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PRESENTATION

Operator

Welcome to the K+S conference call for investors and analysts regarding the publication of the quarterly financial report Q1 '12. (Operator Instructions).

I am now handing the call over to Christian Herrmann of K+S to begin.

Christian Herrmann - K+S AG - Head of IR

Yes, thank you very much. Good afternoon, ladies and gentlemen, to today's investors and analysts conference call for the first-quarter results of K+S Group. Since the Q1 publication and our AGM always take place at the same day, we as usual hold our corresponding conference call one day later, which is today.

The first-quarter 2012 has passed with a strong performance in the potash and magnesium products business segment, a more or less stable performance in our nitrogen fertilizer business segment and as expected and flagged a rather weak development in the salt business segment. We, therefore, would 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 to proceed as usual 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. Then Executive Board Member, Mr. Steiner and Mr. Felker will be happy to answer your questions. I am now pleased to hand over to our CEO, Mr. Steiner.

Norbert Steiner - K+S AG - Chairman of the Board of Executive Directors

Thank you. Good afternoon also from my side. Also welcome to our first-quarter 2012 conference call.



Before we start with the presentation, please let me take this opportunity to welcome two new Board Members who are not present as of today. As of 1st of June, Dr. Burkhard Lohr will join us as the new Chief Financial Officer while from the 1st of October, Mark Roberts will take over the responsibility for the salt business segment. On behalf of my colleagues, I am very glad to welcome both on our Board.

Let's now proceed with the key figures of the Group, slide number 2. Driven by lower salt sales volumes, revenues declined by 12% and reached a good EUR1.4 billion in the first quarter. Coming from a high level, EBITDA and EBIT decreased by 21% and 24% respectively. As planned, capital expenditure increased compared to the previous year. The increase was amongst others attributable to investments in the Legacy Project, in the package of measures on water production in the Hesse-Thuringia potash district as well as in the renovation of the evaporation facility at Morton Salt in the United States.

Compared to the first three months of 2011, operating cash flow decreased and reached EUR85 million, excluding the out-financing of pension obligations. This decrease was mainly caused by an increased tie-up in working capital due to higher inventories in the salt business segment as well as higher payments to BASF of the nitrogen fertilizer business segment for the very successful previous financial year. Earnings per share followed the overall earnings development and stood at EUR1.01 for the first quarter, a decline of 26%.

On slide number 3, we provide you with a closer look at the changes in K+S Group's revenues during Q1. Revenues overall decreased by around EUR189 million. Of this decrease, EUR287 million were contributed by negative volume and structure effects, particularly in the salt business segment due to the unusually mild winter in Q1 2012.

Sales volumes of the potash and magnesium products business segment declined moderately while nitrogen fertilizers business segment slightly increased its volumes. Lower volumes were partly compensated by higher prices in the fertilizer business sector which led to a revenue increase of EUR66 million. Positive exchange rate effect in all business sectors sum up to a further EUR30 million.

Slide number 4, performance of the fertilizer division, and in particular, the potash and magnesium products business segment was clearly standing out while the salt business segment suffered from the mild winter and dry weather conditions during the first quarter of 2012. Potash and magnesium products revenues rose slightly to EUR580 million due to higher average prices and the positive currency effect compensating for somewhat lower sales volumes.

On the cost side, positive earnings effects of changes in inventories compensated for, in particular, higher energy costs and the negative currency result. This led to an EBIT contribution of about EUR209 million for the first quarter, the strongest operating earnings ever achieved in the first quarter.

Nitrogen fertilizer revenues rose by 10% to EUR360 million due to positive price factors. Operating earnings in this segment reached a very good EUR32 million after EUR34 million in the same quarter last year. Higher input costs caused the slight reduction.

Revenues in the salt business segment fell in the first quarter due to reasons already mentioned. This resulted especially in comparison to the very high sales volume of the previous year's period and a strong decrease in revenues of -- to EUR495 million. First quarter's EBIT fell by EUR94 million to EUR46 million. The strong decline in earnings was mitigated by savings into areas in maintenance and personal cost.

Let's now move on to the fertilizer business sector in more detail. Slide number 6 provides as always a general view on the environment of the markets we are active on. In the wake of the European sovereign debt crisis, the trade sector was more cautious in its early stocking-up of fertilizers at the end of 2011 and the beginning of 2012. Moreover, winterkill resulting from rather dry and cold weather led to a postponement in the European spring season. However, throughout the first quarter, the price levels for agricultural raw materials continued to offer attractive income prospects for farmers, and therefore, incentive to increase yields per hectare also through the optimal use of fertilizers.

Against this backdrop, at the end of the first quarter, there was an upturn in demand for potash fertilizers, especially after the contractual negotiations with China for the first half of 2012 were concluded with unchanged terms in mid-March.



The global market price level for potassium chloride was tangibly higher in the first quarter of 2012 than one year ago. In comparison to the average of the fourth quarter of 2011, prices moderately decreased in some regions. However, since the conclusion of the contract in China, international potash prices tend to get stronger by now.

As always, the following table on slide number 7 should only be understood as providing a rough indication of how prices have developed. Factors like freight cost exchange rates and product mix usually distorts the picture.

Year on year, sales volumes declined mainly due to lower sales volumes in Europe. Average European prices increased more than the overseas price, as the overseas price level in Q1 '11 had already been on a higher basis than in the European markets. In addition, the overall increase of the average price in euro terms was supported by positive currency effects.

Quarter on quarter, sales volumes increased due to the seasonally higher sales volumes in Europe. By the competitive market environment, especially in Brazil cost, the overseas prices declined somewhat. The European price slightly increased because of positive product mix effects.

As already mentioned and as can be seen from the graphs on slide number 8, we are very pleased with the first quarter results in the potash and magnesium products business segment. Compared to one year ago, the overall cost base decreased slightly. However, on the back of lower sales volumes and unit costs increased to a level of EUR210 million after having been EUR187 million in the first-quarter 2011.

As most -- as you most likely have already noticed on slide number 9, on the 8 of May 2012, we announced an agreement with EuroChem regarding the sale of K+S Nitrogen. We are also pleased to have found a well-suited owner of K+S Nitrogen and think that the sales to EuroChem is the best option from a perspective of K+S, but also of the employees of K+S Nitrogen.

Closing of the transaction will likely happen at the end of the second quarter, the enterprise value amounts to EUR140 million. The sale will generate a book profit of around EUR70 million to EUR80 million mainly depending on the net earnings of K+S Nitrogen generated by the time the transaction is closed.

Following the divestment of COMPO last year, the sale of K+S Nitrogen consequently fits into our strategy, which pursues the goal of focusing management and financial resources, particularly on the potash and magnesium products and the salt business segments.

While we are evidently very contempt with the transaction overall and the achieved enterprise value, I was very negatively surprised when I saw some analyst comments on the transaction. For example, stating the negotiated EBITDA multiple has -- was low and -- sorry the K+S was eager to get the business off its books even worse. Someone stated the salt price as disappointing and estimate that it should have been a EUR2 per share negative effect on the target price.

We are talking here about an additional EUR400 million in net present value to the EUR140 million achieved, that this [bank] apparently was missing in the valuation of the business. This implies the analyst wanted to see an EV/EBITDA multiple of approximately 7.5 times for a pure distribution business based on a contractual framework that was utmost probability expires in just 2.5 years. I know that analysts are often under time pressure to analyze results and certain events.

On the other hand, our presentations have been showing the details of K+S Nitrogen's contractual business since here we are transparent. But I think I don't go too far when I expect the same level of professionalism that we show. I definitely do not accept that in absolute and relative terms, a very good set of Q1 results is spoiled, but unfounded and negligent comments on the K+S Nitrogen sale.

Furthermore, I am very disappointed to learn that these two banks did not even bother to call our Investor Relations department to discuss the questions before they sent out a note. And believe me, here I was very moderate.

But let's leave it at that end and move to the salt business on slide number 11. As a result of the very mild and partly dry weather conditions, the demand for de-icing salt in Europe and on the East Coast of the United States was unusually weak, particularly compared to the above average first-quarter 2011. Prices in Europe were slightly higher than one year ago and relatively stable compared to the fourth quarter of 2011.

Most North American producers responded to high inventories by cutting back production. A slight reduction in price was noted particularly on the US East Coast and in other de-icing salt regions of the US. The other product groups showed an overall satisfying development during the first quarter. This general business environment led us -- led to the sales volumes and average prices for K+S shown on the next slide number 12.

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 distorts the picture. Year on year and as described before, de-icing salt sales volumes were significantly lower and average prices declined moderately. While volumes slightly declined for non de-icing salt, an improved product mix, in addition to a positive exchange rate effect and some price increases led to a higher average price.

Quarter on quarter, following normal seasonal patterns de-icing salt volumes increased, but reached only half of last year's level. Pricing decreased, especially in North America, mainly due to product mix effect as a result of lower consumer sales volumes. The other product group's volume declined, but price increases along with an improved regional product mix and a favorable exchange rate effect resulted in a higher average price.

As you observed the greater seasonality in the salt business segment and in the potash and magnesium products business segment, I would now like to take a closer look at the next slide number 13. Compared to one year ago, revenues decreased significantly due to factors already explained before. The strong decline in earnings was mitigated by savings in maintenance and personnel costs in (inaudible). The [green] winter cost sales volumes declined by 39% leading to a lower fixed cost coverage and thus to a lower profitability, but still generating an EBIT margin of 10%.

Slide number 14, to once again point out, the extraordinary situation in our de-icing salt business during the first quarter. Usually, the access to multiple de-icing salt markets in different climate regions mitigates the overall degree of fluctuation in our de-icing salt business. As you can see, the results of the last years proved that this overall concept works quite nicely. But this year's first quarter really was extraordinary one. If you compare the sales volumes with the 10-year average, the decline of 40% can be absorbed -- observed. Compared to the record first quarter of 2011, the decrease is even 49%.

Finally, I would like to provide you with an update on how we see the year 2012 as a whole. First, slide number 16, potash, we can see a certain improvement against the background of potash supply contracts concluded with China in the middle of March 2012 at unchanged conditions and continued attractive agricultural prices, demand for potash fertilizers improved towards the end of the first quarter. This development should continue in the following months, so that we assume global potash sales volumes of up to 58 million tonnes for 2012 as a whole. Please note that this forecast in contrast to our peers includes potassium sulphates and other potash facilities of around 3 million tonnes.

Salt, due to the unusually mild weather conditions at the beginning of the year, the demand for de-icing salt in 2012 in Europe as well as in North America will be reduced accordingly. In the food grade and chemical salt areas, we expect demand to remain largely stable in the sales markets relevant for K+S, and in the industrial salt area, we expect it to decline somewhat, especially in North America.

This brings me to our outlook that is unchanged to the one we have presented mid-March, slide number 17. It still includes the nitrogen division since the sale of K+S Nitrogen was announced after we have set up the outlook on the 2nd of May.

Ladies and gentlemen, the year 2012 should again be a very good one, a good one for the K+S Group. The prospects for the development of demand for potash and magnesium fertilizers are still good, in particular, in the regions that we are -- that are relevant to us. Therefore, from today's point of view, we continue to regard the sales level close to last year's 6.9 million tonnes as probable. In line with our customary, purely technical forecast policy, which maintains the currently achieved potash price level unchanged for the rest of 2012 and the average price level that is moderately higher than that of the previous year, is to be assumed.

Therefore, revenues in the potash and magnesium products business segment should increase moderately. Due to higher energy costs, however, unit costs are expected to rise tangibly. Against this background, we assume that operating earnings could approach to good earnings of 2011. In the case of nitrogen fertilizers, our outlook expects the slightly increasing development in revenues, but also higher input costs and therefore stable operating earnings. In the salt business, due to the significant decline in sales volumes, we expect a tangible decline in revenues and a strong decline in earnings compared to the above average year 2011.

Overall, this was a result in stable revenues for the K+S Group in 2012 as well as moderately decreasing operating earnings, once again, still including our nitrogen activities. Just in case, you would like to know how the sale of K+S affect, Nitrogen affects our outlook statements, well slide number 18, rest assured. The sale of K+S Nitrogen has no impact from the outlook I just presented. If we do a pro forma adjustment, we still expect stable revenues and moderately decreasing operating earnings for the year 2012 compared, of course, to an also adjusted year 2011.

With the sale, the strong earnings power of K+S becomes even more visible, pro forma revenues for the year 2011 amount to approximately 5 -- 4 million -- EUR4 billion and pro forma EBIT I one reached EUR900 million leading to an EBIT margin of approximately 23% instead of 19%.

Slide number 19, the final slide is something you are used to and brings me to the end of my presentation. So, thank you for the time being for your interest. Joachim Felker, Christian Herrmann, and myself, would now like to take your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Martin Roediger, Cheuvreux.

Martin Roediger - Cheuvreux - Analyst

I have three in total and all of them are related to the potash business. Firstly, can you tell us the -- your sales exposure in potash to Southern Europe, especially the big states like Greece, and do you see here any change in customer behavior in terms of willingness to pay the bill on time?

Second question is on again potash on the volumes in the first quarter, it appears to me that the volumes were a bit less worse than feared at least by the markets, but probably also by you, and certainly because of the recovery in the business in March. From which regions did this surprise come from? Was it mainly Brazil or regions in Southeast Asia or eventually also Europe?

And the third question is on the behavior of your customers, especially the wholesalers. We saw this restrained in buying potash from the wholesalers in Q4 and also in January and February. Is this restrained by the wholesalers now fully over in all regions? And maybe can you explain to me why the wholesalers were restrained in buying potash, while your volumes in nitrogen were up, so obviously in nitrogen, the wholesalers are keen to buy this product? So why there is a difference?

Joachim Felker - K+S AG - Member of the Board of Executive Directors

Okay. Martin, this is Joachim Felker speaking. Southern Europe out of the total quantity, very minor, very small. All the outstandings we have are insured. What is not insured is very small again. And since I would say approximately half a year, we do cash in advance, so exposure very little.

Difference of behavior in nitrogen and potash by wholesales, first of all, I think overall they are very careful in stocking, but what they had -- they had the fear in a way when the -- how should I call it -- the Arab spring started that urea quantity went out of the market and at the same time also China was putting up an export duty on urea. So, there was a shortage of urea in the certain period, prices went up. Nitrogen prices also went up. Everybody was eager to fill up stocks. Then the situation in urea relaxed again a little bit and over the last few weeks again nitrogen and urea markets are very, how should I say, very volatile because China again said we will not export. So, that's the difference between nitrogen and potash. In potash, again, very carefully ordering and hoping that we as producers can fulfill immediate demand more or less just in time.

Unidentified Company Representative

(Spoken in foreign language).



Joachim Felker - K+S AG - Member of the Board of Executive Directors

Well, on a worldwide basis, I think first of all when you compare to 2011, 2011, we had sales of EUR2.1 million in total, but that had to do at least partly with the weak year before. So, comparing quarter to quarter is perhaps not the very best thing to do. But when you look into our focus, we were a little bit more negative and by, how should I say, feeling that the European situation would be rather difficult for us, we were shifting to overseas export business relatively early and we were rather successful with that, especially when it came to Brazil. And when you look in Brazil import figures, our share in Brazil was relatively high in the first quarter. So, we were compensating in total.

Martin Roediger - Cheuvreux - Analyst

Thank you.

Operator

Tony Jones, Redburn.

Tony Jones - Redburn - Analyst

I've got three questions. Firstly, on potash volumes just returning to the same issue really, it's the highest volume that you've reported since Q1 last year. And I thought you'd had some mind constraints. So is this basically a signal that you'd overcome those, so we can forecast higher volumes by quarter from herein or is it that you are just supplying or selling higher inventories that you had at the exit of 2011?

And then the other two questions, firstly, could you just clarify what the EUR350 million are, of securities are on your balance sheet? It's just not really clear. And then finally, could you just give us some comments how you see regional potash inventories compared to how you would expect at this point in the year? Thanks.

Joachim Felker - K+S AG - Member of the Board of Executive Directors

Well, Tony, first of all, when it comes to what you call just mining constraints, they are existing there is no change because we are very busy in construction work and work at all the mines we have at the (inaudible). So, there is no change this year 2012. I think the situation might improve a little bit in 2013/14, but not coming from, let's say, EUR7 million to EUR7.8 million, which we had in the past. So, let's say, it will take some years to come back to the capacities you know from the past.

The other question was stock levels if I understand. Stock levels, I would say, in our case we are still higher than we usually are, because with 1.7 tones in the first quarter, we are little bit below normal. The level on the distributor stocks I think is very, very low, still very low, lower than we usually have. When I say we have more inventory, don't forget we have a very broad product portfolio, so compared to others when you just make peer group comparisons, we are always a little bit on the high side. But I would say we talk about 150,000 tonnes in total. And the EUR350 million, I think Christian will do that.

Christian Herrmann - K+S AG - Head of IR

Yes, we have -- this is -- Tony, this is more or less cash like, but it's commercial papers, very secure financial assets with a maturity of more than three months and less than 12 months. And according to IFRS and the cash flow statement you have to treat this as an investment. That's why that we are here. I think it's rather weird and that's the reason why we neutralized the cash flow statement for you to understand better the operating cash flow and the financial cash flow, but this is very, very similar to liquidity.



Tony Jones - Redburn - Analyst

Okay, thanks for the clarification on that one. Can I just ask a very simple follow-up actually in terms of the volume, so the 177 million tonnes in Q1, the market or consensus was quite below that for the next couple of quarters. With the extra inventory you still have then, should we expect higher volume in Q2?

Joachim Felker - K+S AG - Member of the Board of Executive Directors

No.

Tony Jones - Redburn - Analyst

Okay, fine. Thanks very much.

Joachim Felker - K+S AG - Member of the Board of Executive Directors

Thanks.

Operator

Gunnar Cohrs, Berenberg Bank.

Gunnar Cohrs - Berenberg Bank - Analyst

I have also two questions. First, on your inventory level, could you maybe quantify how much was your inventory at the end of March and how that compares with the last year?

And then secondly, basically you also mentioned in your report, but maybe could elaborate a bit on that, your cash flow generation in Q1 was rather weak. You explain it to BASF profit sharing and also higher inventories in -- obviously in your salt business, but maybe you could elaborate a bit more on this. And actually my third question would have been on your share price performance which I don't really understand, but I think Mr. Steiner made his point clear. Thank you.

Unidentified Company Representative

Okay.

Joachim Felker - K+S AG - Member of the Board of Executive Directors

Okay. Gunnar, I start with the inventory situation in potash. At the end of March, we have roughly 1.2 million tonnes in inventories. This compares to roughly 800,000 tonnes one year ago. If you compare this to the end of last year, that's an increase of roughly 200,000 tonnes in the first quarter. I can tell you as of -- I also have already the April volumes, April compared to March, it is somewhat decreasing already.

With regards to cash flow statement, yes you are right, but I think also not really surprising when you see that we had a very weak salt business with still high stocks bound in working capital. And therefore, the biggest decline is coming from less sales volumes, so [they have] still high inventories. This is roughly EUR120 million explaining for this not for the decrease. And on the other hand, you are totally right, you mentioned



the earnings share contract with BASF, which was on the other hand another 92 -- yes, almost EUR90 million in reduction of accounts payable. So, these are the biggest chunks and explain the decrease in the first quarter cash flow statement.

Gunnar Cohrs - Berenberg Bank - Analyst

All right, thank you very much.

Operator

Jesko Mayer-Wegelin, HSBC.

Jesko Mayer-Wegelin - HSBC - Analyst

I have two questions. First of all, regarding the application season in Europe, would you say that currently the farmers are applying potash in the normal way or have there been significant losses from the winter whether you have talked about this already? Maybe you could also quantify what demand you think is lost due to the weather situation in the winter? And the second question regarding the potash price in Europe, the EUR375 million level per tonne, when do you think this will be achieved in this year?

Unidentified Company Representative

Application of farmers, those guys will have no winterkill, they apply normal. Okay, price EUR375 million, if our competitors are not under quoting us, we will have it next week.

Jesko Mayer-Wegelin - HSBC - Analyst

Maybe one follow-up question regarding the winterkill, how many farmers, who do you say, especially in Europe have this problem and how much demand could this cost?

Unidentified Company Representative

I guess at the end of the fertilizer season not the calendar year, if I compare fertilizer season 2000 -- now, let me say, 2010-'11 to '11-'12, I think that we will see a reduction of potash application in Europe. How much? I cannot tell. I think some of the wholesalers are talking about 10% to 20%, but it's early to say.

Jesko Mayer-Wegelin - HSBC - Analyst

And regarding the pricing, you said during like Q4, in Q2 whether --

Unidentified Company Representative

EUR375 million, we are working on EUR375 million since September-October last year. We had the first businesses with EUR375 million, then the financial crisis was really, how should I say, creeping into our business. And in the meantime as a price leader in most of the European countries, we tried to increase the price, but in many cases, our competitors don't let us. And when you look at the EUR1.77 billion in total sales and you break it down into Europe, I think we could have had some quantities more in Europe, but we lost it against competition via prices.

Jesko Mayer-Wegelin - HSBC - Analyst

Okay, fair. Thanks a lot.

Operator

Heidi Vesterinen, Exane.

Heidi Vesterinen - Exane - Analyst

I have two. First, on potash. In your report, you mentioned a positive inventory effect in Q1. I wondered if it's possible for you to quantify this benefit? And secondly you've lowered your D&A guidance for the year. I wondered what was driving this change. Thank you.

Joachim Felker - K+S AG - Member of the Board of Executive Directors

Okay, Heidi, I answer the first question with regards to the inventory effect, you are right, and that's also the reason why we had so in the explanation of our cost development in the first quarter in potash. We had -- when I mentioned the potash inventories, 200,000 tonnes increase in the first quarter, that effect in euros is roughly EUR30 million, yes, positive if it's capitalizing cost.

On the other hand, I would warn you just to add these costs to the normal level, because don't forget we also had lower sales volumes. So, with regards to the unit cost and you now have in the first quarter 2009, and if you want to adjust that for the higher inventories, that means lower sales, on the other hand for the capitalized cost. Then 200,000 tonnes and EUR30 million in additional cost is actually if we had sold them slightly lower in the average cost for units in the first quarter. I hope that this was clear I am not quite sure, but --

Heidi Vesterinen - Exane - Analyst

Yes, thank you.

Joachim Felker - K+S AG - Member of the Board of Executive Directors

On a unit cost basis, it would not change the picture very much. Okay. And with the D&A, actually it's only a minor change from 240 to 230 and the reason is mostly currency effect.

Heidi Vesterinen - Exane - Analyst

All right, thank you.

Joachim Felker - K+S AG - Member of the Board of Executive Directors

Yes.

Operator

Andrew Stott, Bank of America/Merrill Lynch.



Andrew Stott - Bank of America/Merrill Lynch - Analyst

First one is a straightforward one, very good performance in Q1 in potash volumes, I mean, especially if you compare yourselves to everybody else, I'd imagine only I feel I have a chance of doing a better number and that's only because of the Dead Sea strike last year. You said yourself that Brazil market share gains were part of that, and I guess to some extent, China and India not being as relevant is also an answer, but how defensible is the Brazilian market share improvement? That's the first question. Maybe I'll ask the second question after the answer. Thank you.

Unidentified Company Representative

Andrew, we don't have to defend it. It's a natural market share we have. We have a client portfolio in Brazil since many, many years, and if they have a strong demand and if we are --- we are having enough stocks, they will draw it from us. We have always more selling potential than product over many, many years. So, what's happening, the moment the market improved in Brazil -- the moment the market improves in Brazil and the moment we have stocks then, we can supply. So, we will not lose any quantities in future.

Andrew Stott - Bank of America/Merrill Lynch - Analyst

Okay. And can I ask a second related question? PotashCorp is having an Investor Day at the moment. They are claiming that they've got a \$30 improvement coming in Brazil in pricing, say 520 to 550. Is this something that you would like to comment on or not?

Unidentified Company Representative

Yes, we would like to have it.

Andrew Stott - Bank of America/Merrill Lynch - Analyst

I thought you might say that, okay. Sorry, kind of still another question on salt. If you look at your average pricing on salt, sorry, de-icing that is actually held in okay, considering the extent of the fall-off in tonnage. What are your thoughts on pricing as you go into next season?

Unidentified Company Representative

We hope that the next season after bidding situation will come. It will be a question how much is still in the inventories of our customers, as nobody really knows globally in our markets how much was put on the streets already. And then we will see how the competition will develop in those bidding areas.

From the perspective of today, one must be afraid that people, in particular traders, will be trying to get rid of the material and undercut prices, but this is just the speculation. And as we are far away from the first bidding offer or the bidding request in Europe, which is earlier than in the United States is just the guess, but I think we should not be expecting too high price increases.

Andrew Stott - Bank of America/Merrill Lynch - Analyst

Okay, thank you.

Unidentified Company Representative

Andrew, Andrew?

Andrew Stott - *Bank of America/Merrill Lynch - Analyst*

Yes.

Unidentified Company Representative

(Inaudible), I can elaborate a little bit on Brazil, not trying to teach, but trying to remind people. Think of the import statistics of Brazil for the calendar year 2011. You will see that compared to the year before, K+S has a minus. When you see to some of our peer group members, they have plus 60%. And then you think of September when suddenly somebody said now we are overstocked. This is done by competitors of ours. We have a sustainable market share. We have good clients and we can always sell in Brazil, but you ask for [\$30] more. This we cannot arrange, because we are not the leaders there.

Andrew Stott - *Bank of America/Merrill Lynch - Analyst*

Sure.

Unidentified Company Representative

We try to increase the prices, but when others don't and go for quantity, we cannot, okay.

Andrew Stott - *Bank of America/Merrill Lynch - Analyst*

Yes, clear. Thanks.

Operator

Sophie Jourdier, Liberum.

Sophie Jourdier - *Liberum - Analyst*

Just couple of questions as well please. First, I was just hoping you could update us on the Legacy Project developments just sort of what's going on there, all the contracts is in place, when do you expect to break around any sort of update on what's going on in Canada? And I guess linked to that EUR50 million, I think CapEx in the first quarter, your guidance for the full year is EUR600 million. Just wondering when I guess in the phasing of that is it very much back at the end of the year?

And then the second question, sorry if I missed it, but just in Europe, the prices, I know you have been trying for EUR375 million presumably sort of now at the end of the season. Am I right in thinking that's going to be now unlikely until perhaps in sort of second half of this year? Thanks.

Norbert Steiner - *K+S AG - Chairman of the Board of Executive Directors*

Norbert Steiner. I start with Legacy and investment figures. So far, we need to say that we are still in the very winter situation there that we have not been able to do more than we have done at the end of the year. So, we are drilling for our [cap bonds]. We are doing some road works. We are doing some preparations to build up the camp and so on and so forth. That means that there is not that much material running into investment within Legacy so far, but this is nothing where we are afraid of. We are still on plan as far as you can see that.

And this will then continue to increase, let's say, from June onwards until the end of October or so, where then the winter season in Saskatchewan will force us to reduce investment at least, but on the other hand, we are trying more or less to negotiate contracts for, let's say, plant equipment and so on and so forth. And also this is on track. And we have set up a figure of EUR600 million investment in total for the K+S Group in 2012, but we have added a remark that this can be amended due to the fact whether we will be in a position which would be helpful as well. Of course, if we do that to increase some early payments, then the figure would maybe also be higher, but this is not foreseeable right now. So, it's just a hint that this figure could increase. Okay?

Sophie Jourdier - *Liberum - Analyst*

All right, thank you. Thank you. That's very helpful.

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

Okay. So, Sophie pricing in Europe, we are at the end of the season more or less. And what we will do we have to establish new price when we go into, how should I say, early stocking on distributor's level. So, when you will look into the pricing we will sell to clients, let's say, in July. I think we will not have the EUR375 million, not even in theory. We will be lower, because we have to give them some, how should I say, premiums to early stock. So, in some areas, they call it [stuffing] and other areas they call it (inaudible), it's something which is done for nitrogen to phosphate for everything. So, the EUR375 million was -- had a very good chance at the end of the fourth quarter and also in the first quarter this year, but now I think it will disappear for the reason I've just said.

Sophie Jourdier - *Liberum - Analyst*

Okay.

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

Then prices will tend to go up in third quarter, end of third quarter, fourth quarter again, the closer it comes to applications.

Sophie Jourdier - *Liberum - Analyst*

Thank you very much.

Operator

Thomas Swoboda, MainFirst Bank.

Thomas Swoboda - *MainFirst Bank - Analyst*

I just have -- I have one follow-up on the volume development in potash. I think at the four -- one of the early questions was do you expect higher volumes in Q2 versus Q1. I was just wondering whether you could repeat the answer, I could not really get it. I have just heard to the [Baiva] conference call, which is a fertilizer distributor and they have stated that they are seeing a dramatic improvement in fertilizer demand as of beginning of Q2. You seem to be more cautious in your statements. My question is, is there any big difference in the market view Baiva might say on potash versus what you see?

And the third question is on salt and I would like to know how much excess inventories in de-icing salt you are having and what effect of selling down those inventories sometime in late Q3 or Q4 might have on your results meaning did you have already any cost capitalize which will pressure on the potential results here in this business? Thank you.

Unidentified Company Representative

Starting with the salt, I think we are talking about de-icing salt, it depends on the kind of contract that you have. The bidding contract also to some extent offer you the opportunity or the possibility to extend those kinds of contracts without any new bidding, if this -- and this is something which has the certain, let's say, reasonable percentage, particularly in the US. But also this is to be seen in some areas in the Europe, where then the price models that we have achieved in the bidding process in 2011 or even earlier will be maintained and therefore there is no price pressure coming out of that.

The second issue is once again we mentioned that already that we need to know once you have a annual contract, what volumes will be put on the table for biddings and what we can achieve as a successful bidder. Then we will see at point of price we have and then should the winter come again in normality, it will be sold to that. So, what we don't do if to take our, let's say, extended inventory compared to, let's say, the year before to more or less push it into the market irrespective of the price. This is also not, let's say, the dynamics of the market as (inaudible).

Unidentified Company Representative

And Thomas maybe just to add here was the effect of cost and capitalizing for the year 2012, we assume at the year end, the higher inventory over time, and therefore that means that 2012 actually will be somehow relieved in cost. It means the negative cost effect that what you mentioned might then appear in the year 2013 when we then have hopefully a more normal winter pattern and can then digest a certain higher inventory.

Joachim Felker - K+S AG - Member of the Board of Executive Directors

Okay. Thomas, this is Joachim. Good that you listened to the conference calls of Baiva, wonderful company, even better clients, but don't forget they are not a producer, they are distributor. So, I would have been extremely disappointed as the management of Baiva would have not reported that now the sales of fertilizer is very strong, because it's a must. They are just selling from there and it's an integrated one. Baiva is even especially most integrated one. So, the retail level and the wholesale level is in one hand and what they are doing now they are supplying product from their own warehouses to clients. So, that is one business and they are very active now.

When you talk to us, it's the question of how much Baiva will order now to refill the warehouses and because it's of the end of the season you will hear from them, very enthusiastic, very strong quantities, and from us. We are in a totally different position, smaller or different statement, let's say, but when they say their business is good then we feel fine, because at the end of the year, then their warehouses should be empty and they should start early stocking then.

Thomas Swoboda - MainFirst Bank - Analyst

And on the sequential volumes, do you exclude is -- did I hear it right that volumes in Q2 might be higher than in Q1?

Joachim Felker - K+S AG - Member of the Board of Executive Directors

No, I would say, what we had in the formal years that you have a very strong Q1 and a very strong Q4 in quantities. I think this is leveling out more and more the more international our businesses. And so what we try to do we try to balance our seasonalities. And I think in the end its fluctuating not that much. So, don't expect it to be stronger.

Thomas Swoboda - *MainFirst Bank - Analyst*

Perfectly clear. Thank you.

Operator

Martin Roediger, Cheuvreux.

Martin Roediger - *Cheuvreux - Analyst*

Yes, follow-up question, on potash business in Europe, Mr. Felker you said that competitors did not let you to achieve the EUR375 price level. Can you mention who were the competitors and also --

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

All of them.

Martin Roediger - *Cheuvreux - Analyst*

Okay. So, that means the competition is tough in Europe than elsewhere.

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

No, the competition is the same, but in the situation, where the market is postponed or slower in demand, market leaders suffer more than second one to third one suppliers. That's the normal case. When it goes up, then the market leader also gains most.

Martin Roediger - *Cheuvreux - Analyst*

Okay.

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

Normal mechanism.

Martin Roediger - *Cheuvreux - Analyst*

And why did the other competitors, for example, go for the registry low prices in Europe rather instead of participating in the high prices in overseas?

Norbert Steiner - *K+S AG - Chairman of the Board of Executive Directors*

You'll will have to ask them, sorry. We are only speculating we are not making our minds and tell you what our competitors say.

Martin Roediger - *Cheuvreux - Analyst*

Okay, thanks, Steiner.

Operator

We currently have no questions coming through. (Operator Instructions).

Norbert Steiner - K+S AG - Chairman of the Board of Executive Directors

Anybody coming? No, this is not the case. So, thank you very much. You are perfectly in time leave us another four minutes to digest. Thank you very much for participating and hope to see you at one of the occasions in the next time. All the best. Thank you very much and take care. Bye-bye.

Operator

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

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