

# FINAL TRANSCRIPT

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**SDF.DE - Q3 2011 K+S AG Earnings Conference Call**

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Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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## PRESENTATION

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Operator**

Good afternoon, ladies and gentlemen, and welcome to the K+S conference call for investors and analysts regarding the publication of the quarterly financial report Q3 '11. (Operator Instructions). I'm now handing you over to Christian Herrmann of K+S to begin. Please go ahead.

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

Yes, thank you, and welcome and good afternoon, ladies and gentlemen, to today's investor and analysts conference call for the third quarter results of K+S Group. A very successful quarter has passed, but as we saw today markets pay more attention to outlook statements. We would therefore like to provide you with our interpretation of the latest numbers and the fundamental view on how we see our business going forward.

We plan, as usual, to proceed during the next hour as follows. Mr. Steiner, our CEO, will comment on the results achieved as well as on the current and future market environment. And then Executive Board Members, Mr. Steiner, Mr. Felker and Mr. Nonnenkamp will be happy to answer your questions. I'm now very pleased to hand over to our CEO, Mr. Steiner.

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

Thank you. Good afternoon, ladies and gentlemen, dear friends. I also welcome you to the K+S third quarter 2011 conference call.

Let's start as usual with the key figures of the continued operations of K+S Group achieved in that third quarter. The figures show that our [former] performance in the first half of the year continued in the third quarter as well. Slide number 2. Overall, revenues were up by 17% and reached just under EUR1.2 billion in the third quarter. The EBITDA increased by 49% to EUR255 million and EBIT I by [even] 69% to EUR199 million.

As planned, capital expenditure increased compared to the previous year. The increase was, amongst others, attributable to the replacement of a ship in Chile, investment in the legacy project and the package of measures on water protection in the Hesse, Thuringia [potash] district.

Compared to the first nine months of 2010, free cash flow before acquisitions and divestments decreased by EUR200 million and reached EUR390 million. This decrease only would have amounted to EUR32 million or 5% without the out-financing of pension provisions, as well as the non-operating allocation of funds to fixed deposits with a maturity of more than three months.

Earnings per share developed favorably too and stood at EUR0.69, a plus 176% compared to the third quarter one year ago.

On slide number three, you may find a closer look at the changes in K+S Group's revenues during the third quarter. Revenues overall increased by around EUR174 million. A positive market environment favored prices in all business divisions, but mainly in Potash and Nitrogen and led to a revenue increase of EUR192 million.

[EUR19] million were contributed by positive volume and structured effects particularly in the Potash and Magnesium business segments. The negative exchange rate effects in all business sectors, some up to EUR38 million due to a weaker US dollar compared to one year ago.

Slide number 4. The performance of the Fertilizer conditions, and in particular Potash and Magnesium Products business segments, was clearly standing out, while the Salt business segment suffered amongst others from one-off issues during third quarter.



Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

Potash and Magnesium Products' revenues rose by 20% to EUR5.9 million due to significantly higher average prices for potash and magnesium products as costs were even slightly lower. EBIT I has more than doubled.

Nitrogen Fertilizer revenues rose by 34% to EUR321 million due to positive price factors. Operating earnings in this segment reached EUR17 million after EUR12 million the same year and the same quarter last year. Here it was possible to more than make up for higher input costs.

The Salt business delivered stable revenues during the low season for de-icing salt. That increased its compensated negative currency effects. Third quarter operating earnings amounted to EUR13 million after there were amongst others burdened by weather related production losses from the Bahamas, and higher costs for demurrage charges due to the maintenance of one of our port facilities in Chile.

Let's now move on to the Fertilizer business sector in more detail. Slide number 6. The Fertilizer business sector saw strong demand in the third quarter, which has been supported by an attractive level of agricultural prices that provided a significant incentive for farmers worldwide to raise yields per hectare through a need-based use of fertilizers.

For both Potash and Magnesium Products as well as Nitrogen Fertilizers, utilization of production capacities throughout the world has been very high. This environment has led Potash (inaudible) to ask for higher prices. At the beginning of August, suppliers increased contracts with Indian importers at significantly higher prices until the end of the first quarter 2012.

Furthermore, (inaudible) announced price increases in Asia to (inaudible) then with MOP and up to \$580 per tonne for granular MOP in Latin America. Last but not least, an increase of EUR12 through EUR375 per tonne in Europe was announced by K+S.

On slide number 7 we come to the global potash demand and supply outlook. As usual November we have specified our outlook also for the year 2012. For this year 2011, we confirm our forecast of a global potash sales volume between 58 million and 60 million tonnes. For 2012 we are assuming a number of at least 60 million tonnes providing for a rather high utilization of installed capacities. Please note that our numbers usually differ by 2 million to 3 million tonnes to those used by our peer group since we include potash facilities as well.

The current grain price levels, long-term growth rates are still expected to range between 3% and 5% per year.

Based on IFA data and announced capacity expansions, utilization rates are estimated to slightly decrease over the next couple of years, but the track record of former forecasts shows that the longer forecasts arise and comes along with a reduced forecast quality, especially with the future world potash supply increasingly depending on the realization of capital-intensive greenfield projects.

As always, the following table on slide number 8 should only be understood as providing a rough indication of how prices have developed. Factors like freight costs, exchange rates and product mix usually distort this picture.

Year-on-year sales volumes rose slightly. Thanks to somewhat higher volumes in Europe. Average overseas prices increased more than European prices as last year's European price level started on a higher basis. The overall increase of the average price in euro terms was affected by negative currency effects of approximately 4%.

Quarter on quarter, European as well as overseas sales volumes slightly declined due to seasonal effects. While the average price level rose on higher MOP prices worldwide, the European price slightly decreased because of negative product mix effects. The mix shift is from higher price MOP and SOP towards lower potash continued specialties like Kieserite.

As can be seen from the graphs on slide number 9, seasonality has a tangible effect on revenues, sales volumes, operating earnings and total unit costs. Compared to one year ago total unit cost in the third quarter 2011 decreased slightly from EUR210 -- to EUR210 from EUR216 in the third quarter of last year. The main reason for this was a better currency result due to our

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

hedging instruments which more than compensated higher energy and personnel costs. Compared to the second quarter of 2011, total unit cost in the third quarter increased by about 9% due to higher maintenance and material costs.

Slide number 10 is the breakdown of selected cost type shows that we expect energy costs to rise significantly in 2011. Ancillary costs should increase tangibly, but personnel and freight costs and depreciation are estimated to grow only moderately.

As sales volumes are forecasted on a stable level, we assume total unit costs to range between EUR200 and EUR205 for the year 2011. For 2012, energy costs are most likely to continue to rise significantly. Please keep in mind that as a result of energy supply sources, changes in energy prices are often only reflected in our cost accounting with a delay of six to nine months.

Furthermore, personnel costs should rise tangibly due to an increase in personnel for activities in the area of environmental protection as well as the additional cost arising from pay settlements. While material costs are expected to rise slightly, freight costs should stay stable. Overall, we expect a tangible cost increase in 2012.

Now let's please move over to our Salt business, slide number 12. In the Western European restocking business for de-icing salt, the above-average wintry weather conditions in the last three seasons led to continued high prestocking demand for de-icing salt in third quarter too. The price level has risen tangibly for the winter season '11-'12.

And local tenders at US East Coast moderate price declines occurred as a result of lower freight rates for salt imports. In the other de-icing salt region of the United States and in Canada too. The prestocking demand for de-icing salt improved in the third quarter in comparison to the previous year. Prices were stable in the Midwest while a slight price increase was observed in Canada.

The other product group showed an overall satisfying development during the third quarter. This general business environment led to the sales volumes and average prices for K+S, which as shown on our next slide number 13. Again, this table should only be understood as providing a rough indication of how prices have developed. Factors like freight cost, exchange rates, regional and product mix usually may distort that picture.

Year-on-year, and as described before, de-icing salt volumes were significantly higher with pre-season sales continuing strongly in all de-icing regions allowing higher average prices, particularly in Europe and Canada. While volume slightly declined for our non de-icing salt price increases were counteracted by negative currency effects.

Quarter-on-quarter, coming from a low basis and following a normal seasonal pattern, third quarter de-icing salt volumes increased due to early season procurements, particularly in Europe as a result of last year's heavy winter. Adjusted for one-off effects in the second quarter, pricing in the third quarter moderately increased. The other product group sales volumes declined especially in the last result, but price increases along with an improved regional product mix resulted in a higher average price.

As you observed, an even greater seasonality in the Salt business segment than in the Potash and Magnesium Products business segment.

I would now like to take a closer look at the next slide, number 14. Compared to one year ago, revenues were rather flat with higher sales volumes being offset by negative currency effects. Earnings were significantly lower due to revenue related production losses on the Bahamas, higher costs for demurrage charges due to the maintenance of our terminal in Chile, negative currency effects as well as higher maintenance and packaging costs in North America.

In general, the profitability of the global salt business is highly influenced by the respective regional mix, utilization of capacity, the local margins and exchange rates. Revenues and earnings of the first quarter (inaudible) are the most followed by the fourth quarter with compared to the significantly lower de-icing salt sales volumes in the second and third quarter. Fixed cost absorption is lower and hence profitability.



Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

Finally, I would like to give a short update on our legacy project and provide you with our current outlook for the year 2011 and 2012. First of all, as shown in slide number 16, a short update on our legacy project in Canada. The review and customization of the feasibility study of Potash One is progressing according to plan. At the same time, construction work for water connection, site preparation, roads and [building] preparations are being done. CapEx of almost EUR40 million can therefore be expected for these measures in 2011.

We are at the moment in the final stages of the review of the feasibility study and are pleased with the preliminary results. However, we need to follow our internal protocols so that I would like to stick to our last communication by staking, as we would like to release the results late autumn or winter.

On slide number 17, please find our updated outlook for the current year 2011. Although prices of some agricultural products decreased in the quarter of the year from having been very high, they remain at a level which favors the income prospects of the agricultural sector and thus offers an incentive to increase the yield per hectare through a need based use of fertilizers.

However, uncertainties currently exist on the trading side which with the financial crisis 2008-2009 still in mind, it's rather cautiously attempting to manage its [early] result up for the end of the year. But apart from that, the trading sector tries to avoid not having enough products in stock for the coming application season while cereal prices remain attractive.

To account for this uncertainty we decided to reduce the upper boundaries of our revenue and our earnings outlook by EUR50 million each. Anyhow, revenues should increase significantly so that the figure of between EUR5 billion and EUR5.25 billion after EUR4.6 billion in 2010 seems realistic.

This is based on the stable sales volume of about 7 million tonnes in Potash and Magnesium Products business segment and the significant rise in average prices based, and this is important, on the currently set and achieved potash price level. Similarly, positive development we see in the Nitrogen business. In the Salt business a total of a good 23 million tonnes of salt product should be sold assuming an average de-icing salt business in the fourth quarter 2011, about 14 million tonnes out of this can be allotted to de-icing salt, which is largely independent of economic vitals.

Based on an average US dollar of \$1.40 per euro for 2011. We expect a strong increase of Group EBIT between EUR950 million and EUR1 billion compared to EUR750 million last year. The significantly better financial results have [overall] adjusted Group tax rate of about 27%. This also leads to a strong increase of adjusted Group earnings from continued operations of EUR650 million to EUR690 million, EUR3.40 to EUR3.60 per share.

Taking into account the earnings from discontinued operations of about minus [EUR130 million], we expect the adjusted earnings per share including discontinued operations between EUR2.90 and EUR3.10. This would form the basis for the dividend payments, within payout ratio of between 40% and 50% according to our dividend policy.

In the end, and as usual in November, I would like to provide you with the outlook for the upcoming year as well. Slide number 18. The currently omnipresent uncertainty regarding the future economic development of the global economy has prompted us to be somewhat more cautious in respect of our estimate of 2012, and therefore take the lower visibility as it comes.

In the Potash and Magnesium Products business segment we expect to achieve a tangible rise in revenues with slight growth in operating earnings. This is based on the sales volumes of about 7 million tonnes and once again on the basis of the international potash prices have been obtained at the present time, the tangible rise in average prices.

In the Nitrogen Fertilizer business segments, we expect revenues and earnings to remain largely stable in the upcoming year. While in Salt, a somewhat lower-average sales volume of crystallized salt of about 22 million tonnes should lead to a moderate decrease in revenues. Along with a lower capacity utilization operating earnings should [decline] significantly to a normal level of between EUR175 million and EUR190 million EBIT I.



Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

Overall, and based on the assumption of continuing effective agriculture guidance as well as an exchange rate of \$1.40 per euro K+S Group should achieve stable revenue as well as stable operations earnings for 2012.

So this final slide number 19 is something you are used to, and brings me to the end of my presentation. Now, we are ready for your questions. Thank you for your interest so far.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Andrew Stott, Bank of America.

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### Andrew Stott - Bank of America - Analyst

Yes, I wonder, if I could take you to slide, I think it's 10, which is the cost developments and I just wondered if you could be a bit more specific on 2012 for personnel costs and for energy. There looks to be delta on personnel as in a greater increase relative to '11. And I just wondered if you could be a bit more granular on that.

And I had a second question if I could, which is slide 44 -- I'm sorry slide 43, which is I just wondered if you could go through that EUR440 million of CapEx the next year in terms of the major components. Thank you.

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

You are referring to a slide which was not included in our presentation, was there any misunderstanding from my side.

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### Andrew Stott - Bank of America - Analyst

I'm sorry. Yes, I am. I'm sorry, yes, but can I take you back to the slide?

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

Yes, take us back the slide.

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### Andrew Stott - Bank of America - Analyst

No problem.

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

Which one? On our quarterly report?

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### Andrew Stott - Bank of America - Analyst

So -- okay, so we're back to the November 2011 slide show on your website and it's a reiteration of your cost guidance for 2012. I just wondered if we could just run through again particularly in light of Q3 the --- maybe a bit more quantitatively on personnel and energy costs '12 and '11. And then again just a reminder of CapEx. Thanks.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

Andrew, this is Christian speaking. I'm taking over with regards to the cost development, energy, and personnel. Well, we see in the Potash and Magnesium divisions next year a significant rise in energy costs and the main reason for that is that we -- a part of our energy contract is linked to the oil price and have a six to nine months time delay. And although we already have in 2011 a significant increase, we will see that this significant increase is even stronger in the year 2012 compared to the year 2011. It's -- I -- let's me just have a look here. Yes, but this is number one. The reason that we see here three quarters for the energy cost.

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

Yes.

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

And for the personnel, it's yes two items. Number one, we see still next year a slight increase in personnel headcount. But the bigger proportion, while why see a tangible increase in average personnel cost is the assumption what we have on average pay rise next year compared to the '11.

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

So for that given you'd be running at 3% for the last sort of five or six years. I should expect more than 3% is your message here?

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

Officially, no. But we're just happy you've raised it publicly.

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

Okay.

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

So I'm a little bit on the wrong side (inaudible). Generally, we try to measure it in advance. Of course, not so seeing the outcome of which situation and so on. So we stayed in the neighborhood of 3%, with the view that we have 10,000 persons here in Germany more or less within that framework. We hope that we are in the neighborhood of meeting the neighborhood and the environment for wage increases in Germany generally. And therefore please allow me to stay there as long as we do not have any better insight on that.

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

And maybe, Andrew, just to give you more clarity on energy cost because I think this is less sensitive with regards to discuss it publicly. You see that in 2010 we had EUR172 million of energy costs. And to give you a rough guidance this year, we will have two in France in 2011. And you can expect that more or less sustained increase we have '11 compared to '10, at least the same increase we'll also see next year.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

Okay, very clear. Thanks.

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

Yes? Okay, good.

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

So now then jumping to the CapEx figures and -- on our quarterly report that came out this morning. We have given you an indication of about EUR440 million, which I repeat does not include anything from legacy already, and we have in different times announced that we are working for the starting up of the --- there are salt latitudes reduction package, which amounts to EUR350 million over the next four years '12, '13, '14, '15. And the first package out of that, EUR100 million, has been started a couple of days ago.

So this is more or less a big package out of that EUR440 million and then we're urgently waiting to build a pipeline, not the one that many of the Germans want to see but a short one between our site in the neighborhood of Fulda to the Werra plant that should hopefully be started next year. And you'll see the figure there as well. This is more or less EUR50 million. So that we're in the neighborhood of that level as it generally it should happen in the next years to come with a lot of different items from salts, from potash, more or less in an ordinary way of doing the business; EUR300 million without, EUR440 million within.

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

Okay, great. So can I just steal another quick question? Is there any update on the segments on brownfield project?

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

(inaudible) in the neighborhood of (inaudible), no. We have issued in one of our slides of our presentations that we most likely will be getting our feasibility review during winter. So that's within 2011 there's nothing to be expected anymore.

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

Thank you.

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

Welcome.

**Operator**

Fabian Smeets, ING Bank.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Fabian Smeets** - *ING Bank - Analyst*

Two questions from my side I was wondering when I look at your outlook for this year and next year. Of course, clear you're getting more cautious, especially sizing the uncertainties on the trading side with the financial crisis on people's mind. Does it mean you already see less ordering at the moment? How is it exactly coming through and do you expect normal stocking to start from when? And secondly, on potash inventories, could you highlight maybe where are your potash inventories, where at the end of Q3. Thank you.

**Joachim Felker** - *K+S AG - Executive Board Member*

This is Felker speaking. I start with the inventories at the end of the year we will have 800,000 tonnes roughly. And when it comes to being cautious, that is correct what you said, that trade is a little bit more cautious. But when I see other income and also the way of supply chain is working at present, it's very solid. But what I think I can say is that the trades will not use the last corner of their warehouses.

They try to be a little bit more just in time in the first quarter of the next year knowing the risk that if the season is early and if the season is strong from the weather conditions, then they might even though lose a little bit of business, but they are little bit in mixed position running risk as they see it being invoked in all these discussions about euros and so on and perhaps losing a little bit of business in the first quarter. So they try to be something in between. So I see no structural changes. A little bit more cautious. You feel they try to handle it more careful then you'll see they do.

**Fabian Smeets** - *ING Bank - Analyst*

Okay, thank you. But maybe to come back to the inventory question, I think at the Q2 conference call you said inventories were around 379 kilo tonnes. Could you maybe tell us where they are at the moment?

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

Now, if I remember correctly without looking into tables, we said it's about 700,000 tonnes. We're just looking at (inaudible) we had at the end of June we had June slightly higher than 800,000 tonnes. And Mr. Felker, as I told you, he will -- we will expect more or less the same figure at the end of the year. We were a bit lower over the third quarter because in the third quarter we are doing our maintenance. But this is now usually as a preparation for the next spring season going up to the end of the year.

**Fabian Smeets** - *ING Bank - Analyst*

Okay, thank you very much.

**Operator**

Joel Jackson, BMO Capital Markets.

**Joel Jackson** - *BMO Capital Markets - Analyst*

Hi, good afternoon. From your guidance, it's clearly seen that you are projecting in your models a flattish potash prices from current levels. So just maybe confirm that.

And also maybe give your expectations for some of the announced potash price increases by some of your other competitors. You've alluded to earlier in this call in Brazil and some other markets?

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

And also what your expectations are for the Chinese contract for the first half of the year? I'm assuming in your models you're assuming flat pricing. Can you please maybe give me some elaboration on that? Thanks.

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

Okay, Joel, this is Christian. Before Mr. Felker will answer on your question on different prices in different regions, let me just state our outlook is not contemplating that we know what the potash price will be in 2012. What we always do and don't forget K+S is more or less the price taker in the global markets, we are just telling you on the basis of today's having achieved prices, if we just keep that flat, what is the outcome then if you incorporate cost development, if you incorporate currency results, what is the outcome on today's set and achieved price levels going forward.

That's how we always do our outlook. And we certainly cannot incorporate future price increases because we don't test these prices globally. We are not the price leader. So don't get it wrong. We are not saying that potash prices are stuck and will be flat next year. This is just an assumption.

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**Joachim Felker** - K+S AG - Executive Board Member

Well, but when I follow-up. When you look into the region to -- you mentioned yourself that prices are fixed in India and in China for Q1. And we will see what will happen with the negotiations when they will start and what the big supplies for these regions will be able to do. And you see there's price announcement in Brazil apart from the 80% big supplies which has not been realized yet. There's some resistance in the market towards (inaudible) this last price increase of EUR30. There are -- dollars, sorry.

In the Asian market, and then you certainly will understand that nobody will dare to say something about Thailand for the time being, which is a very important market there in the Middle East -- in Southeast Asia. And so what Christian says we don't change our method. We will see what the big boys will do in those countries where they lead. And our price increase and our pricing power in Europe we will use when there's time to do that.

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**Joel Jackson** - BMO Capital Markets - Analyst

Okay. And if I can push my luck a little bit. I know you're not giving any guidance currently in your releases about potential CapEx for Potash One Legacy in 2012 as you haven't released your updated feasibility study. But are you able to, give some guidance over what 2012 CapEx range could look like for Potash One Legacy? And could you also provide some update -- if you do you decide to go ahead with Legacy, do you think you'll -- your cash flow will support that or are you expecting to have to go out and get some external financing? Thanks.

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

A very nice question. But, please excuse. I have given the answer already. We are in the process, in the final steps of the process of reviewing that. And it's generally our habit to get out when things are done. And therefore please, I can only ask for your patience for some short period of time. Then you will be informed very carefully and very -- more or less in detail as you can then see what is going to happen most likely --

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**Joel Jackson** - BMO Capital Markets - Analyst

Yes. Tried to press my luck. I tried to press my luck. Okay, thanks guys.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Operator**

Lutz Grueten, Commerzbank.

**Lutz Grueten - Commerzbank - Analyst**

Yes, thanks for taking my question. And nothing on Legacy I promise. Well, first one is on salt. The third quarter results in salt had been diminished a bit by one-off and one-time items. Could you run us through these effects? And for the third quarter what might be the effect for the final quarter so that we get better feelings for the underlying results in Salt? That would be my first question.

And the second question is regarding the Werra project and the environmental issues you're currently sorting out there. Could you remind me please when you are back to 100% of capacity amount of spending since you're currently holding back a bit of volumes there? Thank you.

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

Yes, the second -- start with the second question. We started a couple of days ago with small activities. And this will more or less be ramped up significantly, that we expect also been quite closer having started that project, that there will be some problems interfering with the project, with the production.

So from the next year, I would say, there is certainly an impact and we will see whether we will be better off in 2013. So for next year you have also some of the figure that we have taken for our preview for 2012. This is somewhat touched by these manifold activities that are getting very deep into the heart of the production at the Werra. So please don't ask me whether this is [2050, 100] or something. It will resort picture on -- down under the direction.

Second -- answer to your first question which relates to the salt business. And indeed there is big more or less turnaround in EBIT I compared from 2010 third quarter and this quarter in 2011. We had in the last year about, I would say, 6 million one-time positive effects in those figures. That means that we need to compare not 31, but in the neighborhood of 26.

We have I think in the Caribbean area a lot of rainfall, which more or less has flooded the areas in which we generally harvest the salt. This is not only molten salt Bahamas faith, this is also targets faith in the south from there. And this means that it is not one-time effect only in the third quarter. This is the more or less reaching up into the fourth -- it's the first quarter of 2011 at the minimum (inaudible) getting back into the harvesting of the material there.

This more or less can include middle priced one digit figure of euro which we typically do that, which finally as a season ends is what we have proposed to merge costs. And maybe knowing that we have two facilities in Chile. One is ready to be maintained over a longer period of time so that we're not able to load up to 8 million tonnes but only 4 million tonnes. And this cost us a lot of money (inaudible) as the ship was waiting for being loaded and this is also something in the neighbor of a one-digit figure. Then we have negative currency effects. So I would say the longer lasting effect is for a certain period of time. It's generally the Bahamas this year.

**Lutz Grueten - Commerzbank - Analyst**

And (inaudible) just to clarify, (inaudible) was just in the effect in Q3. There will be nothing in the final quarter. And the EUR5 million you have mentioned for the Bahamas, this will be EUR5 million per quarter in Q3, 4 and Q1 next year?



Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

I would say this is maybe a figure for this year. We have given you the outlook, general outlook (inaudible) intentionally. And when -- in case the figure (inaudible) the salt, there are negative and positive effects that are absorbed generally there.

**Lutz Grueten** - Commerzbank - Analyst

All right, thank you.

**Operator**

Martin Roediger, Cheuvreux.

**Martin Roediger** - Cheuvreux - Analyst

Yes, I have two questions. First is on the Potash Business here for the fertilizer market. On Slide 7 you have added now the forecast for the potash volumes in 2012. And the volumes looked just slightly higher than 2012, although you say in your press release that the prospects for fertilizer continue to be stable. Do you want to indicate that the market volumes will rise more on the lower end of your long-term growth corridor of 3% to 5%?

In the same page you also mentioned that utilization rates will decrease slightly. Is that because of strong increase in supply or to lower demand and than so far anticipated. So my question would be here do you want to indicate the risk of overcapacity to arrive. The second question is on salt, on the salt outlook I should say. Why was it not possible to convince consensus that your long term guidance for the average EBIT which is EUR175 million to EUR190 million based on the last 10-year average is reliable. On the other words, why does consensus expect a super winter to occur every year? Thank you.

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

Okay, let me -- Martin, let me start. This is Christian speaking because the second question I think is something I have to ask or I have to answer. Honestly I think most of you who're listening and who are on the let's say sulphate side know that we say 6th, December last year that a normalized EBIT in the salt business is EUR175 million to EUR190 million. This was firstly raised in our capital markets day we talked to analyst on a consensus basis every quarter very often and we hugely say look this is an effect 2010 and 2011 which is clearly attributable to higher de-icing salt volumes.

We even, if you have a look in our interim report, we even show external people that the effect of the better-than-normal-winter in the first nine months is EUR45 million to EUR55 million so far in the first nine months. So it's really, really, really easy to deduct this EUR45 million to EUR55 million from the earnings we have in the nine months. And therefore it's very easy to arrive at the EUR175 million to EUR190 million.

I can tell you from the discussions we had so far people say, yes, I hear that, but they don't change it. And then we ask why, and then the people say, well, we are always so cautious and let's see how the winter will be. I'd first of all like to keep it and keep it in the same height as I saw in 2010 and in 2011. So more than telling you that de-icing salt volumes in '10 and '11 were clearly marked by higher wintry and better wintry weather and this cannot be extrapolated in the future, more I am sorry I think we cannot do. We just have to hope that consensus is now factoring this in soon.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Unidentified Company Representative**

Okay. For the potash sales forecast over the next year. What we say in our remarks is that 2011 we think that sales would be EUR58 million to EUR60 million. And then we said that next year there will be at least EUR60 million more I cannot say. At least it still works.

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

And if we calculate a little bit EUR58 million coming to EUR60 million, then we will be at, I do not know, 4% something --

**Unidentified Company Representative**

3%.

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

3%. We're cautious, we said it.

**Martin Roediger - Cheuvreux - Analyst**

Okay, thank you.

**Operator**

Neil Tyler, JPMorgan.

**Neil Tyler - JPMorgan - Analyst**

Yes, thank you for taking my question. Just one point of clarification really with regard to the point in your outlook statement on potash volumes for 2012 at a stable level for 2011. I am sorry because I am not able to -- the sound quality isn't enough to pick up everything that you're saying, but I think what you're saying is basically that's based on a conservative demand outlook as oppose to your inability to produce anymore in 2012. Is that the correct assumption, and we still got some upside in your production capacity?

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

No, you're right. The guideline is EUR7 million instruction profitability. Take up 50,000 tonnes something like this. So EUR7 million is the guideline, and that's what we are looking for in 2012. And that's what Mr. Steiner said it has to do with the interference in most of our production swift with the environmental CapEx we will have there. So this was for 2012 and order for 2013 to come now.

**Neil Tyler - JPMorgan - Analyst**

Thank you.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Operator**

Sophie Jourdier, [Citigroup].

**Sophie Jourdier** - Citigroup - Analyst

Just got two questions. First of all you mentioned the resistance you're seeing in Brazil to the latest price increase. I just wondered whether you could talk about how the price increases that you put in Europe have been received by customers and the second just a quick question on CapEx and salt CapEx seem to take a bit of jump this quarter at least sequentially was that [to] the one-off spend in a short division in CapEx or was -- are we going to see CapEx been higher going forward in salt business? Thanks

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

I'll start with the CapEx question regarding salt. We have purchased in the third quarter a ship for our Chilean shipping line and the market is serving South America with the salt particularly for the chemical industry. That has replaced so far a ship that we have sold for scrap at the beginning of the year. These items grow regularly every year. But reduced fleets is eight. We need to think that we mostly likely will have a necessity to replace one ship in the next upcoming 12 months. That is to say -- and (inaudible) should also be taken in consideration. But it's not regularly at the salt without these extraordinary acquisitions or purchases we'll have to take generally over a longer period of time.

**Joachim Felker** - K+S AG - Executive Board Member

To your first question on pricing power and our price increase which we announced in Europe at the end of October, usually we need to -- in September and usually we need about six weeks, eight weeks to really have all books cleared although and then other income. I would say in some countries it was reasonably well and in some others they produce some time lag because the wholesale must then formulate prices to retail again. And they have to formulate the price to farmers. So it's a step wise process but it's -- looks quite solid but to have a 100% real life I think this will only take place in the first quarter closer to applications and having an historic review.

**Sophie Jourdier** - Citigroup - Analyst

Thank you very much.

**Operator**

Jesko Mayer-Wegelin, HSBC.

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

I have two questions regarding assumptions for your guidance. And first of all, I am assuming on taking the current potash price in Europe especially but also and preserve, what is -- adjusted to the basis, what is the price increase on average in 2012 compared to the 2011 if we assume constant prices? And then second question on the salts, guidance and assumptions. I am not assuming any market share gains in this segment. Is there anything possible or is it really likely to be stable as in the stable market share?

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

I'll start with the second question on salt. I would start up. The big variances in volumes you see always coming from the de-icing salt business. And when we look into that these are more or less between 5% and 10% of the overall volume that we can get up or not get up. This moves the salt business of everybody that is working in that field of business very much and so that is positive and that's good.

The other businesses are running according to the market conditions very well. We see, but of course we need to see that out of the chemical industry when they are running fast, they require a lot of salts. If they are running not as fast as they have done in the last year, then it could be minus. Water softening is something which we always tell you under normal, but I think the maintenance of market shares to gain a little bit in specialties in table salt in the United States is what we can expect. The most important thing is that we can be margin wise better off when we integrate all the cost. But margin, gain of market share for something is not that was our goal number one in the salt businesses.

**Joachim Felker** - K+S AG - Executive Board Member

Okay. Coming to the other question, as you said, in our forecast we expect that prices in potash would tangibly rise. That means that, as I said just a few minutes ago, some of the prices are still negotiated, some of them like in Brazil have been announced but not yet realized and that's the effect we have incorporated into our forecast.

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

Okay, thank you.

**Operator**

Joe Dewhurst, UBS.

**Joe Dewhurst** - UBS - Analyst

Most of my questions been answered but just one more on what your views might be on the market longer term, obviously recently you had the announcement from Uralkali on you acquired a significant increase in capacity addition and just your sort of thoughts on maybe how that might change things in the market going forward over the next eight or nine years.

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

Well, first thing I would do, I'll take our expectations of sales of at least 60 million tonnes multiplied with 3%, or 5% which is the range which we take, and then I would look at the plans Uralkali has offered to the market say that they will increase their capacity which I think is necessary on the long term because otherwise nobody can supply the market.

And third thing I would think about in your case is if I have 11 million tonnes roughly in the market already at reasonable prices and I increase capacity, what will I do not to spoil my pricing with the existing quantities out in the market, I think around these three corners you can think.

**Joe Dewhurst** - UBS - Analyst

So you don't expect to see cancellations of projects in North America for example in Canada?



Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

No, I see only that when I look over a long period of time and I add up at a certain day all the projects announced for a certain period in the future, is when I look then at that very year if I see that some of this capacities have evaporated on the way to realization. And typical examples I can tell you is Argentina, typical example, if we were to have ever calculated with all the projects which have been announced in Thailand we should have an over-capacity from 10 years but they never came up. So have a close look when you hear about capacities.

**Joe Dewhurst** - UBS - Analyst

Thank you.

**Operator**

Andrew Benson, [CTCIDI].

**Andrew Benson** - CTCIDI - Analyst

Number one, with the old sort of agronomist's hats on, is there any scope for the farming community to thrift the potassium in 2012? Obviously, there must've been a fair amount of under-application in 2009. I guess 2010, and '11, there hasn't been under-application. But so with the -- if you look back (inaudible) then you can thrift a year without damaging the yields. So is there a scope for that or is it because of what happened in 2009 there still really isn't the potential to do that without endangering yield?

And the second question, can you just try to help me on the destocking issue in -- that you are currently seeing? I mean you said that the wholesalers were leaving a corner of their warehouses empty just in case. But if you've got eight weeks of kind of order visibility you pretty much got the demand now that you are going to see during the course this year so you kind of know where you are. So can you dimensionalize that fourth quarter weakness and whether you think that's going to pop into next year or whether that could well be a sign that the farmers are thinking about thrifting?

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

Okay, come to your first question, with the prices you can see in the futures for wheat, for corn what have you, I think farmers would not go into what we have seen after the crisis of 2008 saving any kind of fertilizers. That would be the wrong move for them because they can have very profitable business.

When I talk about trade, when I talk about distribution that's something totally different. You have big companies who look at the working capital and they try, in the end, they try to put some responsibility to fertilizer producers in a way that we should keep the stock, we should deliver just in time and what they are not doing they are not filling up their warehouses to the, what I said, to the last corner perhaps shows the wrong picture but that's what I took a few minutes ago. So they are a little bit more cautious. So I don't see any change in structure, so we are far away of something comparable to 2008, it's a totally different scenario.

**Andrew Benson** - CTCIDI - Analyst

Yes, no, no, I'm aware that grain prices are high, but when you are seeing a slowdown in orders there can be a number of rationale explanations for that and you say that economically the farmers shouldn't have to thrift, but the point is agronomically,

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

if they do thrift, is it your judgment that it would make any difference probably because you have seen two good years of high levels of application.

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

What I would like (inaudible) again, to answer to your question is the following. The important part of your question was without distorting their expectation, and when we look back to the last of the year, we had the situation that in 2008, and 2009 that was certainly under-application, that was filling up at the end of '09, '10, '11, but this has not brought any soils into its quality that there is, more than necessary products contained therein, in general terms.

Therefore anticipating that also the yield of the year in the year 2011 will generally be good; we have a lot of hoisting of products out of the ground begin. And therefore if they want to spoil their ambition they fake. If they want to fail also looking for the future having in mind still attractive prices to be expected they then say I act normally and this would then mean what we've said related to the need of the soil full application of potash. This is if you go along that route 100% rationally.

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**Andrew Benson** - CTCIDI - Analyst

Okay, is there any chance that you can have a standard dimensionalizing then the de-stocking by wholesalers that you are seeing in the fourth quarter. I mean is the 100,000 tonnes of the business you are missing out on, 50,000 tonnes?

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

No, it's a feeling, when you hear the people talking about the behavior, if you listen to the interviews that the people from (inaudible) for example have given a couple of weeks ago then you'll see that. But they will never give up an indication how much they have stocked.

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**Andrew Benson** - CTCIDI - Analyst

Yes I know, but just with great respect, but in November 2010 you'll have an order book of X and in November 2011 you have an order book of Y, and I just -- and one of the ways dimensionalizing the evolution is to say is Y smaller than X and by how much?

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

But Joachim Felker has already mentioned that it is very charming to hold, to make the supplier a major stockholder. And therefore if there is something that is not ordered, we do not -- when we give such an outlook compare, company one that has all -- more or less 100 entities last year is now has ordered only 90 to say, this is more or less a symbol of that what we see. Please take it as it is. We see that they are more or less more cautious. This is not, let's say a disaster in the market, it's more or less also some kind of normal behavior from their perspective. And this more or less have been taken into the result and the forecast of 2011 and 2012 from our side.

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**Andrew Benson** - CTCIDI - Analyst

Okay, thanks.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Operator**

Wolfgang Fickus, West LB.

**Wolfgang Fickus - West LB - Analyst**

Three questions. The first one, the 50 million cut to your 2011 is the upper end of the range in terms of your EBIT guidance, is that mostly then due to the potash division so there seems a probability to ship or not ship an additional 150,000 tonnes which if then was de-stocking effect but what you mentioned is that explanation of lowering of the guidance 2011.

Second question is on unit cost on the very (inaudible), your analysis, which is a great help for us, could you maybe give us -- take us bit further and give us a unit cost guidance range for 2012?

The last question is actually on the current situation when we compare it to the [CD] crisis 2007, 2008. I understand, but you not see any kind correlation here. But maybe some confirmation on that statement in this the situation.

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

Yes, to start with last one again. I must admit the telephone line was very bad. So maybe we have not caught everything what you asked. The third question was to our estimation about maybe similarities of 2007, 2008 to the situation as it is right now. And it is still our conviction and we trace that from what we see that the situation in the market is not the same like three or four years ago.

First of all, the prices have been risen in the last couple of months, but the steps that have been taken were significantly smaller this year 2011 than in 2008. This was of course also based on the fact that nobody was afraid of not being supplied with material and so far over stocking materials more or less to every price that they were -- that they -- that the suppliers touched. And secondly, also the prices for agricultural product so far of course have been higher at the beginning of the year, but still on projected levels. And also there we do not see the negativity that has been taken place in 2010 or 2008, 2009.

So these are more the three nature topics and issues that makes us confident that we do not see a return of the crisis of 2008 at the end of 2011 or near 2012. Of course, in those days the situation was when you look for the countries different from that what it is right now they were not these kind of prices increase. But in the Italy and in other part of the world, the states and the countries were able to fill in money. But so far the real economy like we used to call it has not been affected by that.

And we deeply pray unto the utmost that this is going to continue. It's not a crisis of the financial sector, it's a crisis of the states. and as long as this under such a control in which it's right now, we should not more or less pray for a return of the crisis.

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

And look on also with regards to your third question, if we got you right I think you wanted to have an explanation why we lowered our upper range of the guidance in revenues and EBITDA by EUR50 million each. The reason is what Mr. Felker is saying, is the more cautious expectation for us of the trade sector in the first quarter. And that will have potentially two effect. Number one, we say approximately 7 million tonnes is our outlook for the full-year. And secondly that could also have an effect on the average price achieved in the fourth quarter with regards to product mix effect. And that is the reason why we are a little bit less optimistic on the upper range, but keep our lower range of 950 as we had before.

**Wolfgang Fickus - West LB - Analyst**

Okay.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

Yes.

**Wolfgang Fickus** - *West LB - Analyst*

Yes, fine, and then --

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

I think the second question we couldn't get correctly. Could you please repeat that?

**Wolfgang Fickus** - *West LB - Analyst*

Yes, I would appreciate one step further in your cost guidance which is already quite detailed, but maybe you can give us an idea about the unit cost range, which you're looking at, I mean, our looking at to 10 to 20 or something of that kind. I don't know whether you would --

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

If I look around --

**Wolfgang Fickus** - *West LB - Analyst*

Based on 7 million tonnes production please.

Norbert Steiner Wolfgang, if I look around here Mr. Steiner, and Mr. Nonnenkamp and Mr. Felker, you know exactly what I see.

**Wolfgang Fickus** - *West LB - Analyst*

Exactly, exactly.

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

So I think we are one of the companies, the earliest, to give and to provide a guidance for 2012. We do that and we have done so I think for the last five years already, we feel it is necessary to give you guidance in the middle of November also for next year, because capital market is always about future, but I think you are definitely right I think it's already quite detailed and for today it should be enough.

**Wolfgang Fickus** - *West LB - Analyst*

Okay fine last one last follow-up on the CapEx actually. You mentioned EUR150 million additional CapEx due Werra that brings us back to EUR300 million, which is already a level which is little above the normal maintenance kind of CapEx we run. So it is like is it already for this one, additional for this one, or how should we explain --

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

Yes, Mr. Felker said that -- sorry, Mr. Steiner told at the beginning it's roughly EUR100 million for the Werra program and another EUR40 million roughly for a small pipeline from (inaudible) to the Werra plant. That's the additional CapEx '12 compared to '11.

**Wolfgang Fickus** - *West LB - Analyst*

But again that brings us back to EUR300 million, which is higher than the normal level. So is there some other component or --

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

We guided already in August for EUR280 million. Now we have EUR300 million. It's explained in our interim report and the EUR300 million also for the third time includes EUR40 million for the first time for legacy. But the figures for 2012 just to be clear does not contain so far any legacy CapEx.

**Wolfgang Fickus** - *West LB - Analyst*

Okay, fine, thank you.

**Unidentified Company Representative**

Okay, good.

**Wolfgang Fickus** - *West LB - Analyst*

Thank you.

**Operator**

Andreas Heine, UniCredit.

**Andreas Heine** - *UniCredit - Analyst*

I have only one question to the legacy product again. So of all what you said I can assume that in the potash cost guidance for next year there is no a single earnings effect in the P&L what you have calculated in your guidance you gave to us. And secondly again on the guidance if you say you calculate on stable prices in the potash division, do you then take this two, three average price we have seen or do you factor in already that prices should go up due to the announced price increases from September and due to a better product mix going forward. And the last question we always got a good update from you on what's going on the market on this standard product MOP. Could you refer little bit how the industrial products and how the specialties price trends are. Is it just inline or lagging or better than what we see as price increases for MOP. These are my questions. Thanks.

**Unidentified Company Representative**

That was a first to one on guidance. Number one in the next and in 2012 cost assumption what you can see here for quarters no legacy cost are included. Number one. And with regards to the price guidance for next year, we say we take the set and achieve price levels currently achieved. That means that the EUR375 price for Europe is included in our guidance going forward for the year 2012. Yes, and then we take what is achieved at the global market level. Yes.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Andreas Heine** - *UniCredit - Analyst*

So basically meaning higher prices and the average pricing was reverse.

**Unidentified Company Representative**

Yes.

**Andreas Heine** - *UniCredit - Analyst*

Okay. So basically meaning higher prices and the average pricing (inaudible)?

**Unidentified Company Representative**

Yes. To your question agricultural MOP and industrial MOP, when you look over long period of time, then there is always a gap between these two prices and also the price mechanism is little different. At presently the agriculture prices are very close to industrial prices, but industrial prices have longer contract period and let's say so there is not much change. Both segments to us are attractive and so nothing new actually to what I can tell you.

**Andreas Heine** - *UniCredit - Analyst*

And specialties?

**Unidentified Company Representative**

There are specialties I mean when you look at our product portfolio. What we do usually as a pricing policy over the whole product range we use MOP standard or new MOP granular as a lead product and then we calculate down basically using content of products, but also some additional charges or additional costs or price items for those item.

**Andreas Heine** - *UniCredit - Analyst*

So basically everything is linked to MOP.

**Unidentified Company Representative**

Yes, correct.

**Andreas Heine** - *UniCredit - Analyst*

Thanks.

**Operator**

Richard Logan, Goldman Sachs.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Richard Logan** - Goldman Sachs - Analyst

Hey good afternoon and thanks for taking my questions. First one was with regards to the European pricing and potash and magnesium. I might have missed this earlier, but I know that in Q3 the pricing went to EUR309 per tonne from EUR315 per tonne in the second quarter. And I was trying to get an understanding you got a mix affect.

And then secondly with regards to inventories are you able to give any color with regards to inventories held by customers in particular in Asia but just on a region by region basis? I mean, is it -- is this destocking effect more pronounced in Europe or how do you see it across the different regions?

Then on volumes. What could cause you to miss the 7 million tonnes for the full year? Are there any risks to that number in terms of volumes for the full year?

And then the last one I'm sorry to come back to it again. But just on the Potash One update that you're going to announce. Are you able to say obviously not any numbers but in terms of the type of information that we should expect, should we expect you to give an update on or what the total cost will be in terms of capital cost, the size of the project, the operating cost that you anticipate? If you could just give us a bit of an idea as to what to expect when you do give that update? Okay, thanks.

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

The last point is the easiest one. This was late autumn-winter which is the time line in which we want to be ready for communication publicly. And we have not yet finished our discussions on the review of visibility study. So I do not see any proposal of which figures and items we would like to -- on which items we would like to communicate.

On the other hand it makes no sense to give you just a figure of annual capacity and maybe a figure, a rough figure of the CapEx. So I think it will be a set of information that should be quiet satisfactory because if we come to a positive conclusions, of course there are some internal figures that we will not disclose, but we have nothing to hide there anymore because we are -- we'll then be proud that you can proceed.

**Richard Logan** - Goldman Sachs - Analyst

Okay. Okay, great. Thanks.

**Unidentified Company Representative**

Related to pricing. I think the best way to look at it is if you look at our picture number 8. And then we divide the price development in Europe and overseas. And then I just can't confirm the following thing. When you look at Q2 '11 and Q3 '11 then in Europe the product mix is very decisive over the quarters and how the prices will develop. So in this case you see decrease in average price in Q2 to Q3. That's a normal thing.

When you look at overseas there you can see the same price that you can envisage. When you look at our competitors, they you see a price increase in Q2 to Q3 of roughly 11%. When you look -- when you ask me how the stocking position on a worldwide level, well, I can say that's a rather difficult question I must say. I can only say that I can look at into import figures, for example, into China, into India. That I have concluded normal to good qualities over the last year's contract. And they are taking this contracts very regular. So I think there is no weakness in the business there.

When you look into Brazil, Brazil the -- when you compare it to the last year the quantities have increased quite heavily. There have been a lot of shipments to Brazil. When you look into Asia I think there are some weak points of course now in Thailand,

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

while all the other countries like Malaysia, Indonesia driven with high prices for the product they sell, I think they draw on normal quantities and also they -- the importers and distributors there would have normal stock levels. So I can unfortunately not give you more details on that.

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**Richard Logan** - Goldman Sachs - Analyst

Sure, no, that's fine.

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**Unidentified Company Representative**

That's fine? Great.

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**Richard Logan** - Goldman Sachs - Analyst

And then just a question on any potential risks to the 7 million tonnes?

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**Unidentified Company Representative**

Well, there have been normal production risks which we always have. And when we look into sales then in Europe it's sometimes very decisive how the weather is in December especially second part of December. If there are some storms in the harvest then you have late cancels on (inaudible) there you can postpone it for a few days. But not from the structure where it's normal operational risk job.

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**Richard Logan** - Goldman Sachs - Analyst

Okay. Okay, that's fine. Thank you very much.

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**Operator**

Gunnar Cohrs, Berenberg Bank.

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**Gunnar Cohrs** - Berenberg Bank - Analyst

I've just one question. And Mr. Felker, you mentioned that by year end you expect inventory, your own inventory level at around 800,000 tonnes. Could you remind us if this is a normal level for you in terms of inventories? And could you also remind us what was the inventory level at the end of 2008? Thank you very much.

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**Joachim Felker** - K+S AG - Executive Board Member

2008? So this one position I have to look up. This I don't have in my head anymore. But, Gunnar, when it comes to -- when you look at our solid portfolio, country portfolio, I must say with 800,000 I feel quite considerable. And I think we are also then prepared for a strong demand in Q1. That looks very nice. And 2008 question I've looked it up.

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**Unidentified Company Representative**

Yes, it must be higher.



Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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**Unidentified Company Representative**

Right, it was higher. Roughly a million. I don't forget the fourth quarter in 2008 we already cut --

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**Unidentified Company Representative**

So don't -- it's not really comparable I would say.

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**Gunnar Cohrs - Berenberg Bank - Analyst**

Yes, I just tried to kind of get a comparison how you see the market will be expected by you for next year. But you're probably right. It was probably a bit inflated in 2008.

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**Unidentified Company Representative**

Yes. All right, well, it was the first more or less cut of the crisis. As we cut 400,000 tonnes in December. And of course we were in those days not able to do anymore things the farmers -- on the savings (inaudible) already to sell what we have. Therefore it was the crisis year. And I repeat that we are not seeing any crisis yet. And we hope that it will never touch us. So the, 800,000 is some kind of normal.

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**Gunnar Cohrs - Berenberg Bank - Analyst**

Right. Is this is also reflected because you mentioned 800,000 to you in normal level in terms of --

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**Unidentified Company Representative**

Yes, that's right.

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**Gunnar Cohrs - Berenberg Bank - Analyst**

Right. Thank you very much.

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**Operator**

Andrew Stott, Bank of America.

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

Sorry, hi. Thanks for taking another one. Just sort of with the matters on salts business for Q4. So the implied guidance for de-icing is round about 2 million tonnes which would be 50% down -- so Q4 and Q4. Now I realize last year there was restocking et cetera. Is that right, is my math's right?



Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

**Unidentified Company Representative**

I also have the numbers here and you -- don't forget that the fourth quarter 2010 in Europe was the best we ever had in our history. The winter, fourth quarter winter -- maybe you -- I think Andrew, you also attended our capital market there in Berlin last December, right?

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

Indeed, indeed.

**Unidentified Company Representative**

Yes. And many people had problems to fly home.

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

Yes.

**Unidentified Company Representative**

So Europe, we sold 1.8 million tonnes in Europe last year. And on a normalized basis in Europe you can already hear deduct a million.

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

Okay.

**Unidentified Company Representative**

Right.

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

Okay. So a normal quarter in Q4, if there is a such a thing is 2 million basically?

**Unidentified Company Representative**

We always say a normal quarter is our -- the 10 year average --

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

Yes.

**Unidentified Company Representative**

And that's what we have in our plan for the fourth quarter 2011.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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

Perfect. Thanks.

**Unidentified Company Representative**

Right, okay.

**Operator**

Michael Schaefer, Equinet Bank.

**Michael Schaefer** - Equinet Bank - Analyst

Thanks for taking my two questions. Coming back to your observation that the Detroit channel is rather cautious in restocking ahead of the Northern Hemisphere season. Is this someone which you just have observed in the European market or is this something which you have seen also on a global scale with other regions. I guess what I'm looking at is that the relative performance if you look at for wheat economics versus corn and soya economics I guess the latter one should be more favorable and there should be less question marks at least for applying in a normal pattern. So is there something which you can see from the order booklet there is a rather cautious European market versus a normal non-European one, will be my first one?

Second question is, looking at your 7 million guidance for next year in P&M. I remember you saying a couple of quarters ago yet you're strategically aiming for a potash richer content of your sales mix going forward more of a kind of strategic target. Is there something which -- where we should expect although already positive effects in 2012 and ongoing? Thank you.

**Unidentified Company Representative**

Well, I think you cannot expect it in 2012. I think the activities of the variable were postponed to a long period of time. And coming to your first question. I will say this consciousness of distributors of end products is not only seen in Europe. It's in all part of the world. It's definitely not by the state within countries like India. It's less in China, but in those private sectors when they are specialized when they have to deal with long-term letters of credit and stuff like this I think they are a little bit more confident. So it's not a European thing. I think it's worldwide.

**Michael Schaefer** - Equinet Bank - Analyst

Okay. Thank you.

**Operator**

(Operator Instruction). Lutz Grueten, Commerzbank.

**Lutz Grueten** - Commerzbank - Analyst

Just a housekeeping question regarding the tax ratio. The tax ratio seems to creep up in the final quarter and also regarding for a slightly higher tax rate next year. What's the reason behind? And is this new one outlook for what's to be there in 2013 and the years to come? Thank you.

Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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**Unidentified Company Representative**

Now, don't expect any significant increases in the next years. I mean, this is just 1% and it's actually a point of rounding. So there's no major effect. And the rate you can see there, you can assume (inaudible) quarter next year.

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**Lutz Grueten** - Commerzbank - Analyst

Thank you.

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

Okay, I think -- this is Christian speaking. We have now spent almost one, one-and-a-half hours. And if you don't mind, I think we have taken so many questions. If you have further questions please call Investor Relations today or tomorrow or the next week. We are very happy to take your questions. And I would like to give to Mr. Steiner for the final remark.

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

Yes, thank you very much. I think there was lot to be discussed today. But if you allow me to summarize it, it is always our aim to provide you with -- it's the word that Christian likes much -- (inaudible) you going forward. We do that on a regular basis. And therefore we have stick to our habit also this year even in the situation where visibility is lower than in the past years. We anticipate great guidance to be attracted from the farmers perspective. But short-term purchasing behavior of the trade sector is like we have discussed more cautious.

We expect Potash and Magnesium EBIT 2012 to be slightly up than today's set and achieve price levels and stated volume and despite tangibly higher unit cost. And the forecast on the basis of a normal winter weather, salt earnings in 2012 is significantly down. And we have explained why we stick to that habit compared to the year 2011 regarding exceptionally strong winter year.

All in all, we anticipate for this year 2011 to achieve the second best earning ever, only topped by the extraordinary year 2011 and -- 2008, sorry. And the caution assumption is correct and is correctly formed to keep earnings on this level also next year.

I hope we have brought out the profit over to you and I hope that you stay tuned and with a performance to talking to you or meeting with you meeting you soon. Goodbye, thank you very much.

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**Operator**

Ladies and gentlemen, thank you for joining today's conference call. You may now replace your handset. Thank you.

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Nov. 10. 2011 / 2:00PM, SDF.DE - Q3 2011 K+S AG Earnings Conference Call

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