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PRESENTATION

Operator

Ladies and gentlemen, welcome to the K+ S conference call for investors and analysts regarding the publication of the quarterly financial reports Q3 of 2012. For the duration of the call, you will be on listen only. However, at the end of the call, you will have the opportunity to ask questions. (Operator Instructions).

I am now handing the call over to Norbert Steiner of K+S to begin.

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

Thank you very much. Good afternoon, ladies and gentlemen. Welcome to today's investor and analyst conference call for the third quarter results of our K+ S Group.

During the next hour, we plan to proceed as follows, I might say as always. I will give a short overview on the third quarter and comment on the current market environment in our business segment. Afterwards, our CFO, Dr. Burkhard Lohr, will provide you with some financial details. Then I will conclude the presentation with the outlook for the years 2012 and 2013. Then we will be happy to answer your questions.

So let's start with an overview of revenues and operating earnings in the third quarter on slide number 2.



During the second quarter of 2012, Group revenues from our continued operation increased by 7%, and reached EUR917 million. This increase was attributable to currency and volume-related effects in the Potash and Magnesium Products business segment, as well as currency effects in the Salt business segment. And I might correct the mistake; it was the third quarter of 2012.

Operating earnings, EBIT 1, decreased by 14% compared to the third quarter of last year. Earnings in the Potash and Magnesium Products business segment declined moderately; and, as expected, the Salt business continued to be challenging due to the continuing impact of the mild weather -- winter at the start of the year.

Let's now move on to the Potash and Magnesium Products business segment in more detail, and slide number 4 provides, as always, a general view on the environment of the markets we are active on.

After there was cautious early stocking up of fertilizers at the start of the year, the demand for potash and magnesium products developed positively during the second quarter of 2012.

In the third quarter, due to the attractive price level for agricultural raw materials, demand was at a good level in the markets relevant for K+ S. Due to the continuing absence of contract conclusions with China and India, the international prices for potassium chloride came under pressure towards the end of the third quarter, but overall, were moderately above those of the same quarter of the previous year.

As always, the following table on slide number 5 should only be understood as providing a rough indication of how prices have developed. Factors like freight cost, exchange rates and product mix usually distort the picture.

Year on year, total sales volumes increased in the third quarter 2012 due to higher overseas volumes, mainly caused by a still strong demand in Brazil. European sales volumes were fairly stable. While average European prices slightly increased, overseas price level decreased moderately in US dollar terms.

The overall increase of the average price in euro terms was additionally supported by positive currency effects. Quarter on quarter, volumes decreased due to the seasonally lower overseas volumes. While the European price level remained fairly stable, the overseas average price level in US dollar terms decreased moderately, also due to product-mix effects.

As can be seen from the graphs on slide number 6, revenues reached EUR561 million in the third quarter of 2012, and was thus above the figure of the previous year. Operating earnings, EBIT 1, decreased by 7% to EUR159 million. Currency and volume-related revenue increases could not completely make up for increased energy costs, higher freight costs, costs related to the Legacy Project, as well as a negative currency result, and the effect of a reduction in inventories.

As expected, unit costs increased tangibly to EUR238 in the third quarter, compared to EUR210 one year ago. Especially energy costs had an effect as they still were impacted by the old energy supply contracts. Therefore, with fair time -- with a time lag of six months to nine months, last year's oil price increases still influence our cost accounting.

Now let's move on to our Salt business, and on slide -- and we continue to slide number 8.

In the third quarter, it was not possible to achieve the very high level of the early stocking-up business of the previous year in Europe as a result of the mild and dry weather conditions at the beginning of this year. However, the creation of additional storage capacities on the customer side ensured that average early stocking-up volume.

Due to the high stock levels, prices fell slightly during the early stocking-up season, and in the tenders for the winter season 2012/'13. By contrast, the contract volumes for the upcoming season stood at a good level.



The North America de-icing salt regions were also characterized by high stocks. Most producers reacted to the situation with production cuts. In the United States, both in the early stocking-up business in the third quarter, and in the tenders for the winter season 2012/'13, there were declines in prices and volumes, particularly in the Midwest.

The other product groups showed an overall satisfying development during the third quarter, although competition increased in some markets. This general business environment led to the sales volumes and average prices for K+ S, as shown on slide number 9.

Once 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 might distort this picture.

Year on year, de-icing salt volumes were 240,000 tonnes lower due to the weaker early pre-season in all our de-icing salt regions. As a consequence, the average price level declined. In the non de-icing salt product groups, volumes slightly decreased, and improved product mix and a positive exchange rate effect, as well as some price increases, led to a higher average price.

Quarter on quarter, following the normal seasonal patterns, de-icing salt volumes increased due to early season procurement. De-icing salt average prices improved due to a change in the product mix. Here, the bigger portion of higher priced packaged de-icing salt relative to by-products, had a positive impact on the average price. Volumes on the other product groups decreased, mainly in overseas markets, but prices increased due to regional product mix effects.

As you observed, a greater seasonality in the Salt business segment than in the Potash and Magnesium product segment.

I would now like to take a closer look at the next slide, which is slide number 10.

Compared to one year ago, revenues in the third quarter 2012 increased slightly to EUR319 million. Positive currency effects could more than make up for lower sales volumes. Operating earnings were strongly influenced by the lower de-icing salt business and the book loss from the sale of a ship at SPL.

Positive contributions from the non de-icing businesses, as well as lower maintenance activities, mitigated this effect somehow. The decrease in sales volumes in total led to a lower fixed cost coverage.

As outlined before, I would now like to hand over to Burkhard Lohr, who will provide you with some financial details.

Burkhard Lohr - K+S AG - CFO

Ladies and gentlemen, let's now take a look at the figures of the first quarter in more detail.

On slide number 12, we provide you with a closer look at the changes in the K+ S Group's revenues during the third quarter. Revenues overall increased by around EUR63 million. Of this increase, EUR10 million were contributed by positive volume and structure effects, particularly in the Potash and Magnesium business segment due to the strong overseas business.

In the Salt business segment, the mild and dry winter led to a cautious early stocking-up so that volumes decreased moderately. Price changes only had a very small negative effect of EUR1 million. Positive exchange rate effects in all business segments summed up to a revenue increase of EUR52 million.

An overview of the revenue and earnings figures is shown on slide number 13. As we have already explained the reasons for the decline in operating earnings, I would first like to focus on the weaker financial result, which was again adversely affected by an extraordinary item.

Due to the ongoing decrease of the long-term interest rate level, a further reduction of the discount factor for provisions was necessary in the third quarter. This resulted in an additional non-cash extraordinary interest expense of a good EUR9 million, mainly for provision for mining obligations.

I also would like to highlight the effect of earnings after taxes from discontinued operations, which are only included on an after-tax level. After the closing of the sale of K+ S Nitrogen on July 2, EUR66 million of earnings from the divestment were booked in the third quarter. This figure was almost EUR10 million higher than expected.

Now let's take a look at the cash flow development in the first nine months of the year on slide number 14.

The cash flow from operating activities amounted to EUR532 million after EUR685 million in the first nine months of 2011. After all, the decrease was due to a higher tie-up of funds in working capital. Especially in the Salt business segment, stock levels remained high after the mild winter.

In the Potash and Magnesium business segment, trade receivables increased due to price effects. In addition, we had lower trade payables due to the production cuts in the Salt business segment.

The cash flow for investing activities amounted to EUR223 million after EUR405 million in the first nine months of 2011. Last year's figure had been influenced by the acquisitions of Potash One in the amount of almost EUR243 million.

The increase of the cash flow for investing activities remaining after adjusting for this effect, was caused by this year's CapEx, which was EUR52 million higher than last year.

Cash flow from financing activities was positive after EUR244 million, with EUR244 million, after a negative EUR259 million in the first nine months of 2011.

Here the successful placement of the 3% coupon bond with a maturity in 2022 delivered cash of almost EUR500 million. A higher dividend payment in May 2012 had a slightly opposite effect. All in all, the bond placement was the main reason for the change in cash and cash equivalents of plus EUR552 million (sic - see slide 14 "EUR555 million") in the first nine months after EUR16 million in the same period of last year.

Our net indebtedness -- indebtedness amounted to about EUR655 million at the end of September. This comprises provisions for pensions and mining obligations. And without these, we even have a positive net cash position of EUR70 million. This fact, and the undrawn credit lines, offer also in times of uncertainty sufficient financing scope for future investment plans, in particular for our Legacy Project.

Ladies and gentlemen, that's all from my side so far. Norbert Steiner will now describe the prospects for the year 2012 and '13.

Thank you.

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

Slide number 16; first on the potash market. As outlined before, due to the continuing absence of contract conclusions with Chinese and Indian customers, North American and Russian producers announced further reductions in output in October in order to adjust supply to the reduced demand in these markets.

While demand continued to be at a good level on the markets relevant for K+S, price negotiations in these regions became increasingly difficult due to the missing contracts in China and India.

For 2012 as a whole, we now expect global potash sales volumes of about 54 million tonnes. Please note that this forecast, in contrast to our peers, includes potassium sulfate and other potash facilities of around 3 million tonnes.

For 2013, we expect a tangible increase in global potash sales. The estimate is based primarily on a price level for agricultural raw materials which is continuously attractive for the earnings prospects of the agricultural sector, and the expectation of a significant increase in demand in China and India after the buying restraint in 2012. Against this background, worldwide capacities should once again be well utilized.

Salt. As a result of the exceptionally mild weather conditions at the start of the year, the demand for de-icing salt in Europe, as well as in North America, should decline accordingly in 2012 compared to the above average year 2011.

For 2013, we are assuming sales volumes to be on its multi-year average level, both in the North American and in the European markets. After demand was below average due to the unusually mild weather conditions at the start of the year 2012, sales volumes of de-icing salt in 2013 should increase again accordingly. However, prices for tenders for the winter season '12/ '13 are overall slightly below the level of the last season with regional differences.

This brings me to our revenues and earnings expectations for 2012 on slide number 17.

As usual at this time of the year, we would like to specify our quantitative outlook for the full year 2012, based on continued operations.

In August, we expected revenues between EUR3.9 billion and EUR4.2 billion, and operating earnings EBIT 1 of EUR820 million to EUR900 million. This estimate was based on an annual average US dollar exchange rate of \$1.26 price per EUR1.

Due to the most recent weakening of the dollar, we now expect an annual average exchange rate of \$1.28 for the entire year 2012.

Consequently, and against this backdrop of the already mentioned changed conditions in the markets relevant for our Potash and Magnesium Products business segment, revenues and earnings should now approximately reach values at the lower end of the ranges. This means revenues of a good EUR3.9 billion, and operating earnings EBIT 1 of about EUR820 million.

The outlook is based on sales volumes of 6.9 million tonnes in the Potash and Magnesium Products business segment, and a moderate rise in average prices.

As always, we apply our customary and technical forecast policy, which maintains the current [chief] potash price level unchanged for the rest of the year 2012. On this assumption, revenues in the Potash and Magnesium Products business segment should increase moderately.

Due to a strong rise in energy costs, costs connected with the Legacy Project, and a negative effect from the foreign currency result compared to the previous year, we expect stable operating earnings in the Potash and Magnesium Products business segments.

In the Salt business, due to the significant decline in sales volumes from almost 23 million tonnes to between 18 million and 19 million tonnes, we expect a tangible decline in revenues and a strong decline in earnings compared to the above average year 2011.

For the fourth quarter, a somewhat reduced de-icing Salt business compared to normal is assumed, despite the assumption of a normal winter. The reason for this is the relatively high stock level at our customers.

Due to the additional burden on the financial result caused by the non-cash extraordinary interest expenses for provisions for mining obligations, from today's perspective, the lower end of the range for the adjusted earnings from continued operations of previously EUR540 million to EUR600 million cannot quite be achieved.

Consequently, we now expect a value of about EUR530 million, or about EUR2.75 per share. This takes into account the adjusted Group tax rate of between 27% and 28%.

Taking into consideration the discontinued operations, with the higher than initially expected income from the divestment of K+ S Nitrogen, we assume adjusted Group earnings after taxes of about EUR630 million, a value at the lower end of the range of EUR630 million to EUR690 million given in August. This would correspond to adjusted earnings per share of about EUR3.30.

Like last year, the adjusted Group earnings after taxes, including discontinued operations, will form the basis for the dividend payment, with a payout ratio of between 40% and 50% according to our dividend policy.



There is still a chance for a higher dividend payment for the business year 2012 after EUR1.30 for the year 2011. And, as usual in November, I would like now to provide you with an outlook for the upcoming year as well on slide number 18.

For the financial year 2013, we assumed that revenues of the K+ S Group will increase slightly. In the Potash and Magnesium Products business segment, due to the already mentioned changed conditions, we deem it wise to be cautious overall.

We assume sales volumes at about the same level as in 2012, and a slightly lower average price level. Against this backdrop, revenues of the K+ S -- of the business segment should be down slightly in 2012.

In the Salt business segment, we expect tangibly higher revenues. As far as the earnings are concerned from today's perspective, we see opportunities for the coming year to increase the figures slightly in comparison with 2012.

In the Potash and Magnesium Products business segment, we assume slightly weaker operating earnings. In the Salt business segment, on the basis of an again normal winter business that follows the long-term average of de-icing salt volumes, we are anticipating strongly increasing earnings in comparison to the probably below average figure in 2012.

Following the already mentioned dividend policy, the dividend for the business year 2013 will decline, as Group earnings will no longer benefit from the effects of the divestment of K+S Nitrogen.

This was more or less our last remark on our operational business. However, and finally, I would like to inform you that Thorsten Boeckers will take over as the new Head of Investor Relations on December 1. He has 10 years of investor relations experience at Deutsche Post. The positions he held include those of Head of Global Institutional Investor Relations, as well as Head of Investor Relations North America, New York.

We are happy, very happy, to have him on the Board, and I'm sure that he will be a competent partner for you.

This final slide is something you are used to, and brings me to the end of my -- better to say our presentation. Ladies and gentlemen, thank you for your interest, and now it's up to you to put the questions on the table.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Amy Walker, Morgan Stanley.

Amy Walker - Morgan Stanley - Analyst

I have three questions, if I may please, gentlemen. The first one is your below-the-line costs in the third quarter, by which I mean the costs between the gross profit and the EBITDA level, seem to rise very substantially in Q3 by over about 47% versus an increase of around 17% in the nine-month period. I wondered if you could help me understand what the reason for that very significant increase in fixed costs was in the third quarter.

The second question was around your own potash inventories, what level of potash inventory did you have going into the first quarter of 2012; and do you expect to be above or below that level going into 2013, please?

And finally, just one on the financials line. Do you expect another adjustment to the discount rate unless an increase in charges for the mining provisions again in Q4? Or are you reasonably confident that we've taken all of that through the P&L now?

Thanks very much.

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

First question, the significant increase in fixed costs in the third quarter, is mainly attributable to the fact that the production level in the third quarter is lower than generally, as we have all these shutdowns for maintenance, and so on. And this is more or less not an extraordinary development that we see. When you compare it or when you get an idea about the entire year, you will certainly see that this will be not the normal level of our fixed costs in the Potash business within the K+ S Group.

The inventory situation, question number two, at the end of the second quarter was -- of the third quarter was around 800,000 tonnes, which from our perspective is a reasonable figure [also] compared to the [year] before. And also, to more or less directly add some information that might be asked afterwards in connection with inventories, we will have more or less at the end of the year an increase in inventories certainly to a figure of about 951 million tonnes, which from our perspective is reasonably normal for the preparation for the next year, 2012.

Burkhard Lohr - K+S AG - CFO

You've also asked for the potential further adjustment of the discount rate on our non-current provisions, especially mining liabilities. To answer that, I might explain how we have to calculate that, and maybe that answers your question.

IFRS requires quite complex calculation. We have to take the interest rate of AA-rated corporate bonds, and these bonds have to have the same duration as the liability.

Now there are two problems linked to that. First of all, there are only a few AA-rated corporate bonds in the market. And secondly, there is no duration which is linked to the duration of our mining liabilities, and we are talking about 40 years plus.

So we have to do two things. We have to find a peer with a AA rating, and we have to extrapolate these numbers. And to make a long story short, it's hard to predict whether we will face another hit in Q4.

So it's -- again, I cannot give you a yes or no. It's due to the environment that we will find at the end of December of this year.

Amy Walker - Morgan Stanley - Analyst

Thank you. If I could just briefly come back on the answer to the first question, you mentioned the fixed cost concentration effect in Q3. Given that you expect to build inventories in the fourth quarter, would you expect some fixed cost dilution? So should we expect that that fixed cost is going to moderate as soon as the fourth quarter? Or is that too early for us to expect a bit of a dilution effect coming back?

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

Highly speculative. Highly speculative, so I cannot predict that. It would be also from my side pure speculation, and what we can provide you with is data and facts and not speculation. So please forgive me that I cannot -- even if I would, I couldn't give you a proper answer on that.

Amy Walker - Morgan Stanley - Analyst

All right. Thank you very much, gentlemen.

Julia Bock - K+S AG - Senior IR Manager

And, Amy, just one addition. What would be -- hopefully be the case in the fourth quarter is that in the Salt business, the fixed cost coverage is better. So that in the whole P&L what you are referring to, this will definitely have a better effect.

Amy Walker - Morgan Stanley - Analyst

That's great. Thanks, Julia.

Operator

Lutz Grueten, Commerzbank.

Lutz Grueten - Commerzbank - Analyst

Thanks for taking my questions, two in fact. So first one on your guidance, potash volumes. The guidance of 6.9 million tonnes for the entire year implies a volume reduction in the final quarter of about 10% after you've achieved 2.5% higher volumes up to nine months. Could you add word a bit on the details here why volumes are coming down so heavily in the final quarter, and if this is more related to Europe or to your overseas markets?

And the second question regarding the one-off in Salt. You have mentioned a ship sale and book losses. What's the background here and could you quantify the losses, please?

Thank you.

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

Norbert Steiner again. First of all, with view to the first question, the 6.9 million tonnes figure, and you are referring, if I have understood correctly, to 2012, has not been changed over the entire year. So this has always been our, let's say, official figure for this year.

You are right; that was due to the end of the third quarter compared to the situation before. There is a little bit higher output so far, which definitely will end, if we stick to the 6.9 million tonnes, will lead us to a reduced sales volume in the fourth quarter.

This is more or less connected with our experiences in Europe that the early procurement is running quite well, but as I mentioned quite a couple of times in the past, our direct customers have found it very charming that we are their stockholders.

And with a view to overseas, you know our major market is Brazil. There more or less the sales, impact of the sales level has been slowed down somewhat, which from our perspective is not as punishing.

The second question that you raised was due to the ship of SPL. We are in the process of renewing our fleet there, and also concentrating our fleet to get out of some kind of older -- elderly [eight] ships and to replace it by a lower volume, a lower figure of new modernized, or the modern ships. And therefore, we came to the conclusion that the first step to initiate that after we have more or less taken in one new ship at the beginning I think of last year, was to get rid, to sell the old ones, one of the first -- the old ones in the series, and the first one was only be sellable at a book loss.

This is something which is lower than EUR2 million, if I am not completely wrong; and you might expect also that we continue with that policy to replace, or buy new on a limited level, and then this is something that will continue to the time of 2014.

But this is more or less the normal thing that in the long run, and let's say with new ships, will reduce our maintenance costs, our dry dock payments, and so on significantly, and therefore contribute to increase the profitability of SPL.

Lutz Grueten - *Commerzbank - Analyst*

Thank you.

Operator

Christian Faitz, Macquarie.

Christian Faitz - *Macquarie Research - Analyst*

Staying with your overseas exposure, I believe from your presentation, still a significant part of your overseas exposure is in Asia. Could you put some granularity into your exposure to Asia, specifically China and India? And what other countries do you export products into within Asia?

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

I think we have always stated that Asia is an important area for us insofar as we are able to produce and to sell significant volumes of specialties to Asia. In contrast to our peers, we are more or less moderately impacted by markets like India and China, and this is in the neighborhood of 250,000 tonnes in a normal year in those countries. And we have also publicly stated that we will in the case of India not have that figure.

On the other areas, Malaysia, Indonesia, these kinds of countries, Singapore, we have a lot of, as mentioned, specialty products which in total, let's say, sum up to 3% of our sales.

Julia Bock - *K+S AG - Senior IR Manager*

No, that's more.

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

Which are significant but -- 3% is wrong -- but which are not that important for the entire business of the K+ S Group. But we like to have it.

Christian Faitz - *Macquarie Research - Analyst*

Okay, thanks.

Operator

Neil Tyler, JPMorgan.



Neil C Tyler - *JPMorgan - Analyst*

A couple of questions in terms of clarification, please. Firstly, just on the financial charges line for 2013, if you could give us an indication of how the reduced cost of mining provisions will be offset by presumably fairly substantially higher net debt next year. Given your guidance on CapEx, do you expect the overall interest cost to offset 50% or more of the benefit of declining provision cost?

Secondly, within your expectation of slightly lower international prices for potash within the 2013 guidance, can you just confirm that that assumes the price lead coming from either China and/or India remains at an unchanged level? Is that --? I think I'm right in saying that's always your implicit assumption is that Chinese and Indian contract prices are unchanged.

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

These are the couple of questions? I expect -- sorry. The second question will be answered by me.

We have a certain idea about the price developments in the world, and this more or less is condensed in our expectation that we have a slightly lower average price level for the entire year 2013. So this does not necessarily -- but we do not go into more detail on that and, therefore, I would like to ask you not to go by further questions more into detail.

This is at least our overall assumption. It's a mixture of our product mix. It's a mixture of markets. It's a mixture of different price developments in Europe and the world, and more or less this is it for the time being.

Burkhard Lohr - *K+S AG - CFO*

And, Mr. Tyler, you also asked for the financial result for 2013. So we are expecting a tangible improvement of the financial result, but the driver for that is that we are -- that we have not taken into account another hit from a potential reduction of the average discounted rate for our long-term -- non-current provisions, especially the mining obligations. That's all that we've said and we are foreseeing for the year 2013 related to the financial results.

Neil C Tyler - *JPMorgan - Analyst*

Okay. Thank you.

Operator

Sophie Jourdier, Liberum Capital.

Sophie Jourdier - *Liberum Capital - Analyst*

A couple of questions, please. Your guidance on volumes for next year of 6.9 million tonnes, I think before, you were signaling that next year we could see slightly higher volumes as the environmental projects wind down. I wondered whether the change in view was related to the delays in CapEx there, or whether it was just you being a bit more cautious on market developments next year.

That's the first question.

The second question, just in terms of the Legacy development. I just wondered whether you were starting yet to talk to potential new customers. I think you'd historically said you would be looking to sell more to China and India with this Legacy mine. Have you started talking to Chinese and

Indian customers yet? And would you consider off-take agreements like we've seen already this year from some of the other companies developing mines?

Thanks.

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

Okay, Sophie, you are right with the first question. 6.9 million tonnes is something that is connected that we are a little bit cautious for the year 2013.

If there is demand that we can cover, we could also do more than the 6.9 million tonnes, and we are generally, as we have written down, we are optimistic for the development of the market, but we need to see where this all will come from and which party will more or less go forward to go into India, to go into China.

Therefore, the 6.9 million tonnes from our perspective as of today seems to be well balanced. We have potential for more. And, therefore, the answer is already given that it is not connected with environmental care in our Werra plant. It is continuing to go forward. We are doing all the things that we need to do more or less on schedule, despite some -- the moving forward of some projects into the year 2013.

We can do more, but let's have a look into that after the first four/five months, and then we might be able to say more.

With a view to Legacy, you know that we have always said that the first tonnes of that production should be available at the end of 2015. I always have added that I'm more than happy if we would have the first tonnes available at New Year's Eve, so realistically, we should talk about reasonable volumes for the year 2016.

Nevertheless, our project has been -- come to the attention of customers more or less all over the world, and as we always have said that we as an independent customers more or less always are taken as a nice, maybe second supplier, then the people have already asked us what we will do with the volumes.

And certainly, we take off-site, off-take agreements into consideration, but I think from today's perspective, it is a little bit premature. We should see how Legacy continues to make progresses in 2013. But if we see where we land, we certainly will take that into consideration with India, with China, with other areas in the world. But from today's perspective, middle of November 2012 is too early.

Sophie Jourdier - Liberum Capital - Analyst

Okay. Thank you very much; very helpful.

Operator

Heidi Vesterinen, Exane BNP Paribas.

Heidi Vesterinen - Exane BNP Paribas - Analyst

First one, you talked about competitive pressure in salt. Could you talk a bit more about what you're seeing? Is this due to the increased supply in Brazil, or is there something else that we should be aware of?

And secondly, I wondered if you could elaborate a bit more on the recently announced investment in your Zielitz site, please.

Thank you.

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

Okay, first the salt. When you see that in the de-icing salt, you have had a very dry and warm winter behind you and the inventories of the customers are pretty much filled, and you go into the early procurement area and timeframe, you see that traders are coming along that have taken up some inventories of de-icing salt in order to earn on the high levels of the previous year and now are sitting on that inventories and need to get rid of that, then they, of course, try to do it at lower prices, undercutting prices.

The second thing that you always observe is that those who generally have an output into the de-icing salt sales, but primarily are dedicated to industrial salt production, once they don't see their output into the de-icing salt market, they need to get rid of that somewhere due to the technology that apply. And, therefore, they also try to push that material into the industrial sector by lowering prices.

So this is some of the elements that you generally see in such a situation as it is, and from time to time also when there is a long and harsh winter, you see the utilization of table salt there as well. And so there are multifold purposes and multifold elements and effects in the Salt business when you are looking back to such a winter as it was, warm and dry between 2011 and '12.

So there is not just one element. There are a couple of elements that you might be observing. On the other hand, insofar we are quite happy at the situation, if one can be happy in such a situation as we have seen that prices were not down so significantly in the de-icing salt business as we have -- we could not expect primarily that we were able more or less also to end contracts in the case where the clauses of the contracts we're able to do that, we were -- enabled us to do that.

So now, we need to see that winter is coming along, cross fingers for that, and then things are more or less normalizing. But it's not just one area where competitive pressure is executed into the market.

The second question, the Zielitz plant, is quite simply to be answered. We have seen that industrial potash is a very well known and important product for industrial applications of many kinds. And we have found out that compacted industrial potash is something which is required more and more, and therefore we have increased our capacity for that kind of product.

This is nothing which is new insofar as we have included these CapExs already in our guidances. And you can imagine when the starting point was done on November 1 there is not much of investment due in the year 2012, so the rest is still to come in 2013 when we will have the products available I think at the end of the year, or at the end of the third quarter.

Heidi Vesterinen - Exane BNP Paribas - Analyst

Thank you.

Operator

Bettina Edmondston, Kepler Capital Markets.

Bettina Edmondston - Kepler Capital Markets - Analyst

Just a follow-up on the volume question earlier on and in conjunction with your outlook for global potash sales. You said that global volume sales are expected to increase in 2013. However, the K+ S Group is expected to obviously have 6.9 million tonnes.



To me, the implication would be that you're actually losing market share. And you mentioned earlier on it depends really where the demand is coming from. So can you just elaborate a little bit on the geographies where you maybe could not hold up or keep up with the market demand and where you could potentially see market share losses?

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

Okay. We have always said that, and we have proven as it is the case, that the K+ S Group is not in such a big volume affected by the reluctance of the Indian importers and also by the absence of the Chinese importers in the second half of the year 2012. This will cost volumes for those who are very much exposed to such kinds of markets, and you see already the traces of that reluctance in the reports that you receive from Potash Corporation, Mosaic, and so forth.

That means as K+S continues to operate on the 6.9 million tonnes level, like initially explained or expected, compared to our peers, we are gaining market share in 2012 once the overall volumes in the world go down to 54 million tonnes from, I do not know, 60 million tonnes in the year before.

And when we do the same business in 2013, and the volume recovers due to our expectation and everybody's expectation from the supplier side, that India will do something in 2013 and is prepared and is forced to do something, and also the Chinese area should normalize to some extent, then they are going up, and like in the system of connected tubes, our market share in the world declines. This is quite the simple story behind that.

Nothing changes. 6.9 million tonnes in 2012; 6.9 million tonnes in 2013. We are doing our business as expected with the potential to do more, but we are not losing market shares in those markets where we are active in, and this is the important thing for us.

Bettina Edmondston - Kepler Capital Markets - Analyst

Thank you.

Operator

Andrew Benson, Citi.

Andrew Benson - Citi - Analyst

Just on the salt situation. You talked about the lower price for the winter season, so presumably your -- the contracts that you've got extend through to the end of the first quarter, or the bulk of the profit generating period. So is that right? And perhaps if you could just put a bit more color on that.

And also, could you perhaps share your thoughts on why India and China are taking so long to sign? And clearly, you may not want to express too much, but is it just price? Is it because they want shorter duration contracts? Do you think there's any moves to alter this situation to make it slightly more fluid for the future?

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

To start with the second question, as you know, we are not that highly exposed to India and to China. I always, and we always mention, that it's a market volume of between 200,000 million tonnes -- around 250,000 tonnes per year in each country.

Therefore, we are -- price and volume follow us compared to Canpotex and BPC. And I think the reasons for the two countries are different. I think from our perspective, the most important issue in India is budgetary problems that has seen many, many attempts of the India Government to get along with that, importing finished products, exporting finished products as well.

So I think once they have had the chance to at least moderate a little bit their budgetary problems, and taking into account the obvious necessity to improve the situation in their domestic agriculture, we imagine that the Indian Government will find a way to get out of the situation, and also to import the necessary volumes of any kind of fertilizers into their country.

And therefore, this is an extraordinary year, mainly with negative effects to those who are very much exposed to that, but I think the knowledge that not at least a perfect, but somewhat suboptimal application of the balanced fertilization pattern in India, should lead the Parliament and the Government to new activity also in favor of potash and of phosphate once they already say that nitrogen is important.

Therefore, I think we need to wait a little bit longer. I cannot imagine that in the last weeks of 2012 there will be something coming on, but again, we are not those, belonging to those companies that have a direct insight into that. But I think the higher likelihood from our perspective is that something will happen maybe before the next elections in February and March.

Coming to the first question, a little bit on the salt tenders and prices and prolongations, generally, the contracts that you are awarded after a bid have a duration of between the starting point and generally maybe March or even April. But there is to some extent also the interest of both parties, the seller and the purchaser, to have the option to extend it independent of the other.

And therefore, once you are in a situation that you see that there is pressure on prices and volumes after such a dry winter, it's the interest of the supplier to extend it, and he can do that on his own discretion.

On the other hand, the other case also is possible that the extension can be done also by the purchaser, by the customer, in case he is anxious of being confronted with higher prices in the next winter season.

So this is not more or less the majority of the contracts that we see there, but when both parties agree that it's in their best interest, it happens. And of course, in the situation in which we are, we do it, and we have done it, and I think it was quite a fair and a clever move forward.

Andrew Benson - *Citi - Analyst*

Okay, thanks. You didn't mention on China, just to --

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

Yes, China, China, I did not mention on China. This is correct. As we always have used to say it in the past that the Chinese behavior is heavily impacted and affected by political deliberations, and let's say it is quite difficult to predict really their behavior.

With view to the necessity, to the agricultural necessity within China, there is certainly an incentive to import; that we also see voices that ask for more potash in the year 2013 out of China. But from our perspective, once again as follower and only active once, either Canpotex or BPC has made some contracts. We do not have that direct insight. We have, of course, our people in the market, but you never can predict what the political scenery in China is willing to do; and, therefore, we cannot make any further comment on that.

Andrew Benson - *Citi - Analyst*

Okay. Thanks.

Operator

Thomas Swoboda, MainFirst Bank.

Thomas Swoboda - MainFirst Bank AG - Analyst

I have a question on your potash volumes to Brazil. Import statistic there indicate that you increase your export volumes to Brazil this year. Is there any particular trend we should be aware of in Brazil? And do you think you could keep this volume level in this region going into the next year?

And the second question is on potash production costs, that you have reached quite a significant level this year and you're guiding for kind of a stabilization next year. But potentially with the increase in electricity costs in Germany, the increase in production costs will continue in the midterm.

My question is, does this change in the production costs in Germany make you think about taking out some of your more mature mines out of production once you get potash, the first volumes from Legacy? Or should we still think about Legacy as on top to your existing volumes?

Thank you.

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

The question was due to our production pattern is absolutely clear. Potash from Legacy will be an add-on. We will continue with the operations of our German mines from our perspective, as long as we have the reserves underground. No doubt.

In the year 2013 -- sorry, '12, looking to Brazil, we have been able to place those volumes that we generally want to place in Brazil already through in the third -- the first three quarters. And therefore, yes, it might be the case that when that import statistics from Brazil in the first nine months, we will have a bigger share, or a bigger volume, or bigger percentage, than in the average of the year. But at the end of the year 2012, we should then come together and compare once again where we are, and then you will see that we are more or less quite on the same level than the previous year, 2011.

And therefore, you can see already that we try to place a certain volume out of our production steadily in Brazil. When the market grows slowly and steadily, then we also take a couple of tonnes more into Brazil, but there is no extending of our elbows in order to gain shares.

Thomas Swoboda - MainFirst Bank AG - Analyst

This is very helpful. Thank you.

Operator

Jesko Mayer Wegelin, HSBC.

Jesko Mayer Wegelin - HSBC Global Research - Analyst

I've one question regarding the change in inventory. Could you give us the figures actually of the potash inventory level end of Q2 and end of Q3 of this year?

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

Then I will ask Julia to provide you with the figures. She has the figures before her.

Julia Bock - K+S AG - Senior IR Manager

Yes. At the end of Q3, it was, we already said it in the call, about 800,000 tonnes. And it was about the same level, a bit higher, at the end of June. And this is normal because we always have an inventory draw-down in Q3 because we have our maintenance, so we always have to be prepared at the end of Q2.

Jesko Mayer Wegelin - HSBC Global Research - Analyst

Okay. And the main reason for probably cost decline implicitly in your guidance per unit in Q4 would be that the energy is rising again then?

Julia Bock - K+S AG - Senior IR Manager

Energy is the most important thing. We always said that the old energy contracts will hit our cost bill with a time lag of six to nine months so that we felt now the most the energy price increases that we saw at the end of last year.

With the changed energy contracts more -- using more gas-linked contracts, we will not see this any more in Q4, and this is one of the most important reasons.

Jesko Mayer Wegelin - HSBC Global Research - Analyst

Okay. Thank you very much.

Operator

Norbert Barth, Baader Bank AG.

Norbert Barth - Baader Bank AG - Analyst

Perhaps two further questions. Regarding the Legacy Project, can you -- or in a worst case, can you imagine any event, or on the one hand side, what potash price level if it comes substantially down would be a trigger for delaying the Project? Do you see anything possibility to that in the future?

And the second question is regarding the pensions. Do you see some further additional costs on the pension side with the lower discount rate? I know you are still using this corridor method which have this range. Is there any danger to go out of this range? And perhaps when do you shift your method to the usual one? And this will be in the future also for forbidden to use it as it looks like from IFRS-wise, and do you see there any one-off burn?

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

I'll start with the Legacy question. From our perspective, as of today, we can hardly imagine any reason why we should deviate from our path to continue with the construction of our mine in Saskatchewan. We have always said that a certain minimum price level is required in order to justify the efficiency and the profitability requirements connected with such kind of a mine.

But on the other hand if I -- if you would like to refer to our particular presentation that we set out last December in connection with the issuing of our decision to go ahead with Legacy, you will see that the anticipated cost situation in that mine is significantly lower than our expected return on investment required price-wise.

That means that there is a lot of stability against erosions of prices to be more or less still above water. On the other hand, economically, there are certain requirements for more. And as we do not only look into that project from the perspective of some slight price erosions that we have seen recently in the markets but from a long-term perspective of more than 40, 50 or even more years, we are not in doubt about our decision from last November when we'll see such a phase.

As you know, we are deeply convinced of the mega trends in that area. More potash volume needs to come on stream. If you have maybe looked into the last communications, for example, of Agrium, you have seen that they are still in the process of bringing to production their brownfield project, but have tabled, as they have expressed that, their ideas about a further greenfield mine, And, therefore, some potential competitor against our Legacy most likely is postponed and we will find a place there.

So a longer explanation of a very short answer; no, we cannot imagine, neither from the Board of Directors nor from the Supervisory Board's point of view, any delay or postponement of the process which is continuing right now.

Norbert Barth - *Baader Bank AG - Analyst*

So even if there should be an unexpected drop in potash prices, say 20%, 30%, and if you see the long-term view on the projects you even in such a situation would not delay the project?

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

As we do not see that 20% to 30% decline in the price, this is the attempt to bring me to a purely speculative answer, and I will not follow that attempt. Sorry about that.

Norbert Barth - *Baader Bank AG - Analyst*

Accepted, okay.

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

The financial? Question pertaining to financials?

Burkhard Lohr - *K+S AG - CFO*

Mr. Barth, you are absolutely correct. We are still [maneuvering] in the corridor. That's why we are not having a P&L effect due to the low interest rates, and second time correct next year for the accounts 2013. IFRS is requiring a change here, but that will not have a major impact on our financials because we've transferred the major portions of our pension liabilities in a CTA, and there's only a quite low number of pension liabilities on our balance sheet. It's below EUR100 million. And so the most important issue when it comes to these effects elaborating on earlier are the mining liabilities.

Norbert Barth - *Baader Bank AG - Analyst*

Okay, thanks.

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

Anyone on the phone?



Operator

Patrick Lambert, Societe Generale.

Patrick Lambert - *Societe Generale* - Analyst

A few questions. The first one relates to the visibility you have on your de-icing salt for Q4 2012. You're basically guiding for a good 9 million tonnes, which means 3.3 million in Q4. Can you comment a little bit on the visibility of this 3.3 million tonnes or above that you're seeing for Q4? That's question number one.

Question number two is a more general one. What could go wrong in the volumes of potash next year weather-wise? If the US do you think would delay a little bit the US volumes we have commenced from [Mosaic], they could come back until -- in H2 2013?

Do you see also potentially NPK being -- starting to be a threat for your [KCL] volumes in general?

And also, yes, that's -- if you can comment a little bit of what you see, of your forecast for 2013 on volumes.

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

A couple of questions. First to the Salt business in the fourth quarter. Unfortunately, the visibility of that business is very limited. Even from day to day, you cannot predict whether it will be snowing or not. And, therefore, this is the assumption that what we call a normalized or normal fourth quarter pattern is applied for our review and our outlook, and therefore it is connected with all the problems connected with weather patterns, it might not be reached. On the other hand, if the winter is fairly strong, then we also could exceed that volume.

But once again, the visibility, as you personally certainly know, is quite low; only a couple of days in advance.

The second question was connected with potash (technical difficulty). The potash volumes in the year 2013.

Patrick Lambert - *Societe Generale* - Analyst

Yes, general question, but --

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

Yes. The potash in 2013. We don't think, and I have also not seen so many comments from our North American competitors, that there will be some, let's say, very late impact of the drought that we have seen in the US in the year 2012. So far, everybody more or less is expecting in the US at least the normal business. And, as we are not that very active in that market, we need to believe from our own experiences that this is a very fair view on the development of the US and in Canada.

And therefore we say, and this of course was also included in our forecast for 2013 which is, of course, a little bit general, that we feel that the market can return to some kind of normality as the chances on that, particularly as India and China from our perspective should return to certain bigger normality as they have shown in 2012, and therefore there is no negative impact included in that area from (inaudible) that is slowing down in US. We don't see that, and also our main competitors, I can only repeat that, don't see that as well.

The NPK question; we are also supplying the NPK industry with our standard materials, so as long as the farmers are used to some kind of [bells] fertilization, it's a question of the efficiency, and what is also about the customs, whether they apply NPKs, or whether they apply single fertilizers.



The single fertilizer has the benefit that you can place it very specifically, whilst the NPKs, they have also specific formulas for different kinds of crops. Do it in just one rush and you save on work.

So the farmer needs to select which kind of system he wants to run, but there is, when it comes to the nutrients, no real competition between the K in NPK and the K as a single fertilizer straightforward.

Patrick Lambert - *Societe Generale - Analyst*

Okay, great. Thanks.

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

Any other questions?

Operator

Thank you. We have no further questions coming through, so I will now hand back over to Norbert Steiner for the conclusion of the call.

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

Yes, thank you very much for your question and your interest in K+ S. I think this was our last telephone conference for this year, and the next [party] conference on our figures would be held in Frankfurt live somewhere in March, I think March 12, 13 or 14, and we hope to see you then again.

Have a good time, and see you then. Bye, bye.

Thank you.

Operator

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

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