

# FINAL TRANSCRIPT

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**SDF.DE - Q1 2011 K+S AG Earnings Conference Call**

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## CORPORATE PARTICIPANTS

**Christian Herrmann**

*K+S AG - Head-IR*

**Norbert Steiner**

*K+S AG - CEO*

**Jan Peter Nonnenkamp**

*K+S AG - CFO*

**Joachim Felker**

*K+S AG - Member of the Board*

## CONFERENCE CALL PARTICIPANTS

**Ben Isaacson**

*Scotia Capital - Analyst*

**Andrew Stott**

*Bank of America - Analyst*

**Fabian Smeets**

*ING - Analyst*

**Peter Clark**

*Societe Generale - Analyst*

**Jesko Mayer-Wegelin**

*HSBC - Analyst*

**Martin Roediger**

*Cheuvreux - Analyst*

**Thomas Swoboda**

*MainFirst Bank - Analyst*

**Lutz Grueten**

*Commerzbank - Analyst*

**Wolfgang Fickus**

*WestLB - Analyst*

## PRESENTATION

**Operator**

Welcome to the K+S conference call for analysts regarding the publication of the quarterly financial report Q1 '11. For the duration of the call, you'll be in listen-only and at the end of the call you'll have the opportunity to ask questions.

(Operator Instructions) I'm now handing you over to Christian Herrmann of K+S to begin. Please go ahead.

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**Christian Herrmann - K+S AG - Head-IR**

Welcome and good afternoon, ladies and gentlemen. We would like to welcome you to today's analyst conference call for the first quarter results of K+S Group.

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We are very happy with the results achieved in the first three months. As the EBIT and EPS contributions significantly exceeded consensus forecasts, we were legally obliged to pre-announce key figures last week.

During the next hour as usual we plan to proceed with Mr. Steiner, our CEO, commenting on the results achieved as well as on the current and future market environment and then our Executive Board Members, Mr. Steiner, Mr. Felker, and Mr. Nonnenkamp will be happy to answer your questions afterwards.

I'm now pleased to hand over to our CEO, Mr. Steiner.

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**Norbert Steiner** - K+S AG - CEO

Thank you. Ladies and gentlemen, also welcome from my side to our Q1 '11 conference call. It was indeed a strong start into this year 2011. But not to waste time, let's directly start with the key figures achieved in the first quarter.

Now I turn to slide number 2. Overall, revenues were up by 16% and reached EUR1.8 million. The EBITDA, which has become more important for the K+S Group to assess the operating earnings capacity, increased by 33% to EUR443 million and EBIT I by even 44%.

Capital expenditure stood approximately at the level of the previous year. CapEx in Q1 is usually lowest during the year. This becomes clear when you compare this to our forecast of at least EUR300 million for 2011 as a whole. Free cash flow before acquisitions or divestments reached EUR266 million compared to EUR337 million in the same quarter last year.

Without the out-financing of pension provisions within the framework of our CTA program, it would have been risen by around 13% -- EUR13 million, excuse me. EPS developed favorably too and stood at EUR1.42, plus 54% compared to one year ago.

On slide number 3, I would like to share with you a more detailed look at the changes in K+S Group's revenues during Q1 '11. Revenues increased by around EUR242 million. Positive market environment favored prices in the Fertilizer and Salt business sectors and led to a revenue increase of EUR177 million.

EUR56 million were contributed by positive volume effects primarily in the Salt and in the Potash and Magnesium Products business segments. Positive exchange rate effect sums up to EUR9.5 million due to a slightly stronger US dollar compared to one year ago.

Slide number 4, all business segments performed better compared to Q1 '10. Potash and Magnesium Products revenue rose by 15% to EUR572 million due to strong demand for potash and magnesium fertilizers. Higher average prices enabled us to more than make up for cost increases and led to an EBIT I increase of 34%.

Nitrogen Fertilizer revenues rose by 26% to EUR484 million primarily due to price factors. Operating earnings in this segment reached EUR50 million after EUR15 million in the same quarter last year. The business segment profited from a very strong margin expansion.

The Salt business increased revenues by 11% coming from an already high basis. First quarter operating earnings amounted to a record EUR139 million, an increase of almost 30% while last year was burdened by one-time effects.

Part B, the Fertilizer business sector in more detail. Slide number 6, the Fertilizer business sector saw a strong demand in the first quarter of 2011 which has been supported by the unchanged high level of agriculture prices that provided a significant incentive for the farmers to raise yields per hectare through an increased use of fertilizers.



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For both Potash and Magnesium Products and Nitrogen Fertilizer, the utilization of production capacities throughout the world has been very high. This environment favored the development of prices for potassium chloride.

In mid-January the expert organization BPC and Canpotex agreed with Chinese importers to the supply of potassium chloride standard as \$400 per ton including freight.

Starting with the Chinese settlement of \$400 per ton, Canpotex announced in February a price of \$460 per ton for standard and \$475 per ton for granulated potassium chloride for Asia and Latin America. In Europe, we, K+S, implemented a price increase announced in mid-December 2010 to EUR335 per ton for granulated potassium chloride and announced a further price adjustment of EUR353 per ton in mid-March.

Due to existing supply commitments price increases currently become effective with a delay of six to eight weeks, but it will.

The next slide, slide number 7, is one of our classics, some additional remarks. The current price level for agricultural products leads the farmers to stay in the yield maximization mode.

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#### Unidentified Company Representative

Maximization.

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#### Norbert Steiner - K+S AG - CEO

Maximization mode. Against this background we forecast global product sales volume between 58 million tons to 60 million tons. Please note that our outlook figures are usually approximately 2 million higher -- 2 million tons higher than those given by competitors as we include SOP and other low-grade potash specialties.

Starting from the sales volume level in 2011, long-term growth rates are expected at 3% to 5% per annum again. For the next couple of years, this would result in utilization levels of about 85% annually.

This is again a good level especially if you consider the risk that announced new capacities could be postponed or even cancelled due to technological, geological challenges and/or due to an inadequate price level.

The industry's production forecast is now to a very large degree dependent on the timely procurement of brownfield projects.

As always the following table number 8 should only be understood as providing a rough indication of how prices have developed. Factors like freight cost, exchange rate and product mix usually distorts the picture.

Quarter on quarter, the European demand rose substantially because of the spring season, while overseas demand was flat compared with the previous quarter. Average prices advanced in Europe and overseas generally to the stated extent.

Year on year, we saw a slight increase in sales volume compared to the high level achieved in the first-quarter 2010. Overseas volumes rose significantly while European volumes declined somewhat against background of restocking effects that took place in the same quarter last year. Average overseas prices increased to a slightly lesser extent than in Europe because of product mix effects.

Now, I would like to provide you with some more details about the business seasonality of the Potash and Magnesium Products business turning to the next slide number 9. As can be seen from the graphs above, seasonality has a tangible effect on revenues, sales volumes, operating earnings and total unit costs.

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In the first-quarter 2011, seasonally high volumes had a positive effect on total unit cost compared to the quarters before. Total unit costs are defined by us as revenue minus EBIT I divided by the total sales volume. Nevertheless, compared to Q1 of '10 -- 2010, cost increases primarily in material, personnel, and freight costs led to a moderate increase in total unit cost to EUR186 compared to EUR179 one year ago.

In the course of the year 2011, total unit costs are expected to rise following the trend observed during fiscal year 2010.

Please follow me now on the next slide to discuss a breakdown of selected cost items, slide number 10. As can be seen, we expect energy costs to rise significantly and depreciation to rise tangibly while personnel, material and freight costs are estimated to grow moderately in 2011.

The sales volumes are forecasted on a stable level. We assume total unit costs being slightly above EUR200 for the overall year 2011 compared to EUR196 in 2010.

Now part C, our Salt business. And on slide 11 we continue. In the European de-icing salt business, we saw above average demand which nevertheless fell short of the record levels seen in the first quarter of 2010. Overall, European price level tangibly increased compared to one year ago.

The wintry weather at the East Coast of the United States triggered above average demand for de-icing salt too. In Canada, demand proved to be in line with the long-term average.

The price level was somewhat below that of the comparable period due to the mild weather of the previous year and the resulting relatively high stocks.

While the European market for industrial salt was characterized by a positive demand trend overall, the business in South and North America was largely stable. The business of salt for chemical use has been stable in Europe and South America while North America demand recovered further.

This general business environment led to the following sales volumes and average prices for K+S which are shown on slide number 13. Again, this table should only be understood as providing a rough indication how prices have developed and factors like freight cost, exchange rate and so on can usually distort the picture.

Again quarter on quarter, in Q1 '11 the de-icing salts volume significantly exceeded Q4 '10 volumes -- 2010 volumes following usual winter patterns and the strong business overseas. Overall, average prices fell slightly with higher European prices and lower overseas prices which is the result of a different regional mix.

The weighted average of higher European prices and lower overseas prices resulted in a somewhat lower average price level. Year on year, de-icing salt volumes increased mainly due to higher volumes sold at the US East Coast and in Canada. Average prices for de-icing salt rose slightly as a result of higher European and Canadian prices, but lower US prices.

As we observe an even greater seasonality in the Salt business and in the Potash and Magnesium Business segment, I would now like to take a closer look on this at the next slide number 14. The graph shown here stressed the high business seasonality as mentioned of the Salt business segment.

In the first quarter, revenues grew because of increasing overseas sales volumes. Operating earnings stood at a record EUR139 million which is comparable to the result achieved in the same period last year when adjusting for one-time effects in the amount of around EUR31 million in Q1 2010.

The profitability of the global Salt business varies depending on the respective regional mix, utilization of capacity, the local margins, and the exchange rates.



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I would now like to turn to the outlook for the year 2011 based on the favorable prospects of the agriculture and Fertilizer markets. Therefore part D, the outlook on slide number 16.

In the Fertilizer business sector, attractive agriculture prices are the basis for our forecast. At the current level of major crop prices, which are significantly beyond breakeven levels for farmers around the globe, the recent and mostly speculative volatility does not worry us.

In the production, Magnesium Product business segment, we assume to achieve a significant rise in revenues going ahead with a strong growth in operating earnings. This outlook is based on the sales volume of 7.0 million tons and a significant rise in average prices.

The Nitrogen Fertilizer business segment is expected to significantly increase revenues while operating earnings should rise tangibly. Revenues in the Salt business segment are forecasted to remain stable on a very high level, while operating earnings should decrease moderately due to higher freight costs and sales from stocks. As usual, we assume an average de-icing salt business in the fourth-quarter 2011.

For the overall year 2011, we have upgraded our outlook against the background of the recent price increase in the Potash and Magnesium Products business segment to EUR533 per ton which is now --

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#### Unidentified Company Representative

Fifty three.

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#### Norbert Steiner - K+S AG - CEO

-- EUR53 per ton which is now implemented and it would start into the de-icing salt business in the year. We thus now expect a significant increase in revenues and a strong increase in EBIT I for the K+S Group.

Finally a new table, table 17, medium-term project outlook. First we are in an advanced stage of the examination of the sale of COMPO. At the start of this year, contact was made with interested parties which received a detailed information memorandum. The last bidding round will start soon.

Thus the results of the examination should likely be forthcoming at the end of the second quarter or the beginning of third-quarter 2011. Second, as you know, BASF announced on 1st of March the intention to sell major parts of their fertilizer production facilities.

We, K+S, has clearly ruled out to buy the assets because of our two-pillar strategy that provides for growth in the Potash and Magnesium Products and in the Salt business segments. The existing capacities are not affected and everything else remains to be seen.

Third, our most important project, a Legacy Project in Saskatchewan. We have started infrastructural work and preparations for first drillings.

Currently we are reviewing the optimization approaches in the existing feasibility study. The results of the review will most likely be communicated in autumn.

Fourth, we currently run a feasibility study to examine the reactivation of our mine Siegfried-Giesen. The technical results should be available in summer, will be evaluated afterwards, and communicated most likely in autumn too.

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Last but not least, concerning the reactivation of the mine of Rossleben which belongs to the German State, it looks as if negotiations were to be resumed in summer.

So we are the last page of our presentation, forward-looking statement. This is some usual thing that you always recognize.

This brings me to the end of my presentation and now my colleagues, myself, Christian Herrmann and the entire team of Investor Relations is happy to answer to your questions. Thank you very much.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Ben Isaacson, Scotia Capital.

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### Ben Isaacson - Scotia Capital - Analyst

My first question goes back to slide number 10. You have EUR186 as your cost for Q1 in Potash. I was hoping you could provide some color on how much of that increase was due to shipment (inaudible) being down for four weeks and how much of that do you think is recurring for the rest of 2011?

And my second question is on de-icing salt in North America. Is it correct to assume that heading into next winter inventories should be much lower than last year? Thank you.

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### Norbert Steiner - K+S AG - CEO

To start with the second question, I can only confirm what you said, yes, the inventories should be lower because of East Coast. Weather conditions were very positive for us and the reserves there have been absorbed by the winter weather, and Canada coming from a very high level (inaudible) has reduced to normality. That means that we should be seeing more demand.

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### Christian Herrmann - K+S AG - Head-IR

Okay. And Ben, this is Christian speaking. With regard to the cost of (inaudible) in the first quarter, they are compared to the overall cost in the first quarter and neglectable. What we had, we had a stop of the production. That was certainly hurting us, but there was no major cost connected with that and therefore the cost we show you in the first quarter are a good basis going forward.

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### Ben Isaacson - Scotia Capital - Analyst

Great. Thank you very much.

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### Operator

Andrew Stott, Bank of America.

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**Andrew Stott** - *Bank of America - Analyst*

Just actually back to the Salt division. It's the one area where your guidance is still -- I guess hasn't dramatically changed in the last six months.

Could you just remind me again, please, apologies, but can you just run through the specific issues? I know you flagged freight and personnel. Can you just detail those again for me? Thank you.

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**Norbert Steiner** - *K+S AG - CEO*

You were talking about the Salt?

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**Andrew Stott** - *Bank of America - Analyst*

Just the Salt division, yes, correct.

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**Norbert Steiner** - *K+S AG - CEO*

What we can -- we never can forecast anything with you to the weather.

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**Andrew Stott** - *Bank of America - Analyst*

Sure.

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**Norbert Steiner** - *K+S AG - CEO*

And when we start our planning procedure and this is more or less always the basis for our forecast that we make in advance with our finance report, with one or two years in advance, we always base our forecast on the fact that we utilize the 10 years average of de-icing salt.

And in the moment when in one of our regions where we sell de-icing salt we have more, then of course it has very significant effect on the profitability of that. But we cannot forecast where the snow is. What we want to do is reduce the seasonality and the volatility and therefore it can never be predicted where we will have the snow and what effect it will have.

And therefore you will always be more or less (inaudible) with the fact that we are not in the same position like with you to Potash and maybe also the Nitrogen division to forecast what will be coming up.

What we have seen is that the first quarter in this year 2010 was stronger in the East Coast, was normal in Canada, and was stronger than planned in Europe, but not as strong as it was in reality in 2010 in Europe.

And, therefore, we have mixtures of the picture that the seasonality pattern is a question and a problem, or let's say issue and also where we have the snow, whether in the United States or whether in Europe, if it is something above extra production or if it is coming from the piles. So this is difficult and I'm afraid I cannot help you out of that.

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**Christian Herrmann** - *K+S AG - Head-IR*

Andrew, this is Christian Herrmann again. I think your question is -- I think you believe that the outlook is too conservative. Please make -- please observe that the volumes we are forecasting at the moment are actually in line than -- compared to the high level of volumes we saw at last year.

And you saw also in the first quarter when you adjust for the negative effects of the first quarter the regional mix is for the margin very important. And the European business, for example, in Q4 last year was helped by a very strong winter.

And the European cost situation, they have a very low marginal cost. So once they have earned their fixed cost then every additional ton is producing a margin we really dream of.

And this is certainly not the basis for our outlook for the year -- for the first quarter again 2011. And that's the reason why we still forecast a moderate decline. And by the way, it's not unchanged for the last six months. We changed and upgraded our Salt outlook in March from the outlook given in November last year.

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**Andrew Stott** - *Bank of America - Analyst*

Sure. Can I ask you a second question please on potash? There had been some reports, obviously it's very dry weather in the west as Europe, big market for you obviously.

Is there anything you're picking up from your sales teams about ultimate consumption risk or do you think the weather pattern is almost too late in terms of applications? Thank you.

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**Norbert Steiner** - *K+S AG - CEO*

When you look at the -- in terms of potash, , it doesn't really matter because you talk about the rotation and wages and wage is only part of the whole issue. What is surprising, Andrew, is what has been done by the USDA just a few hours ago, a few days ago. Their forecast seems to be extremely optimistic.

Most probably they haven't realized that in eight states in the US there has been a severe drought and in the meantime now in 12 states we have floods. So I think we are again in the normal pattern. USDA is very optimistic and then we will have adjustments.

Those are little bit comparable to what Christian just told you about the Salt business. They try to work with averages and then we get caught by the true

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**Unidentified Company Representative**

Yes.

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**Norbert Steiner** - *K+S AG - CEO*

We will just see what will happen. So don't overstress -- overestimate the issue of dry weather in the parts of Western Europe and Eastern Europe. Worldwide it's not very significant.

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**Andrew Stott** - Bank of America - Analyst

Okay, thank you.

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**Operator**

Fabian Smeets, ING.

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**Fabian Smeets** - ING - Analyst

Yes, thank you very much for giving me the opportunity to ask a few questions. Two questions, one on some statements I saw today relating to the sale of BASF Fertilizer(32:14) assets may be together with K+S Nitrogen seems to me like a good step.

But could you elaborate on how this might work in practice? And on Salt, you state that selling from inventories could negatively affect margins in Salt. Could you elaborate a little bit on how it has exactly happened?

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**Unidentified Company Representative**

So I'll do the first one. I've read this report also and I'm in the business since some decades. So I have a lot of practice what could be done, but I will definitely comment on it.

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**Christian Herrmann** - K+S AG - Head-IR

Okay, I think that was clear. I'm taking over the second question with regard to salt inventories.

In a fixed cost world, and salt when we talk about, let's say, the European business and also the North American business in particular, it's certainly fixed cost business. When you produce, let's say, at the end of last year stocks for the upcoming season then you capitalize these inventories and certainly the connected fixed cost are certainly also capitalized and therefore they relieve the balance sheet -- sorry, the P&L last year.

When you then sell in the first quarter and also in the coming quarters, then you have your normal 100% fixed cost certainly, plus the fixed cost connected with the sale of the inventories.

That's an affect we also know from the Potash division. We discuss that sometimes when we had a buildup or decrease in inventories from quarter to quarter, or from year to year. And to some degree it's not as strong as in the Potash business, but for some degree it's also happening in the Salt division. That's the reason.

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**Fabian Smeets** - ING - Analyst

Okay. Thank you very much.

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**Operator**

Peter Clark, Societe Generale.

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**Peter Clark** - *Societe Generale - Analyst*

It's a couple of related questions actually and again on Salt. You talk about the definitions of the salt de-icing with sales significantly down and pricing tangibly up. And I was just getting -- trying to get a feel for what the actual reported sales was doing then. I presume that was materially down, but I'm just trying to get a feel.

And then tied to that is the definitions. Do you have -- or have you given out a definition what you mean by tangible, significant, and strong because obviously they're being used quite a lot now. I can make my own gut judgment, but it'd be nice to have some definition of bandwidth. Thank you.

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**Unidentified Company Representative**

This is a great question, but you can consult our financial report, we have a series where we are talking about and then it's up to you to judge on that. So apologies from us.

This is something which should more or less give you an idea on how relatively things develop, but not for the certain percentage behind that we disclose to everybody.

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**Peter Clark** - *Societe Generale - Analyst*

Okay.

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**Unidentified Company Representative**

Of course, until August, Christian mentioned to me that most likely we will continue with our general behavior to give an outlook with some corridors for revenues and EBIT contributions. And then maybe you get a sense of what we have had in mind.

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**Christian Herrmann** - *K+S AG - Head-IR*

But Peter, with regards to your first question, with regard to absolute values and tonnages for the first quarter, just to be very clear here, in our interim report on page 24, you see the absolute values and tonnages and average prices for the Salt division quarter by quarter.

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**Peter Clark** - *Societe Generale - Analyst*

And the European de-icing as well I was trying to get a flavor for.

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**Christian Herrmann** - *K+S AG - Head-IR*

It has been decided and this was Company policy that we merge the information of the oversea and European business.

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**Peter Clark** - *Societe Generale - Analyst*

Okay, understood.

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**Christian Herrmann** - *K+S AG - Head-IR*

Okay.

**Operator**

Jesko Mayer-Wegelin, HSBC.

**Jesko Mayer-Wegelin** - *HSBC - Analyst*

I have two questions. Actually first of all, I would like to know what your potash inventory in tons have been end of Q1 and what is your plan for the inventory end of 2011 are?

And secondly, maybe quickly perhaps your updated view on the negotiation situation in India for potash contract and what do you expect in terms of timing, volume, and pricing for new Chinese contract?

**Unidentified Company Representative**

Chinese or Indian?

**Jesko Mayer-Wegelin** - *HSBC - Analyst*

Both please. First the Indian which should be wrapped soon probably and then also a few on the Chinese one which could probably come this year.

**Unidentified Company Representative**

First stock level, you know Jesko that at the end of the year we need about 750,000 tonnes to 800,000 tonnes to be prepared for normal quarter, first quarter of the year. And your question, what was the stock at the end of quarter one this year, it's about -- this number is about [plus one] So it's in thousand tonnes.

So it's always about 800,000 tonnes. Don't forget that our product range is a little broader than the one of the competition because we have products for oil drilling, for -- I don't know, chemical business and so on. So to be in a good position, it's about 800,000 tonnes, that's what we are aiming at.

The next one then was about the pricing outlook for India and China. I think when you look back everybody's waiting for India. Quick discussions took place in December last year already in New Delhi.

And that drove the -- let's say the comparative prices or the price which the government is to get on to by the subsidies up from EUR370 to EUR420 in the meantime, which for us as Potash producers means that it's the floor price worldwide for the time being, not yet confirmed.

I think producers or the selling organizations, like Canpotex and (inaudible) product company are still not in agreement with this, and the negotiations are on. Hope is that in Montreal in IFA that will finalize. But whether it will, I cannot tell you.

Chinese contract has been done for six months. With the first one, it's only six months contract. So it will expire in not too many months. And it will be very interesting question whether there would be a race between the Indians and Chinese, who will

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conclude first because I think in some areas, in some producers the stock position is a little bit tight. So it's a matter of taste what do you think who is first and then who will start.

When those contracts are made, then look at our classical picture in our forecast, 58 million tons to 60 million tons. I think then we will be very close to the 60 million tons for this year. So we have to wait a little bit.

We are not leaders in this, you know that. We are followers. We have small quantities, specialized products. So we will not influence the discussions. We will look at it and then just wait.

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**Jesko Mayer-Wegelin** - HSBC - Analyst

One follow-up question regarding this. If indeed the supply is tied for China and India, would it be possible that capital asset's increasing actually their sales to China or to India?

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**Norbert Steiner** - K+S AG - CEO

No. You know that this year and for the next two, three years we will have influence on our production because of the investment into the -- so important issue. And we told you that we -- around 7 million tons and we cannot increase that. So in a tight market we consider that customer relations are still of value. So we will not switch quantities from region to region or time to time.

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**Jesko Mayer-Wegelin** - HSBC - Analyst

And you would not reduce the inventory -- you won't towards the end of this year?

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**Unidentified Company Representative**

No. No, we cannot. We would not because that will just put us in a -- perhaps in a stupid position. Why should I sell my stock now short when I know the prices are going up?

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**Jesko Mayer-Wegelin** - HSBC - Analyst

Okay. Great, thanks.

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**Operator**

Martin Roediger, Cheuvreux.

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**Martin Roediger** - Cheuvreux - Analyst

Actually it's three ones. First is on CapEx. Now with Potash One being part of CapEx, can you give us an update about your CapEx plans for the next years in total? What we just know is that EUR300 million was the guidance for this year and for total environmental CapEx for the next five years you had -- it was EUR360 million.

Second question is on -- to come back on the weather, sorry for insisting here, but it was not really clear. Are you concerned about the dry weather situation in Europe and could that have an impact on the demand here in Europe? And on the flattened US, is there an impact for transportation of potash fertilizer to US farmers and could that weigh on global potash demand?

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And third question is on Nitrogen Fertilizers. Obviously price hikes have fueled earnings here substantially. I would like to get an indication what was the main earnings contributor. Was it COMPO or was it nitrogen fertilizers you buy from other parties so you had some windfall profit because the volumes you get from BASF is probably only a small amount that could contribute because of your contract here. Thanks.

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**Norbert Steiner** - K+S AG - CEO

I'll start -- Norbert Steiner here. I'll start with the first question. We tried to update you with new last slide that we incorporated in our presentation in order to give you an idea that we are in the situation that we work through. The feasibility study that we have got along with the execution of Potash One and this is underway.

That shall be provided to the internal bodies within autumn and in the moment where we have a clear picture on that what has been elaborated on that, let's say, on that visibility study number 2 and more or less our discussion in the Board of Directors and Supervisory Board level we will inform you about that what you can expect for the next time to come.

And so far, I must apologize that we are not yet in a position and I do not have any figure so far of that what could be expected for that in the next couple of weeks or months.

So we can only update this outlook for the investments in 2011, '12 -- sorry, '12-'13 once we have that picture. But what I could confirm is that we have, at least in our figures for investments without Potash One, incorporated already the fractions of the investment that we need to do within that EUR360 million package in the next years to come. And therefore this is what we can say on that.

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**Unidentified Company Representative**

Okay. So again to your favorite question about the weather. You know that in Germany the application of potash has always been done. Nothing to -- not only Germany, Europe to a very high degree.

You also know that slime potash is improving the drivers in the plants. You also know that in Germany and in most countries in Europe we talk about a rotation of crops. And you also know that if the harvest is a bit shorter then it will be supportive to the prices of end products.

So I think to say now, as there would be an influence on quantity supplies for the next fertilization which took place to a minor part only in autumn there is no reason --

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**Unidentified Company Representative**

Premature.

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**Unidentified Company Representative**

-- there's no reason to -- it's much too premature. Your second question was Nitrogen. The swing we had from last -- said results last year to good results in the first quarter this year, I think most of the product line, all the product line contributed to that. So it's -- I wouldn't say that any product line has outperformed the other. They are all good.

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**Martin Roediger** - Cheuvreux - Analyst

And you cannot specify what was the most important earnings contributor in the first quarter for Nitrogen Fertilizers?

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**Unidentified Company Representative**

Well, not really.

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**Martin Roediger** - *Cheuvreux - Analyst*

Okay. Thank you.

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**Christian Herrmann** - *K+S AG - Head-IR*

Yes, I think certainly we can -- certainly we can. And certainly, I think yes, we can. What you were aiming at, Martin, certainly is in absolute terms certainly the higher contribution came from the nitrogen side. But Mr. Felker is very keen to mention that those entities certainly were much better than last year. But certainly in absolute terms, the Nitrogen side contributed more.

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**Joachim Felker** - *K+S AG - Member of the Board*

Martin, note I will be able to tell him the result. It's (inaudible) 15, but I will not.

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**Martin Roediger** - *Cheuvreux - Analyst*

Thank you.

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**Operator**

We currently have no further questions coming through. So just a reminder (Operator Instructions)

Thomas Swoboda, MainFirst Bank.

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**Thomas Swoboda** - *MainFirst Bank - Analyst*

I have two rather technical questions. In your potash outlook, you're saying you expect a potash volume of 7 million tons this year. If I remember correctly, the wording with the last publication was slightly above 7 million tons. I know it's nitty-gritty, but is this something you did on purpose or is this just a different wording for the same amount of product?

The same applies from my point of view to the US dollar-euro exchange rate. If I remember correctly, the last time you told us you had US dollar exposure in the potash business at EUR1.36. Now I'm seeing you're saying it is EUR1.40 now. Is there any material change there or is this something we shouldn't care about?

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**Norbert Steiner** - *K+S AG - CEO*

Okay, first question Thomas, very simple, the difference between slightly above 7 million tons and nitty-gritty is six months out, okay? When we made the last forecast we couldn't see that we have maximum six months out.

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**Unidentified Company Representative**

But the 7 million ton was already mentioned in March in our annual report, so after (inaudible) happened we reduced it to 7 million tons.

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**Thomas Swoboda** - MainFirst Bank - Analyst

Okay.

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**Jan Peter Nonnenkamp** - K+S AG - CFO

And concerning the US dollar question, nothing has changed there. So in fact, we are at the rate of EUR1.36 hedged for this year and for planning purposes we have used EUR1.40 and both is unchanged to the last report we have issued.

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**Thomas Swoboda** - MainFirst Bank - Analyst

That's very helpful. Thank you.

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**Operator**

Lutz Grueten, Commerzbank.

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**Lutz Grueten** - Commerzbank - Analyst

So first one on Nitrogen, you had a pretty good start in 2011 here in the first quarter. Could you give us some trading update what happened here in April and May and also to how sustainable is the Q1 forecasting the entire year?

My second question is regarding Potash. I'm picking some press reports where Mr. Felker was quoted that K+S is intending to increase potash prices after Easter. Could you just confirm that this is true and giving us an update here how successful it has been there? Thank you.

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**Norbert Steiner** - K+S AG - CEO

To the price increase after Easter we have done that before, but most of you haven't realized it. That was in major market which is Europe. And that's what we always tell, that's what we always try to explain to you it was for the specialty -- the German market and the specialty market.

But we have not increased like our competitors do the price for MOP-60, but for wide range of products in the German market and that is -- was done even before Easter.

The second question was about the -- trying to get some forecast on Nitrogen situation. Well, again the season is coming to an end.

The question is now how the market leaders would start a new season. It will probably mean the first price indications will be given in Europe after IFA conference in Montreal. When you look at the basics of the business, prices of ammonia, urea availability, I see no -- not much change when you see at how the capacities are used of the producers on a very high degree. So I think very stable situation and depends on those guys leading the market what they will do with pricing policies.



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**Lutz Grueten** - Commerzbank - Analyst

Thank you.

**Operator**

Wolfgang Fickus, WestLB.

**Wolfgang Fickus** - WestLB - Analyst

Quick follow-up here really on the seasonality in the potash segments from the slides shown on -- also on potash we can deduct, there is no particularity in terms of seasonality. Europe is going to be down in second quarter related to the first quarter. And potentially there is some uplift in the overseas market globally on potash probably quarter on quarter. Normal seasonality so slightly down, is that the right assumption?

And then the second question is again on India. I don't know whether you answered the question what your expectation would be for the Indian settlement. I know it's not your job, but would do you think it's the question of two weeks or of two months, maybe give us just your expectation?

**Norbert Steiner** - K+S AG - CEO

The first seasonality your analysis is totally correct. As we always say that is two big application, biggest one is in autumn one-third and one is just part at the end of the time we're talking about now, that's two-third.

And for us the strategy is to have an international business and you know our distribution worldwide. So then we are having a market like Brazil where there is no seasonal or there is some other countries where there is just the opposite season of what we have in Europe. So your analysis is totally correct.

India, whether it's two weeks or two months, I can -- I actually hope because it will be good for everybody, it would make the whole thing more transparent that the closure of this complex will be coming soon. And I think IFA is a good platform to discuss and perhaps also to come to a conclusion. But whether (inaudible) will be done, I have no idea.

**Wolfgang Fickus** - WestLB - Analyst

Maybe then quick follow-up on India. The Indians, not officially, but unofficially they made quite a big jump in their, let's say, readiness to accept prices of around \$450. Is that a level which you would judge, Mr. Felker, as comfortable for the world potash market to be a good flow and see continued potash price inflation moderate assuming the top commodities remain strong or would that be a level you would see as a good sign for other market?

**Joachim Felker** - K+S AG - Member of the Board

Well, the only thing I could -- is what you said that the Indian government has already increased prices from the old level \$350 to \$420, which is quite a big jump. Whether that's enough or not, that's not my issue to judge. So we will have to wait and see. But it creates already now a much, much higher floor price than it was last year. That's the only issue we can say.

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**Wolfgang Fickus** - *WestLB - Analyst*

It creates what? Sorry, I just don't understand.

**Joachim Felker** - *K+S AG - Member of the Board*

Much higher floor price than we had last year, because we would have had a discussion year ago the lowest price was \$350 with India.

**Wolfgang Fickus** - *WestLB - Analyst*

Okay, so summing it all up on the Potash front, it looks all very sound.

**Joachim Felker** - *K+S AG - Member of the Board*

Yes.

**Wolfgang Fickus** - *WestLB - Analyst*

Okay. Thank you.

**Operator**

(Operator Instructions) Thank you. We have no further questions coming through. So I hand you back over to Norbert Steiner for the conclusion of the call.

**Norbert Steiner** - *K+S AG - CEO*

Once again, thank you very much for participating our conference call for the Q1 report. We will have our Q2 report out on the -- something in August.

**Christian Herrmann** - *K+S AG - Head-IR*

Eleventh.

**Norbert Steiner** - *K+S AG - CEO*

Eleventh of August. So finally then we will hear or see each other again. Have a good time so far, and of course, we will see the one or the other during that time. Thank you very much. All the best. Bye-bye.

**Operator**

Thank you. That will conclude today's conference and thank you for your participation. Have a pleasant day.

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