade product line of approximately $14.5 million, of which changes in foreign exchange rates totaled $9.2 million. SOP Product Sales for the year ended December 31, 2003 of $45.3 million increased $2.5 million, or 6% compared to $42.8 million for the same period in 2002 due to both improved sales volumes and pricing.

Gross Profit

Gross profit for the year ended December 31, 2003 of $147.0 million increased $21.1 million, or 17% compared to $125.9 million for the same period in 2002. The increase in gross profit primarily reflects the impact of improved highway and consumer deicing sales volumes and improved pricing as described in the preceding paragraph.

Table of Contents

Selling, General and Administrative Expenses

Selling, general and administrative expenses of $49.0 million for the year ended December 31, 2003 increased $8.4 million, or 21% compared to $40.6 million for the same period in 2002. This increase primarily reflects additional compensation and variable benefit costs and higher spending on discretionary promotional and marketing costs. Additionally, fluctuations in foreign exchange rates increased selling, general and administrative expenses by $2.0 million.

Restructuring and Other Charges

In the fourth quarter of 2003, we incurred $2.4 million of costs directly related to the completion of our initial public offering. The shares of common stock sold were shares previously held by stockholders and we did not receive any proceeds from the sale of the shares. Therefore, the costs related to the initial public offering were recorded as other operating costs on our income statement. During 2002, restructuring and other charges represented transition costs that are non-recurring in nature and relate to charges required to establish us as a self-sustaining entity. We incurred $7.7 million of transition costs in the year ended December 31, 2002, consisting primarily of one-time compensation costs, costs to develop stand-alone tax and inventory strategies and costs associated with determining the post-closing purchase price adjustment. No such costs were incurred in 2003.

Interest Expense

Interest expense for the year ended December 31, 2003 of $56.3 million increased $13.9 million or 32.8% compared to $42.4 million for the same period in 2002. This increase was primarily the result of higher outstanding debt balances during 2003 following the issuance of the senior discount notes in December 2002 and the subordinated discount notes in May 2003. See Note 8 to our audited combined and consolidated financial statements included in this prospectus.

Other (Income) Expense

Other expense for the year ended December 31, 2003 of $3.7 million decreased $1.2 million compared to $4.9 million for the same period in 2002. In April 2002, we recorded a $5.3 million charge related to the write-off of the deferred financing costs associated with the refinancing of our term loan credit facility. In the second quarter of 2003, we recorded $1.4 million of costs related to amending our senior credit facilities and a $1.9 million gain related to the early extinguishment of debt. We also recorded non-cash foreign exchange losses and (gains) of $3.9 million and $(0.6) million in the year ended December 31, 2003 and 2002, respectively.

Income Tax Expense

Income tax expense for the year ended December 31, 2003 of $8.4 million decreased $3.0 million compared to $11.4 million for the same period in 2002. This decrease was primarily due to a reduction in the effective state income tax rate and a larger portion of pre-tax income being generated in the United States during the year ended December 31, 2003 than in the same period in 2002.

This allowed for an increase in the amount of previously reserved NOLs to be utilized to offset U.S. taxable income. Our income tax provision differs from the U.S. statutory federal income tax rate primarily due to U.S. statutory depletion, state income taxes (net of federal tax benefit), foreign income tax rate differentials, foreign mining taxes, changes in the expected utilization of previously reserved NOLs and non-deductible interest expense on discount notes.

Dividends on Preferred Stock

Dividends on our mandatorily redeemable preferred stock for the year ended December 31, 2003 of $1.2 million decreased $9.4 million compared to $10.6 million for the year ended December 31,

Table of Contents

2002. This decrease was the result of less mandatorily redeemable preferred stock outstanding during the year ended December 31, 2003 when compared to the same period in the prior year. Approximately 78% of the then-outstanding mandatorily redeemable preferred stock was converted into senior discount notes in December 2002. Additionally, we repurchased and redeemed 14,704 shares of our mandatorily redeemable preferred stock in June 2003, and repurchased and redeemed the remaining 1,749 shares of our mandatorily redeemable preferred stock in December 2003. No shares of our mandatorily redeemable preferred stock were outstanding at December 31, 2003.

Furthermore, beginning on July 1, 2003, dividends on our mandatorily redeemable preferred stock were accounted for as interest expense in our consolidated statements of operations in accordance with SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. Prior to that time, the dividends were treated as a reduction to stockholders equity (deficit). The dividends included in interest expense totaled $0.1 million for the year ended December 31, 2003.

Gain on Redemption of Preferred Stock

The $8.2 million gain on redemption of preferred stock resulted from the repurchase of 14,704 shares of mandatorily redeemable preferred stock in June 2003 and was treated as an increase to net income available for common stock. No such redemptions occurred in 2002. The redemption of 1,749 shares of our mandatorily redeemable preferred stock in December 2003 was at the stock s accreted value and, therefore, did not result in any gain or loss.

Year Ended December 31, 2002 Compared to the Year Ended December 31, 2001

Sales

Sales for 2002 of $502.6 million decreased $20.6 million, or 3.9% compared to $523.2 million in 2001. Sales include Product Sales as well as pass-through shipping and handling fees charged to customers to reimburse us for shipping and handling costs incurred in delivering salt and SOP product to the customer. Such shipping and handling fees were $137.5 million during 2002, a decrease of $5.7 million compared to 2001 shipping and handling fees of $143.2 million. The decline in shipping and handling related fees during 2002 was due to fewer tons of products sold compared to 2001.

Product Sales for 2002 of $365.1 million decreased $14.9 million, or 3.9% compared to $380.0 million for 2001. Salt Product Sales for 2002 of $322.3 million decreased $19.5 million, or 5.7% compared to $341.8 million for 2001. This decrease was primarily the result of a 1,437,000 ton decline in sales volumes in our combined North American and U.K. highway deicing product lines due to the mild winter weather in the March 2002 quarter. The decline in volumes negatively impacted sales by approximately $27 million. Additionally, the general trade product lines had a 36,000 ton reduction in sales volumes which was also primarily the result of the mild March 2002 quarter winter weather. This reduction in volumes unfavorably impacted sales by approximately $7 million. Overall, the reduction in sales volumes was offset in part by an improvement in the pricing for our North American salt product lines of $15 million. SOP Product Sales for 2002 of $42.8 million increased $4.6 million compared to $38.2 million for 2001 primarily due to a 54,000 ton increase in sales volumes partially offset by lower average prices.

Gross Profit

Gross profit for 2002 of $125.9 million increased $2.9 million, or 2.4% compared to $123.0 million for 2001. The increase in gross profit primarily reflects the $15 million resulting from the improvement in the pricing of our North American salt product lines offset by an approximate $17 million decline due to lower highway deicing sales volumes. Gross margins also increased by approximately $2 million due

Table of Contents

to the increase in SOP sales volumes partially offset by lower average prices. Lower operating costs also improved our gross margin by $4 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of $40.6 million for 2002 increased $1.7 million, or 4.4% compared to $38.9 million for 2001. The increase primarily reflects additional costs related to our transition to a stand-alone entity for services previously provided by IMC Global prior to the Recapitalization.

Restructuring and Other Charges

Transition costs are non-recurring in nature and relate to charges required to establish us as an independent entity. During 2002, we incurred $7.7 million of transition costs that were directly related to our transition from an entity controlled by IMC Global and consisted primarily of one-time compensation costs, costs to develop stand-alone tax and inventory strategies and costs associated with determining the post-closing purchase price adjustment.

Interest Expense

Interest expense for 2002 of $42.4 million increased $28.0 million compared to $14.4 million for 2001. This increase is primarily the result of our new capital structure following the Recapitalization on November 28, 2001.

Other (Income) Expense

Other expense for 2002 of $4.9 million increased $8.0 million compared to other income of $3.1 million for 2001. Other income in 2001 was primarily interest income earned from IMC Global. We earned no interest income from IMC Global in 2002. Additionally, we recorded a $5.3 million loss related to refinancing our term loan credit facility in 2002.

Income Tax Expense

Income tax expense for 2002 of $11.4 million decreased $15.4 million compared to $26.8 million of income tax expense for 2001 due to a decline in pre-tax income partially resulting from higher interest expense following the Recapitalization. Our income tax provision differs from the United States statutory federal income tax rate primarily due to U.S. statutory depletion, state income taxes (net of federal tax benefit), foreign income tax rate differentials, changes in the expected utilization of previously reserved NOLs, non-deductible transaction costs and foreign mining taxes.

Liquidity and Capital Resources

Historical Cash Flow

We have used cash generated from operations to meet our working capital needs and to fund capital expenditures and voluntary repayment of debt. We have historically generated stable cash flows. Our primary sources of liquidity will continue to be cash from operations and borrowings under our revolving credit facility. When we cannot meet our liquidity or capital needs with cash from operations, we meet those needs with borrowings under our revolving credit facility. Due to the seasonality of our business, we expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

During the three months ended March 31, 2004, cash flows from operations were $101.7 million. We used a portion of those cash flows to pay down $14.0 million of our revolving credit facility that was

Table of Contents

outstanding as of December 31, 2003, to pay $5.7 million of dividends to the holders of our common stock and to make a $10.0 million voluntary principal repayment on our term loan. At March 31, 2004, cash and cash equivalents were $71.3 million.

Our significant debt service obligations following the Recapitalization could materially affect our financial condition and prevent us from fulfilling our obligations under the senior subordinated notes of Compass Minerals Group, our senior credit facility, our senior discount notes and our senior subordinated discount notes. As of March 31, 2004, we were in compliance with all conditions and covenants related to the senior credit facility, senior subordinated notes, senior discount notes and senior subordinated discount notes.

Although our operations are conducted through our subsidiaries, none of our subsidiaries are obligated to make funds available to us for payment on our indebtedness or to pay dividends on our capital stock. Accordingly, our ability to make payments on our indebtedness and distribute dividends to our stockholders is dependent on the earnings and the distribution of funds from our subsidiaries. The terms of our senior credit facilities and the indenture governing the senior subordinated notes of Compass Minerals Group significantly restrict our subsidiaries from paying dividends and otherwise transferring assets to us. Furthermore, our subsidiaries will be permitted under the terms of our senior credit facilities and other indebtedness to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our subsidiaries to us. The terms of our senior credit facilities also restrict our subsidiaries from paying dividends to us in order to fund cash interest on our senior discount notes and subordinated discount notes if we do not maintain an adjusted senior indebtedness leverage ratio of 5.00 or less (as of March 31, 2004) or if a default or event of default has occurred and is continuing under our senior credit facilities. As of March 31, 2004, our adjusted senior indebtedness leverage ratio was 2.95. We cannot assure you that we will maintain this ratio. This ratio is not necessarily comparable to other similarly titled ratios of other companies due to inconsistencies in the method of calculation. We encourage you to read our amended and restated credit agreement, as amended, contained in the exhibits to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission of which this prospectus is a part.

We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund scheduled interest and principal payments on our indebtedness when due.

For the three months ended March 31, 2004 and 2003

Net cash flow generated by operating activities for the three months ended March 31, 2004 and 2003 was $101.7 million and $72.7 million, respectively. Of these amounts, $53.4 million and $35.8 million for 2004 and 2003, respectively, were generated by working capital reductions. The primary working capital reductions for the three months ended March 31, 2004 and 2003 were decreases in receivables of $31.6 million and $12.3 million, respectively, and decreases in inventories of $39.6 million and $43.7 million, respectively. These reductions were partially offset by decreases in accounts payable and accrued expenses of $17.8 million and $20.2 million for the three months ended March 31, 2004 and 2003, respectively. These reductions are indicative of the seasonal nature of highway deicing product line sales.

Net cash flow used by investing activities for the three months ended March 31, 2004 and 2003 was $3.8 million and $2.7 million, respectively. These cash flows consisted of capital expenditures primarily to maintain our facilities of $3.9 million and $2.7 million during the three months ended March 31, 2004 and 2003, respectively.

36

Table of Contents

Net cash flow used by financing activities was $29.8 million for the three months ended March 31, 2004, primarily due to a $14.0 million pay down of our revolving credit facility, a $10.0 million voluntary principal repayment that reduced the amount of long-term debt outstanding under our term loan credit facility and $5.7 million of dividends paid. No gain or loss was recorded upon repayment of debt. Net cash flow used by financing activities was $30.6 million for the three months ended March 31, 2003, primarily due to the $30.0 million voluntary principal repayment that reduced the amount of long-term debt outstanding under our term loan credit facility.

For the year ended December 31, 2003

Net cash flow generated by operating activities for the year ended December 31, 2003 was $69.1 million. Cash generated from operating activities includes $14.5 million used for an increase in working capital. The primary increase in working capital was an increase in receivables of $18.5 million, offset in part by decreases in inventories of $4.3 million and decreases in accounts payable and accrued expenses of $0.3 million. These changes are indicative of the seasonal nature of highway deicing product line sales with differences primarily related to changes in late December quarter sales versus the prior year.

Net cash flow used by investing activities for the year ended December 31, 2003 was $45.6 million. We had capital expenditures during 2003 of $18.6 million to maintain our business and $2.0 million for cost-reduction and new-opportunity projects. We also spent $24.8 million related to our purchase of certain intangible assets related to IMC Global s former SOP business.

Net cash flow used by financing activities was $36.3 million and was primarily due to a $9.7 million repurchase of common stock, a $30.0 million voluntary principal repayment that reduced the amount of long-term debt outstanding under our term loan credit facility, $8.5 million related to the redemption of preferred stock, including accrued dividends, and $5.0 million of deferred financing costs. These outflows were partially offset by $14.0 million of borrowings under our revolving credit facility and the receipt of $8.8 million from IMC Global to pay income taxes for periods prior to the Recapitalization which were indemnified by IMC Global. Additionally, in May 2003, we issued the subordinated discount notes and used the proceeds of approximately $100.0 million to pay a dividend on our common stock.

For the year ended December 31, 2002

Net cash flow generated by operating activities was $82.4 million for the year ended December 31, 2002. Of this amount, $12.7 million was generated by working capital reductions. The primary working capital reductions were increases in accounts payable and accrued expenses of $14.8 million and decreases in inventories of $3.8 million offset in part by an increase in receivables of $5.9 million. The improvement in working capital was partially due to faster collections of our receivables and the timing of interest payments. These improvements were partially offset by more severe winter weather in December 2002 than in December 2001. Additionally, in August 2002, we amended an agreement with a supplier related to the purchase of salt from the supplier s chemical production facility. Effective with the amendment, we discontinued the purchase of salt from this supplier. We received a one-time cash payment of $8.0 million related to the amendment which terminates in December 2010. In the future we may elect to resume purchasing salt from the supplier s facility. In that event, we would repay a ratable portion of the cash received.

Net cash flow used by investing activities was $19.1 million for the year ended December 31, 2002, primarily related to capital expenditures. Extensive efforts were made throughout 2002 to focus capital spending on maintaining the business while leveraging our growth and cost-reduction capital spending in prior years. Capital expenditures during 2002 included $17.0 million of expenditures to

Table of Contents

maintain our facilities. During the four years prior to 2002, on average, we spent in excess of $20.0 million per year in growth and cost-reduction capital expenditures to upgrade our core operating facilities, expand and rationalize production capacities and improve operating efficiencies. Growth and cost-reduction capital expenditures were $2.5 million for 2002.

Net cash flow used by financing activities was $69.8 million for the year ended December 31, 2002, primarily due to the $39.8 million repayment of borrowings under our revolving credit facility, combined with $40.0 million of voluntary principal repayments that reduced the amount of long-term debt outstanding under our term loan credit facility. The cash used was partially offset by $12.8 million of capital contributions received by us from IMC Global related to the post-closing purchase price adjustment.

Additionally, on April 10, 2002, Compass Minerals Group completed an offering of $75.0 million aggregate principal amount of its senior subordinated notes. The April 2002 senior subordinated notes were issued to bondholders at a premium of $3.4 million, plus accrued interest from February 15, 2002, and accordingly, we received gross proceeds of $79.5 million from the offering of the these notes. The proceeds from the offering of the April 2002 senior subordinated notes, net of transaction costs, were used to repay borrowings under the revolving credit facility. In connection with this transaction, we recorded a charge to Other (income) expense in our consolidated statements of operations of approximately $5.3 million, which was reflected as a non-cash add-back to net cash provided by operating activities.

For the year ended December 31, 2001

Net cash flow generated by operating activities was $112.4 million for the year ended December 31, 2001. Of this amount, $50.8 million was generated by working capital reductions. The largest working capital reduction, reflective of our exposure to weather conditions, was a $36.3 million decrease in our receivables. This reduction was primarily related to more severe winter weather in December 2000 than in December 2001.

Net cash flow used by investing activities was $43.6 million for the year ended December 31, 2001, primarily representing capital expenditures of the business. As part of these capital expenditures, we incurred $5.7 million related to the new mine shaft, mill and headframe at the Cote Blanche, Louisiana facility. The remaining capital expenditures included $26.4 million of expenditures to maintain our facilities and $11.0 million of growth and cost-reduction capital expenditures. The significant growth and cost-reduction projects related to the continuing expansion of our Lyons, Kansas evaporation facility and the purchase of a continuous miner at our Winsford facility.

Net cash flow used by financing activities was $53.7 million for the year ended December 31, 2001. A significant level of activity occurred during the fourth quarter as a result of the Recapitalization. Most notably, Compass Minerals Group borrowed $250.0 million from its newly issued notes, $225.0 million from its new term loan credit facility and approximately $39.8 million on its new revolving credit facility. These funds were used primarily to repay certain notes payable to IMC Global and affiliates and to declare a dividend to IMC Global prior to the Recapitalization. We also incurred $18.0 million in financing costs. Additionally, $70.7 million was used in the net repayment of third-party debt, including a £45.0 million bank facility for our U.K. operations.

Post-Recapitalization

Our primary sources of liquidity will continue to be cash flow from operations and borrowings under our revolving credit facility. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

We have incurred substantial indebtedness in connection with the Recapitalization and subsequent financings. As of March 31, 2004, we had $582.1 million of principal amount of indebtedness outstanding, net of issuance premium, consisting of $325.0 million of senior subordinated notes of Compass Minerals Group, $78.3 million of senior discount notes with a face value of $123.5 million, $110.7 million of senior subordinated discount notes with a face value of $179.6 million and $68.1 million of term loan. Our senior credit facility provides for a revolving credit facility that permits borrowings in an aggregate amount of up to $135.0 million. As of March 31, 2004, no indebtedness and $8.2 million of letters of credit were outstanding under our revolving credit facility, leaving approximately $126.8 million available for future borrowings. Future borrowings under our revolving credit facility will be available to fund our working capital requirements, capital expenditures and for other general corporate purposes. We maintained $71.3 million in cash on hand as of March 31, 2004, an increase of $68.7 million since December 31, 2003. See Risk Factors Our substantial indebtedness could adversely affect our financial condition and impair our ability to operate our business.

Concurrent with the Recapitalization, Compass Minerals Group issued $250.0 million aggregate principal amount of its 10% senior subordinated notes due 2011 and entered into the senior credit facilities. Our senior credit facilities provided for a term loan credit facility in the principal amount of $225.0 million and a revolving credit facility in an aggregate amount of up to $135.0 million. Upon consummation of the Recapitalization, Compass Minerals Group borrowed the full amount available under the term loan credit facility and made borrowings under the revolving credit facility based upon our working capital needs. The revolving credit facility is available until 2008. Borrowings under the amended term loan credit facility are due and payable in quarterly installments that began in 2002. The quarterly term loan amortization payments due before 2009 approximate $0.7 million on an annual basis, or 1% of the term loan. The remaining balance of the term loan credit facility will amortize in equal quarterly installments in the eighth year of the term loan credit facility. As of March 31, 2004, the outstanding balance of the term loan was $68.1 million.

Additionally, on April 10, 2002, Compass Minerals Group completed an offering of $75.0 million aggregate principal amount of its senior subordinated notes. The April 2002 senior subordinated notes were issued to bondholders at a premium of $3.4 million, plus accrued interest from February 15, 2002, and accordingly, we received gross proceeds of $79.5 million from the offering of the these notes. The proceeds from the offering of the April 2002 senior subordinated notes, net of transaction costs, were used to repay borrowings under the revolving credit facility. In connection with this transaction, we recorded a charge to Other (income) expense in our consolidated statements of operations of approximately $5.3 million, which was reflected as a non-cash add-back to net cash provided by operating activities.

On December 20, 2002, certain holders of our series A redeemable preferred stock converted their preferred stock into subordinated discount debentures. We then issued $123.5 million in aggregate principal amount of senior discount notes in exchange for our subordinated discount debentures. No cash interest will accrue on the senior discount notes prior to December 15, 2007. The accreted value of each senior discount note will increase from the date of issuance until December 15, 2007 at a rate of 12 $^{3}/_{4}$% per annum, reflecting the accrual of non-cash interest, such that the accreted value will equal the principal amount at maturity on December 15, 2007. Cash interest will accrue on the senior discount notes at a rate of 12 $^{3}/_{4}$% per annum, beginning December 15, 2007. The first cash interest payment will be made on June 15, 2008.

On May 5, 2003, we amended our senior credit facilities to allow us to pay a dividend to be funded with either cash on hand or with borrowings under the amended and restated senior revolving credit facility. Additionally, the amendment permits us to repurchase our securities (other than the subordinated discount notes and the senior discount notes) not held by Apollo or management.

Table of Contents

On May 22, 2003, we issued $179.6 million in aggregate principal amount at maturity of subordinated discount notes in a private placement under Rule 144A and Regulation S of the Securities Act. The proceeds from the sale of the subordinated discount notes were distributed to our stockholders. In connection with the offering of subordinated discount notes, we amended our senior credit facilities and received consent from the holders of a majority of the aggregate principal amount at maturity of our senior discount notes to amend the indenture governing the senior discount notes in order to permit the distribution of the proceeds from the offering of the subordinated discount notes to our stockholders.

On November 17, 2003, we amended our senior credit facilities to allow us to pay future dividends funded with either cash on hand or with borrowings under the amended and restated senior revolving credit facility. Additionally, the amendment permits us to redeem or repurchase all outstanding shares of our series A redeemable preferred stock. In December 2003, we redeemed all remaining shares of our series A redeemable preferred stock, including accrued dividends, for approximately $1.9 million.

In connection with the Recapitalization, we received NOLs and expect to realize cash tax savings if these NOLs are able to be utilized. As of March 31, 2004, we had approximately $66.1 million of NOLs remaining that expire between 2007 and 2022. These NOLs may be used to offset a portion of future taxable income, up to the year 2022, and thereby reduce or eliminate our U.S. federal income taxes otherwise payable. The Internal Revenue Code of 1986, as amended, or the Code, imposes significant limitations on the utilization of NOLs in the event of an ownership change, as defined in Section 382 of the Code. Generally, an ownership change occurs with respect to a corporation if the aggregate increase in the percentage of stock ownership by value of that corporation by one or more 5% stockholders, including specified groups of stockholders who in the aggregate own at least 5% of that corporation s stock (including a group of public stockholders), exceeds 50 percentage points over a three-year testing period. The Company has incurred three ownership changes, placing annual limitations on the amount of each loss carryforward utilization. We cannot assure you that we will be able to use any NOLs to offset future taxable income or that the NOLs will not become subject to additional limitations due to future ownership changes. Due to the uncertainty that these carryforwards will be utilized, a full valuation allowance was previously established against the remaining deferred tax asset.

We have two defined benefit pension plans for certain of our U.K. and U.S. employees. Our cash funding policy is to make the minimum annual contributions required by applicable regulations. Since the plans accumulated benefit obligations are in excess of the fair value of the plans assets, we may be required to use cash from operations above our historical levels to further fund these plans in the future.

At March 31, 2004, we had no off-balance sheet arrangements that have or are likely to have a material current or future effect on our financial statements.

Our contractual obligations and commitments as of March 31, 2004 are as follows (in millions):

	Payments Due by Period				
		Less than	2-3	4-5	After
Contractual Obligations	**Total**	**1 Year**	**Years**	**Years**	**5 Years**
Long-term debt(1)	$ 696.2	$ 0.7	$ 1.4	$ 1.4	$ 692.7
Operating leases(2)	29.4	6.6	7.9	4.3	10.6

Unconditional purchase obligations(3)	63.8	8.9	17.9	17.9	19.1
Management agreement(4)	7.7	1.0	2.0	2.0	2.7
Total contractual cash obligations	$ 797.1	$ 17.2	$ 29.2	$ 25.6	$ 725.1

	Amount of Commitment Expiration per Period				
Other Commitments	**Total**	**Less than 1 Year**	**2-3 Years**	**4-5 Years**	**After 5 Years**
Amount available under the revolving credit facility	$ 126.8	$	$	$ 126.8	$
Outstanding letters of credit	8.2	8.2			
Outstanding performance bonds(5)	15.3	15.3			
Total other commitments	$ 150.3	$ 23.5	$	$ 126.8	$

(1) Includes the aggregate principal amounts at maturity for the senior discount notes of $123.5 million and the senior subordinated discount notes of $179.6 million.
(2) We lease property and equipment under non-cancelable operating leases for varying periods.
(3) We have long-term contracts to purchase certain amounts of electricity and steam.
(4) Refer to Note 11 to the consolidated financial statements and notes thereto for the year ended December 31, 2003 included in this prospectus for additional information.
(5) Refer to Note 10 to the consolidated financial statements and notes thereto for the year ended December 31, 2003 included in this prospectus for additional information related to Sales Contracts.

Our ability to make scheduled payments of principal of, to pay the interest on, or to refinance our indebtedness or to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Based on our current level of operations, we believe that cash flow from operations and available cash, together with available borrowings under our senior credit facilities, will be adequate to meet our liquidity needs over the next twelve months.

There can be no assurance, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under our senior credit facilities in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. If we consummate an acquisition, our debt service requirements could increase. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Sensitivity Analysis Related to EBITDA

In connection with the Recapitalization, and as a result of events following the Recapitalization, including our initial public offering, we have incurred significant non-recurring restructuring and other charges that impact our results of operations. As a result, our results of operations and cash flows are not indicative of what they would have been had we not incurred these non-recurring charges. We believe it would be helpful to provide a sensitivity analysis that describes our ability to satisfy our debt service, capital expenditures and working capital requirements and make dividend payments in terms of earnings before interest, taxes, depreciation or amortization, or EBITDA, and EBITDA adjusted for the restructuring and other charges described below, or Adjusted EBITDA. We believe that these non-GAAP measures can assist investors in understanding our cost structure, cash flows and financial position. In addition, the financial covenants and ratios in our senior credit facilities and our indentures, such as restrictions on payments and indebtedness and ratios relating to leverage, interest coverage and fixed charge coverage, are also tied to measures that are calculated by adjusting EBITDA as described below. We believe it is necessary to adjust EBITDA to enable investors to see how we view our business given the significant non-recurring restructuring and other charges that have historically affected our results of operations.

Table of Contents

Neither EBITDA nor Adjusted EBITDA are calculated under GAAP and neither should be considered in isolation or as a substitute for net income, cash flows or other income or cash flow data prepared in accordance with GAAP or as a measure of our profitability or liquidity. While EBITDA and Adjusted EBITDA and similar variations thereof are frequently used as a measure of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation.

The following is a summary of our restructuring and other charges incurred for each of our last three fiscal years:

For the year ended December 31, 2003

In connection with the initial public offering, we incurred and expensed certain non-recurring costs totaling $2.4 million that consisted of costs directly related to the initial public offering completed in December 2003.

For the year ended December 31, 2002

Following the Recapitalization, we incurred and expensed certain non-recurring costs totaling $7.7 million that consisted of transition costs required to establish us as an self-sustaining entity. The costs were directly related to the transition from an entity controlled by IMC Global and consisted primarily of one-time compensation costs, costs to develop stand-alone tax and inventory strategies and costs associated with determining the post-closing purchase price adjustment.

For the year ended December 31, 2001

In connection with the Recapitalization, we expensed certain transaction and transition costs. We incurred $20.1 million of transaction costs related to activities associated with the Recapitalization (which consisted primarily of costs related to outside professional services). We also expensed $6.9 million of transition costs related to activities and other charges incurred in connection with separating us from IMC Global.

The adjustments to EBITDA set forth in the table below include adjustments relating to the expenses and charges described above, which we believe are not likely to recur. Although these adjustments are not permitted as adjustments in preparing financial statements in accordance with Regulation S-X, management believes that the presentation of EBITDA, as so adjusted, provides useful information in analyzing the effects of non-recurring restructuring and other charges, including those resulting from the initial public offering and the Recapitalization.

Table of Contents

	For the year ended December 31, 2001	For the year ended December 31, 2002	For the year ended December 31, 2003	For the three months ended March 31, 2003	For the three months ended March 31, 2004	For the twelve months ended March 31, 2004
Net income (loss)	$ 19.0	$ 18.9	$ 27.2	$ 25.5	$ 30.3	$ 32.0
Income tax expense (benefit)	26.8	11.4	8.4	4.4	11.4	15.4
Interest expense	14.4	42.4	56.3	11.9	15.4	59.8
Depreciation and amortization	32.6	37.1	42.1	9.8	10.5	42.8
EBITDA	92.8	109.8	134.0	51.6	67.6	150.0
Adjustments to income (loss) from operations:						
Restructuring and other charges	27.0	7.7	2.4			2.4
Other (income) expense(1)	(3.1)	4.9	3.7	(0.3)	0.5	4.5
Adjusted EBITDA	$ 116.7	$ 122.4	$ 140.1	$ 51.3	$ 68.1	$ 156.9

(1) Other (income) expense primarily includes losses on early retirements of debt ($5.3 million in 2002), costs related to amending our senior credit facilities ($1.4 million in 2003), gain related to the early extinguishment of debt ($1.9 million in 2003), interest income and non-cash foreign exchange gains and losses.

Effects of Currency Fluctuations and Inflation

We conduct operations in Canada, the United Kingdom and the United States. Therefore, our results of operations are subject to both currency transaction risk and currency translation risk. We incur currency transaction risk whenever we or one of our subsidiaries enter into either a purchase or sales transaction using a currency other than the local currency of the transacting entity. With respect to currency translation risk, our financial condition and results of operations are measured and recorded in the relevant local currency and then translated into U.S. dollars for inclusion in our historical combined and consolidated financial statements. Exchange rates between these currencies and U.S. dollars in recent years have fluctuated significantly and may do so in the future. The majority of our sales and costs are denominated in U.S. dollars, with pounds sterling and Canadian dollars also being significant. The weakened U.S. dollar against the pound sterling and Canadian dollar has had a positive impact on our reported consolidated sales. However, significant changes in the value of the Canadian dollar, the euro or pound sterling relative to the U.S. dollar could have a material adverse effect on our financial condition and our ability to meet interest and principal payments on U.S. dollar denominated debt, including borrowings under our senior credit facilities.

Seasonality

We experience a substantial amount of seasonality in salt sales. The result of this seasonality is that sales and operating income are generally higher in the first and fourth quarters and lower during the second and third quarters of each year. In particular, sales of highway and consumer deicing salt products are seasonal as they vary based on the severity of the winter conditions in areas where the product is used. Following industry practice in North America, we stockpile sufficient quantities of deicing salt in the second, third and fourth quarters to meet the estimated requirements for the winter season.

Market Risk

Interest Rate Risk

As of March 31, 2004, we had $68.1 million of debt outstanding under the term loan credit facility and no borrowings outstanding under our revolving credit facility. Both the term loan credit facility and

Table of Contents

revolving credit facility are subject to variable rates. Accordingly, our earnings and cash flows are affected by changes in interest rates. Assuming no change in the term loan credit facility borrowings at March 31, 2004, and an average level of borrowings from our revolving credit facility at variable rates, and assuming a one hundred basis point increase in the average interest rate under these borrowings, it is estimated that our interest expense for the three months ended March 31, 2004 would have increased by approximately $0.2 million. Actual changes may vary from hypothetical changes.

Foreign Currency Risk

We conduct our business primarily in the United Kingdom and North America and export some products to Europe, Southeast Asia and Latin America. Our operations may, therefore, be subject to volatility because of currency fluctuations, inflation changes and changes in political and economic conditions in these countries. Sales and expenses are frequently denominated in local currencies and results of operations may be affected adversely as currency fluctuations affect our product prices and operating costs or those of our competitors. We may engage in hedging operations, including forward foreign exchange contracts, to reduce the exposure of our cash flows to fluctuations in foreign currency rates. We will not engage in hedging for speculative investment reasons. Our historical results do not reflect any foreign exchange hedging activity. There can be no assurance that our hedging operations will eliminate or substantially reduce risks associated with fluctuating currencies.

A hypothetical 10% change in the exchange rates compared to the U.S. dollar would have an estimated $0.4 million impact on earnings for the three months ended March 31, 2004. Actual changes in market prices or rates may differ from hypothetical changes.

Commodity Pricing Risk: Commodity Derivative Instruments and Hedging Activities

We have reviewed various options to mitigate the impact of fluctuating natural gas prices. During 2003 and 2004, we instituted a hedging policy to mitigate the impact of fluctuations in the price of natural gas. The notional volumes hedged are based on a combination of factors, including estimated natural gas usage, current market prices and historical market prices. Pursuant to our policy, we enter into contractual gas price swaps related to the purchase price of our natural gas requirements up to 36 months in advance of the physical purchase of the natural gas and hedge up to approximately 80% of our expected natural gas usage. We have determined that these financial instruments qualify as cash flow hedges under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activity, as amended. The notional amount of natural gas swap derivative contracts outstanding at March 31, 2004 that expire in one year or less and expire greater than one year total $7.0 million and $3.5 million, respectively.

Excluding natural gas prices hedged with derivative instruments, a hypothetical 10% adverse change in our natural gas prices during the three months ended March 31, 2004 would have had an estimated $0.2 million impact on earnings. Actual results may vary based on actual changes in market prices and rates.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board, or FASB, issued SFAS No. 143, Accounting for Obligations Associated with the Retirement of Long-Lived Assets. The objective of SFAS No. 143 is to establish an accounting standard for the recognition and measurement of an obligation related to the retirement of certain long-lived assets. The retirement obligation must be one that results from the acquisition, construction or normal operation of a long-lived asset. SFAS No. 143 requires the legal obligation associated with the retirement of a tangible long-lived asset to be recognized at fair value as a liability when incurred and the cost to be capitalized by increasing the carrying amount of the related long-lived asset. SFAS No. 143 became effective for us and was adopted on January 1, 2003. Its adoption did not have a material impact on our financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This statement requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No. 146 on January 1, 2003 did not have a material impact on our financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, which provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under APB Opinion No. 25 to SFAS No. 123 s fair value method of accounting, if a company so elects. Through December 31, 2002, we accounted for our stock option plan under the recognition and measurement provisions of APB Opinion No. 25. In the fourth quarter of 2003, we adopted the preferable fair value recognition provisions of SFAS No. 123 using the prospective method of adoption as described in SFAS No. 148. Under the prospective method, all options granted or modified after January 1, 2003 are accounted for under the fair value method retroactively effective as of January 1, 2003. The impact of this adoption, under the fair value recognition provisions, resulted in stock option compensation expense of approximately $0.1 million in 2003.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, that was effective beginning with our third quarter of 2003. This statement established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It required that an issuer classify a financial instrument that is within its scope as a liability. Many of those instruments were previously classified as equity. In the third quarter of 2003, we adopted the new rules on accounting for our mandatorily redeemable preferred stock as set forth in SFAS No. 150. The adoption of this statement required the reclassification of our mandatorily redeemable preferred stock to noncurrent liabilities in our consolidated balance sheet and to account for dividends declared after July 1, 2003 on this financial instrument as interest expense in our combined and consolidated statement of operations. The noncurrent liability was subsequently repaid in December 2003.

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46). FIN 46 establishes accounting guidance for consolidation of variable interest entities that function to support the activities of the primary beneficiary. FIN 46 applies to any business enterprise, public or private, that has a controlling interest, contractual relationship or other business relationship with a variable interest entity. In December 2003, the FASB issued Interpretation No. 46(R) (FIN 46(R)), which supercedes FIN 46. FIN 46(R) is effective for all special purpose entities (SPEs) created prior to February 1, 2003 at the end of the first interim or annual reporting period ending after December 15, 2003. FIN 46(R) is applicable to all non-SPEs created prior to February 1, 2003 by public entities at the end of the first interim or annual reporting period ending after March 15, 2004. The Company has determined that it has no SPEs. The Company reviewed the applicability of FIN 46(R) to entities other than SPEs and has determined that the adoption of FIN 46(R) did not have a material effect on its consolidated financial statements.

Table of Contents

In April 2004, the FASB issued FASB staff position (FSP) FAS 141-1 and FAS 142-1, Interaction of FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, and Emerging Issues Task Force (EITF) Issue No. 04-2, Whether Mineral Rights Are Tangible or Intangible Assets. This FSP amends SFAS Nos. 141 and 142, and requires mineral rights to be accounted for as tangible assets based on the consensus reached in EITF 04-2. We will adopt the guidance in this FSP on July 1, 2004, and this will result in the balance sheet reclassification of approximately $147 million of net mineral rights from intangible assets to property, plant and equipment. Prior period amounts will be similarly reclassified. This FSP will have no impact on our consolidated statements of operations or cash flows.

BUSINESS

Company Overview

We are the largest producer of rock, or highway deicing, salt in North America and the United Kingdom, and operate the largest highway deicing salt mines in these regions. We are also the third largest producer of general trade salt in North America and the second largest in the United Kingdom, serving major retailers, agricultural cooperatives and food producers. In addition, we are the largest producer of SOP in North America, which is used in the production of specialty fertilizers. Salt is one of the most widely used minerals in the world and has a wide variety of end-use applications, including highway deicing, food-grade applications, water conditioning and various industrial uses.

We sell our highway deicing salt primarily to state, provincial, county and municipal highway departments for deicing applications. While subject to weather-related variations in demand, highway deicing salt is not materially affected by economic downturns, as it is an essential part of highway maintenance to ensure public safety and continued personal and commercial mobility. Due to the lack of cost-effective alternatives and the steadily expanding highway infrastructure, the production of highway deicing salt in the United States has increased over time at a historical average of approximately 1% per annum during the thirty year period ending 2002, while prices have increased at a historical average of approximately 4% per annum during the same period.

We offer a full range of general trade salt products distributed to several end-use markets, including consumer applications such as table salt, water conditioning and consumer ice control, as well as food processing, agricultural applications and a variety of industrial applications. Based on tonnage, we believe we are the largest private label producer of water conditioning salt and the largest producer of salt-based agricultural products in North America. We manufacture more than 70 private labels of table salt for grocers and major retailers and, in Canada, we market salt under the popular Sifto® brand name. We are also the market leader in the United Kingdom for water conditioning salt. We believe that our general trade salt products are generally not susceptible to economic cycles as a result of the non-discretionary need for, and low cost of, salt. During the thirty year period ending 2002, the production of general trade salt in the United States has increased over time at a historical average of over 1% per annum, while prices have increased at a historical average of approximately 5% per annum.

We are the market leader in North American sales of SOP. Approximately 73% of our SOP sales in 2003 were made to domestic customers, which include fertilizer manufacturers, dealers and distributors. SOP is primarily used as a specialty fertilizer, providing essential potassium to high-value, chloride-sensitive crops, including some types of nuts, vegetables and fruits, tea, tobacco and turf grass. We believe that there are growth opportunities for SOP both domestically and internationally because of its favorable impact on crop yield and quality and its superior performance over commodity potash. As a result of our renewed marketing and sales focus on the SOP segment, our sales volumes of SOP increased at a compound annual growth rate of 15% for the two years ended December 31, 2003. Our abundant mineral resources and low cost manufacturing processes enhance margins that are attractive compared to those of other fertilizer products.

We operate eleven facilities in North America and the United Kingdom, including the largest rock salt mine in the world in Goderich, Ontario. We also operate the largest salt mine in the United Kingdom in Winsford, Cheshire. In addition, we operate the largest North American SOP production facility in Ogden, Utah. At most of our production locations, we estimate the recoverable minerals to exceed 100 years of reserves at current production rates and capacities. These facilities and the approximately 75 local depots we utilize are strategically located to serve our highway deicing markets in a cost-effective manner.

47

Table of Contents

Our Competitive Strengths

Leading Market Positions We are the second largest producer of salt in North America with approximately 28% of total production capacity and, together with the other two largest salt producers, represent approximately 77% of total production capacity in North America. In the United Kingdom, we are the largest highway deicing salt producer with 63% of total production capacity and, together with the next two largest producers, represent 100% of total production capacity. In the North American SOP market, we are the leading producer and, together with the second largest North American SOP producer, represent approximately 66% of sales in the North American market.

Low Cost Producer We believe that our Goderich, Ontario, Cote Blanche, Louisiana and Winsford, Cheshire facilities are the lowest cost, high volume rock salt mines in the markets in which we sell. This cost advantage is a result of the size and quality of our reserves, effective mining techniques and efficient production processes. In addition, our North American mines are located near either rail or water transport systems, thereby minimizing shipping and handling costs, which constitute a significant portion of the overall delivered cost of salt. Through our solar evaporation facility in Ogden, Utah, we believe that we are among the lowest cost solar salt producers in our North American markets and among the lowest cost producers of SOP in the world. Since 1998, we have implemented cost-cutting measures, including manpower and energy efficiencies, and pursued significant capital investments to improve mining technology and production efficiencies, and to expand and rationalize production.

Stable Financial Performance Our business is generally less susceptible to economic cycles based on the non-discretionary need for salt products and their low cost nature. The overriding concern for public safety insulates the demand for salt used for highway maintenance from economic cycles. For example, from the 1999-2000 winter season to the 2002-2003 winter season, total volumes tendered to us and our competitors in the annual bidding process in the markets we serve in North America have increased an average of 1.8% per year. Total volumes tendered increased an additional 5% for the 2003-2004 winter bid season in the same markets. Also, in our highway deicing product line, pricing is set and volume is reserved up to a year in advance under annual contracts. The volumes tendered in the annual bidding process are non-binding indications of customers expected volume requirements for the upcoming winter bid season. While winter weather conditions in individual locations are difficult to predict, the overall amount of snowfall and general intensity of winter weather conditions across our major target markets in the U.S. Upper Midwest and the U.S. and Canadian Great Lakes region are relatively stable. As a result, over the last 18 years, we have, on average, sold approximately 100% of our committed volume. During the 2003-2004 winter season, we sold 102% of our committed volumes. In our general trade salt product line, sales are generally secured through our long-term customer relationships. Our manufacturing costs are relatively stable and our cost per ton has remained relatively constant over the last several years. Our fully-integrated manufacturing processes do not materially depend on the consumption of any individual raw materials susceptible to market price fluctuations.

Strong Free Cash Flow We generate strong cash flow from operations, after capital expenditures, as a result of our high margins and low maintenance capital expenditures. We believe that our high margins are the result of our low and stable production costs, variable operating cost structure, efficient distribution network, strong market positions and the related multiple end-use regional markets in which we operate. From 2000 to 2003, we have been able to improve our gross profit as a percentage of sales from 19% to 25% due to higher prices and our improved cost structure. Our recurring low maintenance capital expenditure requirements of approximately $20 million to $25 million per annum, coupled with the non-cyclical nature of our business, provide a stable stream of cash flow. During 1998 to 2001, we spent on average in excess of $17 million per year in capital expenditures for capacity expansions and productivity enhancements. We believe that our capacity is

Table of Contents

sufficient to meet our current growth initiatives without significant additional spending and that future growth capital will be spent only upon the expectation of significant returns. Our free cash flow allows us to reduce our indebtedness, reinvest in our business or pay dividends.

Diversified Customer Base We have a diversified customer base in a wide variety of end markets that have few economical substitutes for the products we sell. Salt is used in many different products and in a wide variety of consumer and industrial applications. Consumption of salt is relatively stable over the long term and generally increases as the general population grows. Due to the unique characteristics and low cost of salt, consumers cannot cost-effectively substitute any other product for salt, resulting in relatively stable consumption and growth over the long term. Salt is one of the most cost-effective products available for deicing applications. For example, the next most cost-efficient highway deicer is calcium chloride, which costs approximately three to five times more, depending on freight charges. Similarly, there is currently no cost-effective substitute for salt in the water conditioning and food processing markets. Our presence in different segments of the general trade market effectively diversifies our exposure to events affecting any single end-use market. No single customer accounted for more than 5% of our 2003 sales while our top ten customers accounted for approximately 19% of our 2003 sales.

Industry Expertise We believe that our mining and logistics expertise and quality of service in the highway deicing salt business give us a strong competitive advantage. As a result of our low production costs, transportation and handling costs tend to be a significant component of the total delivered cost of salt, making logistics a key competitive factor in the industry. We maintain approximately 75 depots in North America for storage and distribution of highway deicing salt and we consider our salt distribution network to be the most extensive in the markets in which we sell. Our over 35 years of market experience in the North American highway deicing salt business, proven customer service, product quality and modeling techniques enable us to bid effectively on highway deicing salt contracts. Our customers in charge of maintaining public safety over their road network have stringent qualification standards and a strong preference for dealing with existing salt manufacturers that can handle bulk capacity and have track records for on-time delivery.

Significant Barriers to Entry We believe that our rock salt mines are the lowest cost, high volume mines in the markets in which we sell. In addition, our mineral rights are strategically located and we believe that there are no undeveloped high quality salt reserves available for new market entrants in close proximity to both low cost transportation systems and our end-use markets. Since shipping and handling costs constitute a significant portion of the overall delivered cost of salt, it would be difficult for new market entrants to significantly encroach on our highway deicing service territory, which is concentrated around the U.S. Upper Midwest and the U.S. and Canadian Great Lakes region. Our asset base for all of our significant businesses is large and it would be extremely expensive and time-consuming to replicate. Our long-term relationships with many of our general trade and highway deicing salt customers, coupled with the higher standard of care required in handling food grade salt, create a deterrent for potential new entrants. High quality potassium sulfate reserves for our SOP business are scarce and we believe that there are no known comparable commercially viable sources in North America other than those currently being extracted.

Our Business Strategy

Increase Sales We seek to be the market leader with respect to profitable sales growth. We believe that we can achieve this goal by:

Leverage our leading market positions. We intend to strengthen our leadership position in the highway deicing business by focusing on the customers located within our distribution network. We believe that this will allow us to efficiently grow our business in line with market volume and price

49

growth, which in the United States have increased at a historical average of approximately 1% and 4% per annum, respectively, during the thirty year period ending 2002. We believe we can further increase sales to our existing and new customers by offering liquid deicing products and other value-added deicing and anti-icing products that improve the application of the product to roads and permit the conditioning of roads prior to the impact of snow and ice. We plan to improve our profitability in our general trade salt product line by focusing on shifting our sales mix to more higher-value consumer salt products, which contribute more margins per volume of product sold. For example, the production capacity of our premium consumer water conditioning product is being increased to meet the continued growth in demand in this faster growing segment of the salt business. In addition, in 2002 we launched our first high-value deicing product in Canada, Sifto ®s Extreme Icemelter, which is beginning to effectively compete in this under-served market.

Increase service offerings. We plan to expand the scope of our management of customer inventory and replenishment systems, such as the deicing management services we provide for some U.K. customers. We currently have several contracts in place for these services in the United Kingdom

and anticipate entering into additional contracts in the future. Also, we are beginning to develop alternative mine uses, such as waste disposal and document storage. For this purpose, we have entered into a joint venture with a subsidiary of Violia Environnement to use the excavated space in our mine in the United Kingdom as a document storage site and the joint venture awaits a final permit to also dispose of hazardous waste. In addition, we are working with various third parties to develop some of our North American salt facilities as storage sites for natural gas and waste. We expect to generate new ongoing cash flow streams from these alternative uses.

Continue to take advantage of growth opportunities in SOP. We believe that the declining sales volumes in the SOP product line from 1999 to 2001 were the result of SOP, a non-core product of IMC Global, not receiving sufficient focus to realize its market potential. Following the Recapitalization, we recruited an experienced global sales force dedicated to marketing the many benefits of SOP versus other potassium sources. This renewed marketing focus improved sales volumes in our SOP business by a compound annual growth rate of 15% for the two years ended December 31, 2003. In December 2003, we completed the purchase of IMC Global s remaining SOP marketing business, which sold over 100,000 tons of SOP in 2002. With the existing capacity of our single, low-cost solar evaporation production facility in Ogden, Utah, we intend to continue to build our customer service focus in our SOP business line.

Supplement growth through acquisitions. To supplement internal growth, we may pursue acquisitions of small complementary businesses in both North America and Europe. There are several smaller producers of highway deicing salt, the acquisition of which could be attractive to further expand the scope of our operations. There are also several independent salt producers in various niches of the salt market, which could broaden both our geographic coverage and product diversity.

Improve Profitability We are focused on improving our profitability by achieving productivity enhancements and by improving our cost platform. From 1998 through 2001, we implemented manufacturing programs to consolidate our facilities and expand our production capacity by over 300,000 tons while divesting less efficient operations. We have increased our workforce productivity as measured by production head count per ton by over 7% per annum in our general trade salt product line over the period from 1998 to 2003 through increased automation and capacity increases. In 2002, we began operating a continuous miner and shaft automation system, which has decreased manufacturing costs and increased manpower productivity at our Winsford facility. More recently, we have focused our discretionary capital spending projects on energy efficiencies and incremental capacity expansions to grow our production capabilities with the market. We monitor the performance of each product line on a regular basis to aid in meeting target sales and margin goals. By growing our share of the highway deicing market, we believe that we have an opportunity to improve our margins and overall profitability in this product line. We intend to continue to achieve greater productivity from previously invested capital and to improve our average price levels and our customer mix.

Maximize Cash Flow For the twelve months ended March 31, 2004, cash flow from operating activities (which includes cash interest and cash taxes), less capital expenditures, was $76.3 million. We intend to maximize our cash flow realization through effective working capital management and prudent reinvestment in our business. We intend to manage our working capital efficiently and generate cash flow from enhanced management focus. We expect to spend approximately $20 million to $25 million annually on maintenance capital expenditures in support of our operations. During 1998 to 2001, we spent on average more than $17 million per year in capital expenditures for capacity expansions and productivity enhancements. Because of this spending, we believe that our capacity is sufficient to meet our current growth initiatives without significant additional spending and that future growth capital will be spent only upon the expectation of significant returns. Also, in connection with the recapitalization of the Company in November 2001, we received NOLs and expect to realize cash tax savings if these NOLs are able to be utilized. We intend to use our free cash flow to reduce our indebtedness, reinvest in our business or pay dividends.

Salt Segment

We mine, produce, process and distribute salt in North America and Europe, including rock, evaporated and solar salt. Our products are marketed primarily in the United States, Canada and the United Kingdom. Salt is used in a wide variety of applications, including as a deicer for both highway and consumer use (rock salt), an ingredient in the production of chemicals for paper bleaching, water treatment and a variety of other industrial uses, a flavor enhancer and preservative in food, a nutrient and trace mineral delivery vehicle in animal feeds and an essential component in both industrial and residential water softeners. The demand for salt has historically remained relatively stable during economic cycles due to its relatively low cost and high value with a diverse number of end uses.

However, demand in the highway deicing market is affected by changes in winter weather conditions. Over the last four fiscal years, our North American highway deicing product line has generated over 61% of its annual sales, net of shipping and handling costs, during the months of December through March.

Salt Industry Overview

The salt industry is characterized by stable demand and steady price increases across various grades. Salt is one of the most common and widely consumed minerals in the world due to its low relative cost and its utility in a variety of applications, including food processing, water conditioning, industrial chemical processing, nutritional supplements for animal stock and highway deicing. We estimate that the consumption of highway deicing salt in North America is 23 million tons per annum (18 million tons per annum in the markets we serve), while the general trade market totals 11 million tons per annum. In the United Kingdom, we estimate that the size of the highway deicing market is 1.9 million tons per annum while the general trade market is approximately 1.0 million tons per annum. During the thirty-year period ending 2002, the production of salt used in highway deicing in the United States has increased at an historical average of approximately 1% per annum, while the production of general trade salt products has increased at an historical average of more than 1% per annum over the same period.

Salt prices vary according to purity from the lowest grade (highway deicing salt) at around $20 per ton to the highest-grade salt (food-grade salt) at more than $400 per ton. The price difference between highway and food-grade salt reflects, among other things, the more elaborate refining and packaging processes for higher-grade salt. Due to its low production cost, transportation and handling

51

costs tend to be a significant component of the total delivered cost making logistics management and customer service key competitive factors in the industry. The higher relative cost associated with transportation also acts as a barrier to entry in favor of salt manufacturers located in close proximity to their customers. During the thirty year period ending 2002, prices for salt used in highway deicing in the United States have increased at a historical average of approximately 4% per annum, while prices for general trade salt products have increased at a historical average of approximately 5% per annum over the same period.

Processing Methods

We have production capacity, including salt purchased under long-term contracts, of approximately 14.5 million tons of salt per annum. Mining, other production activities and packaging are currently conducted at 11 of our facilities and at two facilities where finished product is purchased from IMC Global under long-term contracts.

Summarized below are the three processing methods we use to produce salt.

Underground Rock Salt Mining. We employ a drill and blast mining technique at our underground rock salt mines. Mining machinery moves salt from the salt face to conveyor belts where it is then crushed and screened. Salt is then hoisted to the surface where it is loaded onto shipping vessels, railcars or trucks. The primary power sources for each of our rock salt mines are electricity and diesel fuel. At our Winsford, U.K. facility, we use a continuous miner process. Rock salt is primarily used in our highway and consumer deicing products. Based on our annual production capacities, our underground rock salt mining represents approximately 78% of our salt production.

Mechanical Evaporation. The mechanical evaporation method involves subjecting salt-saturated brine to vacuum pressure and heat, generated by natural gas or oil, to precipitate salt. The salt brine is obtained from underground salt deposits through a series of brine wells. The resulting product has both a high purity and uniform physical shape. Evaporated salt is primarily used in our general trade salt product lines. Based on annual production capacities, our mechanical evaporation represents approximately 12% of our salt production.

Solar Evaporation. The solar evaporation method is used in areas of the world where high salinity brine is available and where weather conditions provide for a high natural evaporation rate. The brine is pumped into a series of large open ponds where sun and wind evaporate the water and crystallize the salt, which is then mechanically harvested and processed through washing, drying and screening. Solar salt is primarily used in our general trade salt product lines. Based on our annual production capacities, our solar evaporation represents approximately 10% of our salt production.

Operations and Facilities

United States. Our Central and Midwestern United States general trade customer base is served by our mechanical evaporation plant in Lyons, Kansas. Additionally, we serve areas around the Great Lakes with evaporated salt purchased from IMC Global s potash and salt facility in Michigan. The Cote Blanche, Louisiana rock salt mine serves chemical customers in the Southern and Western United States, highway deicing customers through a series of depots located along the Mississippi and Ohio Rivers, and agriculture customers in the Southern and Midwestern United States. Our solar evaporation facility located in Ogden, Utah is the largest solar salt production site in the United States. This facility principally serves the Western United States general trade markets, and also provides salt for chemical applications, and highway deicing, and provides magnesium chloride which is primarily used in deicing, dust control and soil stabilization applications. Production capacity of salt at our Ogden facility is currently only limited by demand. We also own and operate two salt packaging facilities in

Table of Contents

Illinois and Wisconsin which also serve consumer deicing and water conditioning customers in the Central, Midwestern and parts of the Northeastern United States.

Canada. Our salt is produced at five different locations in Canada. Mechanically evaporated salt is produced at three facilities strategically located throughout Canada: Amherst, Nova Scotia in Eastern Canada; Goderich, Ontario in Central Canada; and Unity, Saskatchewan in Western Canada. From the Goderich, Ontario rock salt mine, we serve the consumer and highway deicing markets in Canada and the Great Lakes region of the United States. We also purchase salt and other products from IMC Global s potash and salt facilities located in Saskatchewan, which serve both the general trade and the highway deicing markets.

United Kingdom. Our United Kingdom customer base is served by two facilities. Highway deicing customers throughout the United Kingdom are served by the Winsford rock salt mine in Northwest England. The Weston Point mechanical evaporation plant is located twelve miles north of the mine and serves our general trade and chemical customers in the United Kingdom as well as in continental Europe.

The table below shows the capacity and type of salt produced at each of our owned or leased production locations:

Location	**Annual Production Capacity (tons)**	**Product Type**
North America		
Goderich, Ontario Mine	6,500,000	Rock
Cote Blanche, Louisiana Mine	2,800,000	Rock
Ogden, Utah Plant	1,500,000	Solar
Lyons, Kansas Plant	450,000	Evaporated
Unity, Saskatchewan Plant	175,000	Evaporated
Goderich, Ontario Plant	175,000	Evaporated
Amherst, Nova Scotia Plant	120,000	Evaporated
United Kingdom		
Winsford, Cheshire Mine	2,000,000	Rock
Weston Point, Cheshire Plant	850,000	Evaporated

Salt production at these facilities totaled an aggregate 12.0 million tons, 10.0 million tons and 12.2 million tons for the years ended December 31, 2003, 2002 and 2001, respectively.

Salt is found throughout the world and is typically deposited in extremely large quantities where it is commercially produced. Our mines at Goderich, Cote Blanche and Winsford, as well as at our other operating facilities, are proximate to vast mineral deposits. In most of our production locations, we estimate the recoverable salt to exceed 100 years of reserves at current production rates and capacities. Our rights to extract those minerals may currently be contractually limited by either geographic boundaries or time. We believe that we will be able to continue to extend these agreements, as we have in the past, at commercially reasonable terms, without incurring substantial costs or incurring material modifications to the existing lease terms and conditions, thereby allowing us to extract the additional salt necessary to fully develop our existing mineral rights.

Our underground mines in Canada (Goderich, Ontario), the United States (Cote Blanche, Louisiana) and the United Kingdom (Winsford, Cheshire) make up approximately three-fourths of our salt producing capacity. Each of these mines are operated with modern mining equipment and utilize subsurface improvements such as vertical shaft lift systems, milling and crushing facilities, maintenance and repair shops and extensive conveyor systems. We believe that the properties and their operating equipment are maintained in good working condition.

The land and related surface rights at the Goderich mine are owned. We also maintain a mineral lease at Goderich with the provincial government, which grants us the right to mine salt. This lease expires in 2022 with the option to renew until 2043. Cote Blanche is operated under land and mineral leases with a third-party landowner that grants us the right to mine salt. This lease expires in 2060. We own the land, related surface rights and salt reserves at the Winsford mine.

Our mines at Goderich, Cote Blanche and Winsford have been in operation for approximately 44, 38 and 158 years, respectively. At current average rates of production, we estimate that our remaining years of production for the recoverable minerals we presently own or lease to be 177, 93 and 32 years, respectively. Our mineral interests are amortized on an individual basis over estimated useful lives not to exceed 99 years using the units-of-production method for leased mineral rights and the straight-line method for owned minerals. Our estimates are based on, among other things, both internal estimates and the results of reserve studies completed by a third-party engineering firm. The reserve estimates are primarily a function of the area and volume covered by the mining rights and estimates of extraction rates utilized by the Company with the reasonable expectation of reliably operating the mines on a long-term basis. Established criteria for proven and probable reserves is primarily applicable to mining deposits of discontinuous metal, where both presence of ore and its variable grade need to be precisely identified. However, the massive continuous nature of evaporative deposits, such as salts, require proportionately less data for the same degree of confidence in mineral reserves, both in terms of quantity and quality. Reserve studies performed by a third-party engineering firm suggest that our salt reserves most closely resemble probable reserves and we have therefore classified our reserves as probable reserves.

We package salt product produced by us or others at two additional facilities. The table below shows the packaging capacity at each of these facilities:

Location	Annual Packaging Capacity (tons)
Kenosha, Wisconsin	100,000
Chicago, Illinois	100,000

We also have a long-term contract to purchase finished salt from IMC Global, which is produced as a co-product of their potash operations. The table below shows the approximate volume and type of salt purchased from each of these production facilities:

Location	Tons	Product Type
Esterhazy, Saskatchewan	200,000	Rock
Hersey, Michigan	250,000	Evaporated

We divide our salt products into two separate product lines: highway deicing salt (including chemical salt) and general trade salt.

Highway Deicing Salt Products

Products and Sales

Highway deicing constituted approximately 47% of our gross sales of salt in 2003. Principal customers are states, provinces, counties, municipalities and road maintenance contractors that purchase bulk salt for ice control on public roadways. Highway deicing salt is sold primarily through an annual tendered bid contract system as well as through some longer-term contracts, with price, product quality and delivery being the primary competitive market factors. Annual supply contracts generally are awarded on the basis of tendered bids once the purchaser is assured that the minimum requirements for purity, service and delivery can be met. The bidding process eliminates the need to invest significant time and effort in marketing and advertising. Location of the source of salt and distribution outlets also play a significant role in determining a supplier. We have an extensive network of approximately 75 depots for storage and distribution of highway deicing salt in North America. The majority of these depots are located on the Great Lakes and the Mississippi and Ohio River systems where our Goderich, Ontario and Cote Blanche, Louisiana mines are located to serve those markets. Salt from our Ogden, Utah facility is also partially used for highway deicing.

We produce salt in the United Kingdom for the highway deicing product line through our facility at Winsford, Cheshire, the largest rock salt mine in the United Kingdom. We believe our superior production capacity, productivity and favorable logistics allow us to be the only supplier of highway deicing salt capable of meeting peak winter demands in the United Kingdom. This strong position has resulted in us being viewed as a strategic operation by the United Kingdom s Highway Agency. As such, we work with the Highway Agency to develop standards for deicing product specifications and to monitor Highway Agency deicing application contractors. We further act as a primary contact for the Highway Agency in connection with winter road management in the United Kingdom. In the United Kingdom approximately 59% of our highway deicing business is on multi-year contracts.

Winter weather variability is the most significant factor affecting salt sales for deicing applications because mild winters reduce the need for salt used in ice and snow control. Over the last four years, our North American highway deicing product line has generated over 61% of its annual sales, net of shipping and handling costs, from December through March when the need for highway deicing is at its peak. Lower than expected sales during this period could have a material adverse effect on our results of operations. The vast majority of North American deicing sales are made in Canada and the Midwestern United States where winter weather is generally harsher than in other parts of North America. In keeping with industry practice, we, together with our customers, stockpile sufficient quantities of salt to meet estimated requirements for the next winter season. See Risk Factors The seasonal demand for our products and the variations in our cash flows from quarter to quarter as a result of weather conditions may have an adverse effect on our results of operations and the price of our common stock and Management s Discussion and Analysis of Financial Condition and Results of Operations Seasonality.

Chemical customers accounted for approximately 6% of our 2003 gross sales of salt. Principal customers are producers of intermediate chemical products used in pulp bleaching, water treatment and a variety of other industrial uses that do not have a captive source of brine. Distribution into the chemical market is made primarily through multi-year supply agreements, which are negotiated privately. Price, service and product quality are the major competitive market factors.

The table below shows our shipments of highway deicing and chemical salt products to the following regions (thousands of tons):

	Year Ended December 31,					
	2001		2002		2003	
	Tons	%	Tons	%	Tons	%
U.S.	5,656	60	5,104	64	6,267	65
Canada	2,301	25	2,162	27	2,560	26
Europe and Others	1,445	15	699	9	836	9

Total	9,402	100	7,965	100	9,663	100

Table of Contents

Competition

We face strong competition in each of the markets in which we operate. In North America, other large, nationally recognized companies compete against our highway deicing and chemical salt products. In addition, there are several smaller regional producers of highway deicing salt. There are several importers of salt into North America but these mostly impact the Eastern seaboard where we have a minimal position. In the United Kingdom, there are two other companies that produce highway deicing salt, one in Northern England and the other in Northern Ireland. There are no significant imports of highway deicing salt into the United Kingdom.

General Trade Salt Products

Products and Sales

The general trade business accounted for approximately 47% of our 2003 gross sales of salt. We are the third largest producer of general trade salt in North America. This product line includes commercial and consumer applications, such as table salt, water conditioning, consumer ice control, food processing, agricultural applications, as well as a variety of industrial applications. We believe that we are the largest private label producer of water conditioning and salt-based agricultural products in North America and sell more than 70 private labels of table salt to major retailers. Our Sifto® brand is well recognized in the Canadian market.

In the United Kingdom we operate the largest evaporated-salt plant in the United Kingdom at Weston Point. We are one of the U.K. s market leaders in branded evaporated salt for water conditioning. We also produce salt for the food, chemical, animal feeds and textile markets.

We have maintained a significant presence in the general trade business over recent years due to our strong focus on: (i) the Midwestern region of the United States; (ii) all of Canada and the United Kingdom; (iii) our distribution network to the grocery trade; and (iv) our relationships with large distributors of water conditioning salt.

The general trade market is driven by strong customer relationships. Sales in the general trade salt product line occur through retail channels, such as grocery stores, building supply, hardware and automotive stores and feed suppliers. Distribution in the general trade salt product line is channeled through a direct sales force located in various parts of our service territories who sell products to distributors, dealers and end users. We also maintain a network of brokers who sell table salt, consumer deicing and water conditioning products. These brokers service wholesalers, grocery chains and retailers, as well as the food service industry.

The table below shows our shipments of general trade salt products to the following regions (thousands of tons):

	Year Ended December 31,

	2001		2002		2003	
	Tons	**%**	**Tons**	**%**	**Tons**	**%**
United States	1,725	61	1,629	59	1,758	60
Canada	513	18	506	18	565	19
Europe and Others	584	21	651	23	604	21
Total	2,822	100	2,786	100	2,927	100

56

Table of Contents

Competition

In North America, other large nationally recognized companies compete against our salt business in production and marketing of general trade salt products. In addition, there are several smaller regional producers of general trade salt. There are several importers of salt into North America but they mostly impact the East Coast and West Coast of the United States where we have a minimal position. In the United Kingdom, there is one other large domestic producer of general trade salt, several small local producers and some imports from continental Europe. We also export salt from the United Kingdom to Scandinavia and continental Europe and compete with many other European producers in these markets.

Specialty Potash Segment

SOP is primarily used as a specialty fertilizer, providing essential potassium to high-value, chloride-sensitive crops, such as vegetables, fruits, tea, tobacco and turf grass. We are the market leader in North America for SOP and market SOP products both domestically and overseas. We offer several grades of SOP which are designed to differentiate us from our competitors, as well as to better serve the needs of our customers. In 2003, the specialty potash segment accounted for approximately 10% of our sales after shipping and handling costs.

Potash Industry Overview

The annual worldwide consumption of all potash fertilizers approaches 50 million tons. Muriate of potash, or potassium chloride, is the most common source of potassium and accounts for over 90% of all potash consumed in fertilizer production. SOP represents about 5% of potash consumption. The remainder is supplied in the forms of potassium magnesium sulfate, nitrate of potassium, and, to a lesser extent, potassium thiosulfate and monopotassium phosphate. All of these products contain varying concentrations of potassium expressed as potassium oxide (K_20) and different combinations of co-nutrients.

Muriate of potash is the least expensive form of potash fertilizer based on the concentration of K_20. It is the preferred potassium source for most crops. However, SOP (containing approximately 50% K_20) is utilized by growers for many high-value crops, especially where the requirements are for fertilizers with low chloride content. The use of SOP has been scientifically proven to improve the yield and quality of certain crops.

Examples of crops where SOP is utilized to increase yield and quality include tobacco, tea, potatoes, citrus fruits, grapes, almonds, some vegetables and on turfgrass for golf courses. Approximately 73% of our annual SOP sales volumes in 2003 were made to domestic customers, which include retail fertilizer dealers and distributors of professional turf care products. These dealers and distributors combine or blend SOP with other fertilizers and minerals to produce fertilizer blends tailored to individual requirements.

Operations and Facilities

All of our SOP production is located on the Great Salt Lake west of Ogden, Utah. It is the largest SOP production facility in North America. The evaporation facility utilizes solar energy and operates over 40,000 acres of evaporation ponds to manufacture SOP and magnesium chloride from the brines of the Great Salt Lake. The property utilized in our operation is both owned and leased under annually renewing leases. This facility has the capacity to annually produce approximately 450,000 tons of SOP, approximately 400,000 tons of magnesium chloride and over 1.5 million tons of salt. These recoverable minerals exist in vast quantities in the Great Salt Lake. We estimate the recoverable minerals exceed 100 years of reserves at current production rates and capacities. Our rights to extract these minerals are contractually limited. We believe we will continue to be able to extend these agreements, as we have in the past, at commercially reasonable terms, without incurring substantial costs or incurring material modifications to the existing lease terms and conditions, thereby allowing us to extract additional quantities of minerals necessary to significantly extend the economic life of the reserves.

The potassium bearing salts are mechanically harvested and refined to high purity SOP in an integrated production facility that has been in operation since 1967. We believe that our property and operating equipment are maintained in good working condition.

The Ogden facility was unable to produce SOP from 1984 through the beginning of 1989 due to flooding. Following the flood, dikes were raised to a height three feet over the historic peak flood level. Also, the State of Utah constructed and implemented the West Desert Pumping Project, which could be utilized to lower the level of the Great Salt Lake by up to 12 inches per year thus reducing the risk of flooding. Although we believe that the subsequent dike improvements and the West Desert Pumping Project have reduced the likelihood of future pond flooding, we maintain both property damage and business interruption insurance policies for this risk.

Products and Sales

Our domestic sales of SOP are concentrated in the western states of California, Oregon, Washington, Idaho and the central tobacco belt area where the crops and soil conditions favor SOP. We generally export SOP through major trading companies. International SOP sales volumes in 2003 were 27% of our annual SOP sales. Prior to the acquisition by IMC Global in 1998, our SOP was marketed and sold by a sales group consisting of trained agronomists and professional fertilizer agents. These representatives directly contacted dealers and growers in the United States. Following the IMC Global acquisition, this SOP sales group was dissolved and the IMC Global sales force handled SOP sales. The IMC Global sales group was responsible for selling all potash and phosphate fertilizer products for IMC Global. Because the bulk of these fertilizers are sold as commodities, the focus on specialty products such as SOP diminished under IMC Global. Upon the purchase of the SOP business from IMC Global, we organized and employed an experienced global sales group similar to the one that was in place prior to 1998.

The table below shows our shipments of SOP to the following regions (thousands of tons):

	Year Ended December 31,				
	2001		2002		2003
	Tons	%	Tons	%	