

FINAL TRANSCRIPT

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SDF.F - K+S AG Acquires Morton Salt Analyst Conference Call

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PRESENTATION

Operator

Welcome to the K+S conference call for analysts and investors regarding the acquisition of Morton Salt. My name is Ena and I'll be your coordinator for today's conference. For the duration of the call you'll be on listen only. However, at the end of the call you'll have the opportunity to ask questions. (Operator Instructions). I'm now handing you over to Norbert Steiner, CEO of K+S, to begin.

Norbert Steiner - *K+S Group - CEO*

Thank you. Good afternoon, good morning to those who are dialed in from America. I would like to welcome you to our today's conference call and I'm joined by [Christian Hermann], the head of IR. I'm very excited to announce that last night our company, K+S AG, has come to an agreement with Rohm and Haas to acquire Morton Salt. Morton Salt is one of the leading producers of consumer, industrial and deicing salt in North America.

In the following I would like to give you an overview of the transaction and Morton Salt business. Afterwards we will be happy to answer your questions.

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Before I start I would like to apologize that we had to cancel the attendance at the recent investor conference in such short notice. But I'm sure you understand that we would not have been in the position to present our case and there openly. Now let me take you through the acquisition of Morton Salt and I will try to indicate the number of the slides which I will comment on.

I would like to jump to the -- slide number 2 which shows you the agenda of my presentation. On the next slide, number 3, the main items of the acquisition of Morton Salt. First of all, Morton Salt, from our perspective, is an excellent opportunity to grow our global salt business. Let me quickly outline the details of the transaction.

We acquired Morton International Inc. from Rohm and Haas, since yesterday a wholly owned subsidiary of the Dow Chemical Company. The purchase price will be paid in cash; the financing is fully underwritten by Dresdner Kleinwort, Societe Generale and UniCredit HVB. Closing for the transaction which values Morton Salt at an enterprise value of \$1.675 billion is expected by midyear 2009 following receipt of the required approvals from antitrust authorities.

On the next slide, number 4, I would like to discuss the rationale for the transaction that will make us the global leader in salt. The acquisition of Morton Salt marks another milestone in our strategy to both balance growth and enhance profitability. As a result the K+S Group is strengthened overall in Europe and overseas.

As one of the leading salt producers Morton Salt offers us widespread, close to customer production sites in the US and Canada and a nationwide distribution network. It extends and diversifies our geographic presence and enhances our position in the North American consumer and industrial salt markets. Through Morton we gain access to new and less volatile deicing regions.

Morton Salt is a profitable business with strong cash flow generation and provides K+S with operational synergy potential -- first by leveraging the leading salt consumer brand, the Morton Umbrella Girl, to our existing product portfolio; second, optimizing logistics between Chile, Brazil and North America.

The acquisition will be clearly EPS accretive from 2010 onwards. While maintaining a strong and flexible balance sheet the transaction is consistent with our acquisition criteria. Our business operations are highly complementary as we share a deep understanding of the salt business. This will facilitate a smooth integration and deliver immediate benefits to employees, customers and shareholders.

We look forward to working together with an excellent team, to realize the growth opportunities that lay ahead. I would like to state specifically -- and this is really, really important to me -- that irrespective of this transaction we will continue to strongly invest in our German sites to ensure production. We will stick to our promises and realize all plan projects as scheduled in the coming years, especially in the area of environmental protection.

Next, overview on Morton Salt, slide number six. Morton Salt is one of the leading producers of food grade salt, industrial and deicing salt in the United States and in Canada. And as mentioned, the Morton consumer brand, the Umbrella Girl, which you can see on this slide, is North America's favorite salt consumer brand.

Morton Salt operates six rock salt mines, seven solar evaporation facilities, 10 vacuum pan operations as well as 62 salt stockpiles and 61 distribution centers. Its annual salt production capacity amounts to 13.1 million metric tons.

Founded in 1848, that means it's 160 years ago, Morton Salt has 2,900 employees and is headquartered in Chicago. Last year Morton Salt achieved revenues of \$1.2 billion and EBITDA of \$270 million, 2-7-0. To facilitate comparability we have adjusted Morton's business to our existing product groups.

The product group food grade salt basically includes all products that are distributed unto consumers in the food industry. The industrial salt business deals with a broad range of customers and applications, for example water care, livestock feed and pharmaceutical salts. And for chemical use the commodity for the chemical industry Morton has only limited presence. The deicing salt business includes the community business in the US and Canada as well as small packages for consumers.

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This picture, slide number 7, shows you the strong presence of Morton in North America focusing on the production sites of the distribution network. From this one can deduce the new mix strength of Morton, it's close to customer relation.

On the next slide, on a pro forma basis and according to current full year 2008 financials, the acquisition will result in an increase of salt revenues of approximately \$1.2 billion or approximately EUR800 million, there the foreign currency translation is based on the average exchange rate in 2008 of \$1.47 per euro.

In other words, compared with our stand-alone business, approximately EUR620 million, revenues from salt activities will more than double, primarily Morton's strength from the business segment food grade salt, industrial and deicing salt, and additionally, we gain access to new and less volatile deicing salt markets, mainly north and south of the Great Lakes. This provides us with an important regional balance not only within North America but also between Europe and the US.

The same applies for the whole K+S Group, slide number 9. According to the Group's revenues the graphic above reveals that the acquisition of Morton clearly increases the less cyclical salt share. Based on the full year 2008 financials the Group's pro forma revenue will increase to EUR5.6 billion, one-fourth is allotted to the salt business.

With regards to the regional distribution of revenues, it is obvious that we will increase our overseas share by about 10 percentage points. Once again, by enhancing our future profitability through the acquisition we will strengthen the whole K+S Group overall in Europe and in overseas and our growth strategy in fertilizer remains unchanged.

As measured by the world wide salt production capacity, and now I'm on slide number 10, K+S will become the global leader in salt. We are already the number one salt producer in Europe as well as in South America and now we will become the future number one in North America.

For us the acquisition of Morton Salt is a further step in the consistent execution of our salt strategy, slide number 11. Originally, until the end of the 1990s, our European salt business was highly exposed to deicing and industrial salt. Through the acquisition of Dutch company Frisia Zout in 2000 we added salt for chemical use to our existing product portfolio. The combination of Solvay and our salt business in 2002 and the acquisition of the Solvay stake in 2004 made us the number one salt producer in Europe with ISCO, the European salt company.

In 2006 we acquired the leading South American salt producer, Chilean Sociedad Punta de Lobos, or SPL. This was our first activity in salt outside Europe and at the same time the first step towards establishing a presence and being successful into the US and Latin American salt markets. Given the advantageous geographical position and the low-cost production facilities in the Chilean Atacama Desert, we view SPL still also as a platform to explore further expansion potential to Asia.

Last but not least, the transaction summary. On slide number 13 you'll see that the transaction -- once again, that the transaction value amounts to \$1.675 billion. We have secured up to EUR1.4 billion debt financing fully underwritten by the banks already mentioned. The purchase price, as again, will be paid in cash. In the current financing environment we expect financing cost in the range of 5%. The transaction is consistent with our stated capital structure target and allows us to maintain a strong and flexible balance sheet and we therefore also stick to our dividend policy.

Next slide, also closing is not -- is only expected for midyear. I would like to quickly comment on synergies and integration. On the one hand we will leverage the well known Morton brand to our existing product portfolio to enhance sales of packaged ISCO deicing products and water softening salts. We also would like -- make use of the Morton brand and K+S products, as well as K+S know-how, in food grade potash to take advantage of the low sodium trend in North America to be seen. In logistics, we also may see many opportunities to optimize logistics. However, synergies were not included in the valuation of Morton Salt.

For the integration of the businesses it is essential that there are virtually no overlaps in markets and thus that both companies share a deep understanding of the salt business. In our view these are ideal conditions for the smooth integration of Morton's

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business. In addition, we have come to a contractual agreement with Rohm and Haas to continue to supply administrative support like reporting, treasury, tax, HR, IT, etc., for the transition period.

We will now immediately set up an integration team and I expect that we will be able to come up with detailed plans for the closing expected for mid of the year. And until then, Morton will be able to conduct its business without interruption on the back of the agreement with Rohm and Haas. I would like to emphasize once again that I'm really looking forward to working together with an excellent team to realize the growth opportunities that lay ahead.

Coming to the end, slide number 15. Morton Salt is an excellent opportunity to grow the global salt business of K+S. The transaction marks another milestone of our strategy towards balanced growth and enhanced profitability. It strengthens the K+S Group overall. We extend and diversify our geographic presence on a broader base. And the financial advantages are obvious; we acquire a profitable business with high cash flow generation.

Ladies and gentlemen, so far thank you for your attention and now we are happy to take your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). [Andrew Sword], Merrill Lynch.

Andrew Sword - Merrill Lynch - Analyst

Good afternoon. I just wondered, I heard your comments on the balance sheet and this acquisition being in line with that target gearing. But a general question really -- do you still feel you have flexibility to do further deals?

Norbert Steiner - K+S Group - CEO

Yes, we have. We have started this question thoroughly and the -- my answer, yes, was the background of my remark towards our willingness to continue with also our growth ambitions in the fertilizer market. And from that I would like to repeat more or less our ideas and our strategy to move ahead primarily in the potash area where we will most likely be faced with greenfield projects when we follow our desire to get access to new potash capacities.

And you know that [question challenge] such a project will require five to seven years time to be built up before the first one is available for sale and therefore that the outflow of money more or less also is only necessary for that timeframe. It means that also the cash flow of the K+S Group, including Morton, will generate a lot, not to say all of the money, that we will require for such an expansion into the greenfield. And I will say we are certainly in a different position compared to the situation before the acquisition, but I think there is still room enough to continue with our stand along our strategy.

Andrew Sword - Merrill Lynch - Analyst

Okay. Can I just ask a second question on synergies? I can understand from the presentation that there's limited production overlap. But there must be some fairly material logistic synergies. So I'm just wondering why you're not at this stage communicating that?

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Norbert Steiner - K+S Group - CEO

I would say our experience is that you identify synergies when you both come together and cooperate to mobilize the synergies, it always turns out that you find synergies in other fields of the business than you have expected. And therefore, and also taking into account the process that we have undergone so far, we didn't want to show you more or less something which has not been identified properly. And therefore we have restricted ourselves to those areas which can be clearly identified and I do not say that it is all, but it needs to be discussed, evaluated and then materialized.

Andrew Sword - Merrill Lynch - Analyst

Okay, thank you very much for taking the questions.

Operator

Karan Khemani, Cazenove.

Karan Khemani - Cazenove - Analyst

Good morning, good afternoon, Mr. Steiner, congratulations on this acquisition. I had a few questions. What is -- in terms of synergies again, I just wanted to touch on that. You've talked about logistical synergies potentially happening, but what about on the technological side? Can you maybe talk about the technological synergies coming from -- now you're having these solar evaporation facilities, you don't have them in your classic mines over in Germany. Are there -- is there a potential for synergies there?

Norbert Steiner - K+S Group - CEO

I would say when we have a look into the rock salt mines of Morton Salt we see that they are following more or less the same technique that we use underground to drill and blast. And therefore I could easily imagine that what we always try to move forward as an argument for the synergies between potash and salt operations in the existing K+S Group could also and will also be used to improve the situation if possible in either side of the Atlantic Ocean. I would not say that it's a natural law that the K+S technology is better than the technology used in Morton Salt. We will take the best available within the K+S Group.

Karan Khemani - Cazenove - Analyst

Okay. In terms of your cost of capital, I've examined Morton Salt in more detail and I'm seeing that it seems to be that it's a higher return asset than your salt asset; they're making higher return on invested capital there, higher EBIT margins as well. That's obviously good for your group, but in terms of your cost of capital have you lowered this now or will you lower it eventually -- because of this acquisition?

Norbert Steiner - K+S Group - CEO

Well, the cost of capital, Karan, certainly for the total Group will come down because now we have a higher share of net debt (inaudible). So this is certainly helping us to bring down our total cost of capital. You might have seen in the latest annual report which was published just a few weeks ago we have a breakdown of our cost of capital in the annual report. And we have shown you that our proportion of net financial debt at the end of last year was very limited.

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And certainly by the middle of the year this will move up and this will certainly bring down -- you all know that, we have communicated this already this morning -- the average debt cost for this transaction will be around 5%, so this is certainly much cheaper compared to equity and therefore the total overall cost will come down.

Karan Khemani - Cazenove - Analyst

Okay, talking about -- okay then, moving away from financial cost of capital, let's talk about cash cost per ton of extraction of product. Is that going to come down as well because of their lower cost of extraction -- coming from solar evaporation lines?

Norbert Steiner - K+S Group - CEO

If you take the entire salt business together, I can only say this will be the fact, yes.

Karan Khemani - Cazenove - Analyst

This will be that fact, okay. I wanted to talk a little bit about deicing salts. I thought that was the lucrative part when you compared to food grade salt or industrial salt. Is that still the case or would you view the food grade salt market or the industrial salt market more lucrative if you had to decide?

Norbert Steiner - K+S Group - CEO

We have chosen Morton as it is containing all the three markets. We have taken a very thorough look into the different activities and we were quite happy to see that the profitability there is more or less very convincing. So I would not like to differentiate now already in the first day -- on the first day where we have signed the agreement about the different types and different business deals of Morton.

We have taken a look on Morton and we like Morton as it is. But with respect to your question, deicing and so on, we have experienced or we have found out that the seasonality there, or let's say the occurrence of winter season, longer part of winter season is even higher when we compare it to the East Coast of Europe also. And therefore also from the segment deicing salt or ice control, it should bring already stability to that very segment.

But the Morton Umbrella Girl we have learned is one of the 10 icon brands in the United States and we would be -- we are more than happy to have it in order to use that for a future bigger volume of products to be sold to the American market. And we think that there is still potential there. I mentioned with a couple of words on the sodium reduced salt where we are very advanced in the development and I think this is also another field where we can share our expertise and be even more productive or successful, that is to say, than in the past.

Karan Khemani - Cazenove - Analyst

My final question is about your financing, this is on page 13 of your slide. Maybe you can explain this just a bit more in detail. Tranche A and Tranche C are both bullet payments. Am I right in assuming that in one and a half years from now, so somewhere in 2011, early 2011, you will be required to pay off your bridge loan in its entirety? That's my first part of the question.

The second is, your revolving credit facility, have you only drawn down then about -- I mean how much of that is actually completely drawn down? And is that then also going to be -- if you have drawn on the entire amount will you be paying that in its entirety in three years?

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Norbert Steiner - *K+S Group - CEO*

(inaudible)

Christian Hermann - *K+S Group - IR*

I take over here. So for the Tranche A, the goal is within let's say 12 months to refinance Tranche A. And with Tranche C this is actually a revolving credit facility. If I was right was your question -- if you have to pay this in three years or --?

Karan Khemani - *Cazenove - Analyst*

I'm sorry, I mean with Tranche A, when you say bullet repayment, does that mean that you have to pay out the entire loan back in one and a half years time or --?

Norbert Steiner - *K+S Group - CEO*

(multiple speakers) that's correct, that's correct, yes.

Karan Khemani - *Cazenove - Analyst*

It seems quite a bit, right? I mean 500 -- I mean obviously you will generate that in your cash, but is that risky or is that all right?

Norbert Steiner - *K+S Group - CEO*

Well, I think we have in mind latest in one and a half year, maybe earlier, as I said maybe 12 months, to bring these 500 million potentially to the capital markets. Capital markets does not mean what we have in mind in our equity, capital markets means debt market. So maybe by a bond. You might have seen that our annual general meeting invitation that was published just two days ago was talking about a convertible bond. So let's see if the convertible bond is also agreed and then we will see if we can also use the convertible bond.

Karan Khemani - *Cazenove - Analyst*

Okay, all right. Thank you very much.

Operator

Matthias Pfeifenberger, Deutsche Bank.

Matthias Pfeifenberger - *Deutsche Bank - Analyst*

Good afternoon; Matthias here from Frankfurt. Just a question on the accretion you mentioned. First of all, what's your level when you say clearly accretive? Is there any house number that you can put on it? Is that going to be above 10% EPS accretive?

And then my question, looking at the deicing business, very good first quarter. It appears like that you should be accretive as well in 2009 because the returns are obviously going to be higher than maybe next year when the deicing business maybe is

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normalizing again. And with that regard, what are the potential restructuring implications? Can we expect [EPA] depreciation, what's the tax implication, any color on that?

Norbert Steiner - *K+S Group - CEO*

A little color on that. So much color than we can give you today. We have focused on a (inaudible) from 2010 onward because we need to analyze more in-depth which kind of corporate structure we will have to set up in order to improve the situation with respect to the fact that in the future a German-based, European-based company will be the parent company and will want to receive dividends and not an American company. So this will need some restructuring and this will certainly also impose capital gains tax which we cannot measure properly as of today.

So we were restrictive with regard to 2009. And you can imagine that a couple of things need to be analyzed more in-depth than we've had the chance so far. And it will take taxes restructuring on IT on a multiple of issues. But it is our expectation, given the fact that we expect closing to happen in the first half -- in the middle of the year, that we should have advanced quite fairly within the year 2009 already.

And the results up to closing are not on our EBIT, they still pertain to Rohm and Haas and therefore it would first quarter of deicing salt sales in the United States are for their benefit and not for ours. But as mentioned, we are quite confident that this wintry season that we have seen in the last three months in North America will also continue to be there in the future.

Christian Hermann - *K+S Group - IR*

And maybe just to get one additional remark -- even under a normalized winter in 2010, we expect clearly double-digit EBIT margins and therefore these will be significantly higher than our financing cost and therefore I think it's just obvious to say that the accretion effect will be clear.

Matthias Pfeifenberger - *Deutsche Bank - Analyst*

Okay, so you would point towards 2007 level that we saw for Morton in terms of the margins revert back to whatever -- 14%, 15% EBIT margin? Or is that too much of a detail to share with us?

Norbert Steiner - *K+S Group - CEO*

The second sentence part was the correct one.

Matthias Pfeifenberger - *Deutsche Bank - Analyst*

Okay. Thanks very much.

Operator

Andreas Heine, UniCredit.

Andreas Heine - *UniCredit - Analyst*

Hello, good afternoon. Just two small questions are left. First CapEx, is the CapEx level Morton Salt had something what we have also -- that what we can put also for on the future years or do we have to do more as the business was very much run for

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cash flow and it was for sale for quite some time? And secondly, once again on the PPA, usually there is an acquisition you have to write up the inventories to market price levels and if there are some inventories then you basically have no profit in the second half artificially. Can that happen in the case of Morton Salt as well?

Norbert Steiner - K+S Group - CEO

The question pertaining to CapEx, we have looked into that and we found the CapEx policy of Rohm and Haas as the parent company of Morton Salt much too restrictive. We think that when we continue this policy in the future we can hold the Company in good shape, but we have also identified possibilities to increase the efficiency of one or the other plant by the injection of additional CapEx with a very short return on investment period.

So I would say we took -- first of all, assumed that the level was in good shape, the level was okay, and that we will certainly seek to invest in those items and operations where we can increase the efficiency and this will certainly require additional CapEx. But for the time being I would not say any word about the additional volume that we would inject for that.

So this is in little bit premature and please accept and take into consideration tonight we have signed a contract to purchase the company and we have not yet closed the deal. But what I can say to you is that we were more or less on the very moderate side when it came to the evaluation of the company. We have included something additional to that what we saw in our evaluation and therefore we should not get into some surprises with respect to that.

Christian Hermann - K+S Group - IR

And with regard to PPA, as of today -- again, I have to say as of today we see that the major point for the PPA will be not so much inventories, but the major points will be existing reserves and sites and also the brand. So these are the points where we see -- we will see clearly PPA effect, but not so much in inventory.

Andreas Heine - UniCredit - Analyst

Thanks.

Operator

Gunnar Cohrs, Berenberg Bank.

Gunnar Cohrs - Berenberg Bank - Analyst

Good afternoon, gentlemen. Gunnar Cohrs, Berenberg Bank. Just two questions. First of all, could you explain why the profitability of Morton Salt is higher than the profitability in your salt business? And also, it looks that the company grew strongly over recent years in terms of sales and also profitability. So what could be kind of a sustainable levels for this company?

And if you cannot answer that, what's actually your calculation in terms of acquiring the company now based on the year 2008? Are you rather took an average of the last years? And the second question is, it looks that you paid an attractive price for Morton Salt, still it is actually higher valued than your current valuation. Did this concern you at all, did it play any role in your calculation or valuation of the deal? Thank you.

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Norbert Steiner - K+S Group - CEO

To start with the second question, no. We saw that of course and we also expected that the analysts and the investors would point out to that. But what we are absolutely convinced of is the fact that we expect the company in a very good shape where we think that we can bring the company together in even better shape, that we have high returns, high cash flows and this is more or less in a very sustainable way for the support of the growth of the K+S Group.

This is not an issue of a one-year or two-year investment. This differentiates K+S from our competitors in the bidding process of financial bidders, which clearly, so far to my knowledge at least, are not bidding for a business to stay in there for 20, 30 or even more years. And therefore we cannot only look to the different multiples when we acquire a business.

The second -- or the first question better to say, we have set up our own business plan, of course taking into consideration the past and also taking into consideration the plans, the budgeted plans for the future that we have been given by Morton Salt. But as we all know, we are already doing our business in the United States, mainly of course in the deicing salt business at the East Coast, but our people know the markets in the United States not only in deicing salt but also in the industrial salt and salts for chemical use.

And therefore I think we had a good basis to evaluate and to build up an own business plan taking account figures but not more or less sticking like a slave to the figures that we have been handed out. And of course it was not the year 2007 alone that was taken into consideration when we made up our business plan.

I think what we have always said also in connection with the question putting on our table what is your idea how should be the price for a ton of potash to justify a greenfield activity? We have always said that you need to have a reasonable sustainable figure which is lower than the actual market conditions. And this is more or less the same philosophy that we applied here. So normally we should be there very, very much okay.

Gunnar Cohrs - Berenberg Bank - Analyst

Okay, thank you.

Norbert Steiner - K+S Group - CEO

You're welcome.

Operator

Rim Bennani, Exane.

Rim Bennani - Exane - Analyst

Good afternoon. I have two questions. The first -- well, I have three questions. The first one is just can you maybe just talk of the differences, if there is any apart from well, call it a longer winter between the US salt market and the European one in terms of consolidation of players and pricing power?

The second one is how much do you think it's going to cost to integrate the business -- I mean the new tax reporting, etc., IT system? I understood it was a 2009 charge on your -- anything beyond that if you can help there. I'll try my luck on a third one. Usually next to the mines of salt you could have potash mines. Is there something you've looked at close to Morton or not? Thank you.

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Norbert Steiner - K+S Group - CEO

First of all pricing power. Most of the business in deicing salt is done via bidding processes from the road authorities or the municipalities. And therefore you need to qualify and try to be clever enough to get the majority of the bid. This has been the case in our region in the East Coast by ISCO perfectly very professionally and I think also Morton Salt has been very successful there.

I mentioned the center of the deicing salt business to be north and south of the Great Lakes and it is even more at the north of the Great Lakes where Morton is absolutely close to the market and therefore they have a big advantage with their customers and they can be more or less more aggressive when it comes to the bidding processes. This is at least my assumption that is underlying our business case.

So pricing power is not comparable or no -- pricing power is not the key element of that as we have the bidding processes, the key element is cost leadership in a specific area and I think this is the case in Morton's predominant area. Of course, further their other advantage is that they have a couple of sites, a lot of sites which are quite close to customers and always we take into account production cost and transportation cost and when you have the leadership there nobody really can attack you.

With respect to your second question to the integration, I think a lot of things will be done already in 2009 under the assumption that we will have closing middle of the year. In particular the first steps should be introduced with respect to the company structure. Of course we need to integrate Morton Salt into our IT system. And based on our experiences with the integration of SPL, I would not be -- I would not go so far to say that we will have done that all within 2009 still.

So I would expect that this will be an issue in 2010, maybe also in the beginning of 2011, because we need to see the bidding processes of the companies. And if we would hear in that period of time in the second half of this year with the bidding processes starting and would change the IT system it would be a big, big mistake. Therefore we need to do it in portions in those periods of the year where we can justify that. Therefore it will be a more lengthy process.

But again, as mentioned in connection with another issue, the CapEx, we have integrated these costs in our planning scenario and it should not more or less make us deviate from our anticipated standup earnings.

Last but not least your question -- neighborhood of potash potentials and potash deficits, this is not always the case. Also we have six potash mines in Germany and three purely salt mines where we do not have potash embedded in the salt.

So Morton has specialized on salt and also the vacuum salt plants clearly are only looking into the salt business. And I would say -- I would assume that there is only a minimum of potash in the neighborhood of the existing salt mines. So one should not expect that under the name of Morton we would find a lot of potash that we could produce from that. So there certainly is something there, but I think it is not comparable to the reserves that we will see from the -- for example, Saskatchewan producers.

Rim Bennani - Exane - Analyst

Can I just -- on the integration cost, is it just held on the overall number or maybe from your experience on SPL, if you think it's comparable -- is it from \$0 million to \$50 million, \$50 million to \$100 million? Can we -- is there any chance we can have a bit of guidance on that or do you think it's still a bit early?

Norbert Steiner - K+S Group - CEO

SPL has one operation, the big open pit production in the Atacama Desert, it has a harbor for the (inaudible) and it has a salt production -- sea salt production in Brazil and, of course, the manufacturing of manifold consumer products. So the company

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is quite simple compared to the Morton activities. However, Morton's business is based on the quite old-fashioned but very much reliable system of IT. But from the time period as of today I would not give any judgment. We can talk about that later in the year when we have done our deeper analysis and maybe in the autumn when we have the Q2 results available and we should have a better view and then we'll share it certainly to you.

Rim Bennani - *Exane - Analyst*

Thank you.

Operator

Stephan Kippe, Commerzbank.

Stephan Kippe - *Commerzbank - Analyst*

Good afternoon. I actually have three questions. First of all, in terms of management, could you tell me the current Morton management has committed to the new structure, will they stay onboard?

Second question, if I look at the past numbers from Morton that you provided in your presentation, there's a high, high volatility in terms of volumes. What level of volumes would you suggest as a good guess for an average going forward for the Morton assets?

And the third question -- and my apologies if that has been answered already because we had technical difficulties in the obtaining of this conference call. Could you -- will you -- is there any household number or any ballpark percentage or something like that that you could see synergies coming on going forward from this acquisition? Thank you.

Norbert Steiner - *K+S Group - CEO*

We have met the management; they made a very impressive presentation to us. And after the presentation we had gotten the information that they wanted to stay onboard with every approach of Morton Salt. But of course they liked K+S the best because we have an understanding of the salt business and they expect from us, and I think this is right, and (inaudible) that we backed the salt business slightly different from a purely financial investor. And therefore they like us to be the future parent company and they expect a very good cooperation.

So I think that we are not in a situation where we can say this is problematic for us. And I mentioned it twice in my presentation, we said this is a very big advantage for us that we have them on board. Of course we need to set up an integration team in order to bring that into the K+S family.

The second question for the sales volume, please note that the volatility of the volumes is not the case when it comes to the consumer salt and also to the chemical or the industrial salt division. It is mainly an issue of the deicing salt, ice control division. And we have normalized salt for deicing salt purposes to a level of about 7 million tons per year. Just the deicing salt, not the other bigger part of the company. And this is where we think we could -- we will be on the safe side.

Synergies -- and I'm sorry that you had technical problems when I talked about that. And I must disappoint you a little bit because I was very abstract on that. I mentioned that you have a certain (inaudible) synergies when you enter into negotiations and when you make up your business plan. However, when you are closer to the business you see a lot of other possibilities that you have not seen before and other maybe not there in the way that you expected them to be.

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So please, once again, I would not shout out a figure for synergies which needs to be specified and needs to be confirmed in the next due course of our business towards closing.

Christian Hermann - K+S Group - IR

Perhaps just to add, the \$7 million for deicing salt would then add up for the whole business to roughly 12 million tons annually.

Stephan Kippe - Commerzbank - Analyst

Okay, if I may add to that. If that would be a normal going forward, if I look at historic sales figures of this business when it was still at Rohm and Haas, they were significantly below the 1.060 billion level that we have seen in 2007. If you would say this is a normalized level, do you think that the company is now a possibility of the market to operate at higher level than was the case before? Or do you think the prices have risen? If so will they stay higher?

Norbert Steiner - K+S Group - CEO

First of all, I think if you go back to a longer history you will see that this average of about 7 million tons of deicing salt sales will be shown. But it is true that, particularly in the business segment of industrial salt, Morton was able to increase the prices significantly and also on a very sustainable level. We are quite confident that this level that they have been able to achieve will be also sustainably there in the future.

Stephan Kippe - Commerzbank - Analyst

So basically the 1 billion is your base case going forth in terms of sales?

Christian Hermann - K+S Group - IR

I think right now, Stephan, everything has been said. We don't give you now guidance for the next years in revenues, okay?

Stephan Kippe - Commerzbank - Analyst

Okay.

Operator

Andrew [Barn], Goldman Sachs.

Andrew Barn - Goldman Sachs - Analyst

My questions have actually been answered. Thanks very much.

Operator

Andrew Sword, Merrill Lynch.

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Andrew Sword - Merrill Lynch - Analyst

Thanks. Just wondered if there are any liabilities that you've taken on within the balance sheet at Morton, any environmental provisions for example or pension deficits? Thank you.

Norbert Steiner - K+S Group - CEO

This is the case, and of course we are protected by the guarantee set out by Dow Chemical Co.

Andrew Sword - Merrill Lynch - Analyst

Okay, so you're taking on the --?

Norbert Steiner - K+S Group - CEO

So that they materially -- we do not see any adverse development out of that.

Andrew Sword - Merrill Lynch - Analyst

Okay, so no net liabilities whatsoever?

Norbert Steiner - K+S Group - CEO

I would say not say no net liabilities because I do not know yet the IFRS status of that. But with respect to the material importance net, yes.

Andrew Sword - Merrill Lynch - Analyst

Okay, thank you.

Operator

Thank you. Rim Bennani, Exane.

Rim Bennani - Exane - Analyst

I just wanted to know as -- and I said the business was known to be on sale and you're a natural bidder. Did you look at the business before this year to acquire it? And if this is the case, was valuation an issue at that point or not? I'm just trying to understand, is it the for-sale from Dow that got you in the business or if you were looking at it before when it was inside Rohm and Haas? Thank you.

Norbert Steiner - K+S Group - CEO

As always, I can only repeat what we generally say. We want to grow our business in the salt and the fertilizer just to name the first. In the fertilizer business with the action on potash and, of course, we have always looked into the salt business as well.

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These are our two core businesses and therefore we have always seen -- or assumed already years ago that Morton would not be forever in the hands of Rohm and Haas.

So there have been let's say first steps to divest Morton Salt already years ago. We had some interest for that. So Morton Salt is, of course, something which we have looked upon already months, if not to say years, ago for the first time.

Rim Bennani - *Exane - Analyst*

Were there any talks with Rohm and Haas before this year or not?

Norbert Steiner - *K+S Group - CEO*

We never talk about that.

Rim Bennani - *Exane - Analyst*

Okay, thank you.

Operator

(Operator Instructions). Wolfgang Fickus, WestLB.

Wolfgang Fickus - *WestLB - Analyst*

Yes, good afternoon and congratulations to the deal. It seems to be very much appreciated by the market. There is one question I have, there was the obviously unconfirmed rumor that you were interested in acquiring Compass Minerals which is a similarly sized company and the rumored acquisition price was much in excess of what you paid today, I think it was roundabout \$2.4 billion, if I remember rightly.

So one can assume, although with respect to your salt acquisition in Latin America, that the sales multiple you paid for this highly profitable business is not very high and you have synergies. Is it that the bidders were just financial bidders which eventually gave you this price or -- because I'm stumped by it? Could you give us some explanation for the low acquisition multiple?

Norbert Steiner - *K+S Group - CEO*

Difficult question. I would say for a part of your question you need to address it to Andrew Liveris from Dow, because it was they who [opened] that and it was their decision to choose K+S as the preferred bidder in the last couple of days. So I think it was a fair deal and we have proposed this transaction to our supervisory board, the supervisory board has accepted it, and then we were in the position to grant that figure, \$1.675 billion to Dow and then they did it. So I cannot touch on their ideas which they might have had in their mind.

Wolfgang Fickus - *WestLB - Analyst*

Okay. Well anyway, it looks like a good deal, so congratulations.

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Norbert Steiner - K+S Group - CEO

No, I take that, thank you very much.

Operator

Mike (inaudible) from (inaudible).

Unidentified Participant

Yes, final question from my side. Looking on the CapEx side, looking at a depreciation position for Morton, it looks like that we have seen a significant expansion of CapEx over the past couple of years. Have I got this right basically that maintenance CapEx is in a range of [\$15] million and if so what is the projection or what are your plans basically with this one going forward? So what's the kind of proxy we should look at or to take into consideration that you talked about if you CapEx basically to raise synergies so just as a kind of indication for the years to come?

Norbert Steiner - K+S Group - CEO

CapEx and synergies -- CapEx and let's say improvement of efficiency is a couple that belong together. And I'm not sure whether your assumption at \$50 million, 5-0 million was more or less the CapEx historically including everything. We have seen that the Morton management was allowed to invest already in the last years some additional dollars into the improvement of the efficiency. And we see a couple of chances and they have pointed out to that to improve the efficiency in more of the (inaudible) to come.

So we will judge on that, we will see on which side we will gain the fastest return on investment and then we will do so. But we have always differentiated within the K+S Group CapEx for maintenance purposes and CapEx for expansion purposes. And we have always said that we are always open for CapEx for expansion purposes in order to improve the profitability of the company.

So if we would restrict that in the case of Morton we would be stupid and therefore I cannot imagine that we will do that. So, no precise figure for the future to come, but the confirmation of our so far established policy within the K+S Group.

Unidentified Participant

Okay, thanks.

Operator

(Operator Instructions). We have no further questions coming through. I hand you back to you your host to wrap up today's call.

Norbert Steiner - K+S Group - CEO

Thank you, ladies and gentlemen, for sharing this hour with us. We are very, very much convinced that this step forward within the K+S general strategy and also the K+S salt strategy will be a very good one. We are very excited about the chance that we get within North America, we're excited to cooperate with the Morton management and I think it is a good day for K+S for the Company, for its shareholders, for its stakeholders in Europe and overseas wherever [they may sit]. Thank you very much and good luck to you. Thank you.

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Christian Hermann - *K+S Group - IR*

Bye-bye.

Norbert Steiner - *K+S Group - CEO*

Bye-bye.

Operator

Thank you for joining today's conference. You may now replace your handset.

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