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PRESENTATION

Christian Herrmann - K+S AG - Head of IR

Ladies and gentlemen, good afternoon. I welcome you to the K+S 2008 Financial Statements presentation. I'm very happy to see so much interest today. I'm joined today by Mr. Norbert Steiner, the CEO of KS Group and by Mr. Joachim Felker, Member of the Board of Executive Directors. We are happy to answer all of your questions or at least most of your questions after the speech of Mr. Steiner. Before we start, please allow me to do two introductory remarks.

Number one. This presentation, as you know, will contain facts and forecasts that relate to the future development of the K+S Group, and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct, actual events may deviate from those expected at the present time.

Secondly, as you all know, last week there were various rumors in the market about us looking for potential acquisition targets in North America or The Netherlands, I would like to use this opportunity to point out that the Company policy is not to comment on these market rumors.

I am now happy to hand over to Mr. Steiner.

Norbert Steiner - K+S AG - CEO

Thank you very much. Just to show you once again in written form what you mention so far, but he is already far away from that. Yes, I am telling you no secrets that the financial crisis has (spoken in German), and significantly lower crop prices took their toll in farmers' sentiment, resulting in tangibly lower global fertilizer demand during Q4 last year.

Numerous manufacturers of complex fertilizers have cut back their production, and therefore, reduced their demand for potash. Moreover, and in anticipation of rising potash prices, our customers have strongly built up their fertilizer stocks during the first nine months. These stocks now need to be depleted first.

While this is affecting not only potash but also nitrogen and phosphate fertilizers, the respective industry reactions differ quite significantly. Nitrogen producers responded to the slowdown in demand with price cuts, also taking into account significant lower gas and ammonia cost. However, this caused a hesitant reaction of the agricultural sector then to grow even stronger, so that the increased demand aimed for with the price cuts, has not materialized.

On the other hand, potash producers totally in line with their well-proven business model, responded to the slowdown in demand with tangible production cutbacks, and the prices for potash fertilizer remained stable.

With regard to salt, the wintry weather conditions during the fourth quarter had a positive impact on the de-icing salt business, while sales volumes of salt for chemical use were already impacted by muted demand because of the economic slowdown.

Now a short look at selected key figures of the fourth quarter. As explained, revenues rose by 7% to EUR956m. Positive price effects of 65% slightly over-compensated negative volume effects.

Operating earnings exceed by far last year's level. This was mainly attributable to significant earnings increases in potash and magnesium products business segment, as well as to the fact that Q4 '07 was heavily impacted by a negative currency result.

Q4 earnings per share reached EUR1.38 and were thus up almost 10 times on the same period last years.

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Capital expenditures at EUR64.5m (sic -- see presentation) in Q4 was as anticipated down by EUR11m. The main share of our capital expenditure is attributable to the potash and magnesium products business segment, investment and the replacement and expansion of underground infrastructure, measures to expand the capacity for industrial products at the Zielitz site and projects involving further energy savings continued to be the focus here.

Q4 free cash flow of EUR59m was also up considerably compared with the same period last year. But let us now put the last quarterly figures into perspective.

While Q4 earnings per share could not attain the record Q3 level, they exceeded by far previous year's quarterly results. This is remarkable when you consider that potash volumes in Q4 dropped by more than 40%.

To come to the point, 2008 was, despite the financial crisis, increasingly spilling over onto the real economy in the course of the year, a good year for K+S, and even more it was by far the best year in the over 100 year history of the K+S Group.

Full year figures were very pleasing, with revenues to rise by over 40%, operating earnings by 370%, and earnings after taxes more than quintupled compared to 2007.

While we clearly missed our revenue target by just under EUR5.3b, operating earnings were only 4%, earnings after taxes only 2% below our guidance published in November. And because of these minor changes there was no, in particular, no legal reason to adjust our guidance.

Revenues turned out to be lower mainly because of a weaker than expected Q4 trading business with nitrogenous fertilizers. Please keep in mind that this has only a limited earnings effect.

And in addition, I would like to highlight to other key figures of fiscal year 2008. Like our earnings, free cash flow of EUR647m (sic -- see presentation) rose almost six times compared to 2007, and was primarily used to pay down debt.

As a consequence no debt amounted -- the net debt amounted to EUR570m at the end of last year, and was thus 48% down compared to the level of 2007 and, as you know, the EUR570m net debt includes our pension and mining obligations of almost EUR500m.

This table should be understood, and only be understood, as a rough indication how prices have developed. Factors like freight cost, exchange rates, product mix can distort this picture. With regard to the quarter on quarter development prices rose by more than 120% while volumes contracted by almost 45%. Especially the European market was affected by NPK closures and reduced fertilizer demand from farmers.

Year on year, European and overseas average prices doubled to a level of approximately EUR340 or \$525 respectively. This was attributable to higher prices in all sub-segments. And taking into the average of the US dollar 2008 exchange rate of \$1.47 per euro into consideration, last year's achieved average European and overseas prices were more or less on the same level.

Just one remark, revenues increased by EUR1.45b or 43% year on year. I mentioned that already. The increase in revenues was primarily due to price effects, which more than offset volume and currency related revenues, revenue declines, I think no surprise for you.

The strong rise in potash price has not only caused our revenues to increase significantly it also set a new record high in operating earnings. This chart makes us understand why capital markets meanwhile perceive K+S as pure potash player. Nevertheless, and in order to be fair, I would like to highlight that the other two fertilizer segments COMPO and fertiva, on the basis of higher nitrogen fertilizer prices, improved by 147% and 68% respectively.

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The salt business was moderately below the previous year's level since higher prices and volumes could not fully compensate for higher cost, especially energy and transportation and the weaker currency result.

And last but not least the EBIT contribution of the complementary business segment was significantly down on last year, which had been benefited from the profit achieved from the disposal of Biodata Analytik GmbH.

Some information on the cost development in 2008, a higher collective bargaining agreement, a slightly higher number of employees, and in connection with record results, a rise in performance related remuneration, caused personnel expenses to grow by 7%.

One of the main cost items of K+S Group, material costs including purchased services, rose significantly against the backdrop of much higher input costs for COMPO and fertiva. And since our energy consumption is primarily based on natural gas, the strong rise in energy prices caused our energy bill to rise by 17% last year.

And despite the fact that freight rates rose as well in 2008, our freight costs remained more or less unchanged because of lower overseas component in sales offsetting higher prices.

In 2008 we invested a total of about EUR200m in property, plant and in equipment, about 15% more than in the previous year. And measuring relating – measures relating to replacing and ensuring production accounted for about half of the capital expenditure. The increase is attributable to the expansion and extension of the useful life of our fleet of ships at SPL as well as to the completion of measures for doubling the Chilean loading capacity in the port. See the picture.

In the potash business segment funds were invested to increase our exploitation and to expand the capacity for industrial products of highest purity at the Zielitz site. Moreover, we have completed the capital expenditure and the changeover of the energy supply at our Wintershall site to use the incineration of household waste.

For 2009 we expect the volume of capital expenditure of about EUR200m again. Maintenance CapEx accounts for about 60% of this figure, and should be fully financed through the anticipated depreciation charges of about EUR150m.

Since the financial crisis has dried up global credit markets cash became more valuable and companies with sound balance sheets are currently preferred. At the end of last year K+S's balance sheet was almost free of net financial debt, showed an equity ratio of approximately 50%, and a gearing of just 33%. The sound financing provides us with the necessary flexibility to weather the economic crisis and to pursue our medium term growth targets.

Please allow me now to focus on a couple of important margins and ratios. The EBIT margin of 2008, like the other key ratios, improved significantly in comparison to the year before. The ROCE, a well observed financial performance indicator at K+S more than quadrupled, and resulted in the highest value added ever achieved in our history.

As a result of the sharp increase in the adjusted earnings of the K+S Group, and in line with our long term policy on dividends, the Board of Executive Directors and the Supervisory Board recommend to the Annual General Meeting the payment of a dividend of EUR2.40 per share. This is an expression, not only of our financial solidity, but also of our medium and long term confidence. Assuming that on the day of the Annual General Meeting we hold no owned shares this will result in a total dividend payment of EUR396m, and a dividend payout rate of 40%.

On the basis of the year end closing price of EUR39.97, the dividend proposal for 2008 gives a dividend of 6%, and based on yesterday's share price of EUR34.02, it will even yield 7.1%.

The dividend payout rate between 40% and 50% of adjusted Group earnings after taxes forms the basis for future dividend recommendation to be determined jointly with the Supervisory Board. The decrease in the adjusted Group earnings after tax

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expected for 2009, I will be discussing this shortly, will therefore most likely have a corresponding impact on the future dividend payment.

With a view to our shares performance since the beginning of 2008, we are certainly not happy about the recent development. But it helps to see that we are clearly outperforming DAX and MDAX. This outperformance can also be observed against most of our peers.

In connection with our shares I would like to inform you that our new sponsored ADR program has been started as of February 23. Two ADRs represent one K+S share. And since the reporting rules for foreign companies have significantly been eased by the SEC, we took advantage of broadening our US investor base without being forced to install a separate reporting system.

Following a prolonged and literally almost upward movement, euphoric upward movement, commodity exchanges have experienced significant profit taking, liquidation and de-leveraging from the middle of July onwards, causing brutal reductions to the prices of all major agricultural products.

In anticipation of a global recession it tells us that the capital markets either expect grain demand to fall or that we face abundance in cereals, corn and soybeans. We have a different view, because we neither expect people to change their diets significantly, nor do we see global stockpiles of surplus agricultural products to feed the world.

The chart on the left incorporates USDA's latest estimates that were published yesterday evening. Globally excellent weather conditions helped farmers to produce the largest grain harvest ever recorded. However, with record demand the increase of ending -- to ending global grain inventories was only moderate and kept stocks-to-use ratios well below the long term average.

And as the fundamental supply demand situation for agricultural products is therefore still restrained, we believe grain prices are very likely to recover.

Nevertheless we cannot wait, we have to act now. And therefore, we have already cut back production during Q4 by 400,000 tonnes, establishing a basis for our price before volume policy. In addition, a further production cutback of up to 1.3m tonnes has been announced to take effect during the first six months of 2009.

The cutbacks are implemented largely by short term work at several potash sites. Other producers are cutting production as well so that during the first few months of 2009 one could easily add up more than 6m tonnes of production cutbacks.

Though we cannot guarantee that these measures help us to support the current price level for ever, we are encouraged to proceed with our strategy to adjust our production to the demand, which one could also name the price before volume strategy, particularly after comparing the recent potash price development to these of the other two main nutrients.

You all know that since potash is not traded on commodity exchanges, it is rather difficult to obtain reliable and current price information. The weekly fertilizer journal FMB publishes spot prices for selected markets that we have constantly compiled to produce a certain price history. Though the data base is certainly not perfect, and concentrates on spot business, it is to our mind a good source to obtain at least price indications.

As you can see, spot prices have risen in the past substantially, and reached approximately \$1,000 per tonne. On the other hand, volumes sold at these prices accounted only for a fraction of the total potash market. We have pointed out to that fact in all our one on ones interviews, presentations and so on.

Against this background, it becomes obvious why we do not regard the latest [BPC] announcement to offer MOP to the Brazilian market for \$750 including freight, as a price cut, but as to confirmation of the last year's weighted average price of sales volumes shipped to Brazil. After a month of reducing potash inventories at the customer's level, the Brazilian market should soon be receptive again for new potash shipments.

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And with the local -- with the global potash market being currently rather anemic, how do we see the supply and demand balance evolve over the short and medium term. You know this chart, and it includes all announced capacity additions over the coming years. But please bear in mind that attractive prices are necessary to justify all these new capacities.

In the light of the recent developments during the fourth quarter we have lowered our global industrial sales estimate from 59m to 55m tonnes for the year 2008. Since we see the de-stocking phase to continue through the first half year of 2009, we have also tangibly reduced the expected 2009 sales figures to just 50m tonnes. And in comparison to the sales level achieved in the rather normal year 2007 this level implies a 15% reduction in demand, which would even grow to 20% if the [2000] sales figure had been compounded twice with the long term average growth rate of at least 3%.

This scenario will certainly -- will see optimal farm yields, especially as there is no substitute for mineral fertilizer, and any reduction in fertilization. In particular, following the last year's record harvest with high nutrient completion, and would lead to even more dire levels of stocks-to-use ratios.

Although the application of fertilizers is to some extent deferrable, it is not escapable, and a deferral makes the necessity to fertilize just more acute. We, therefore, expect that the fertilizer stocks available on the markets should be depleted by the middle of the year, with the result that global potash demand will pick up appreciably against the second half of the year.

Against this background we see good chances for substantial normalization of potash demand in 2010. This will then be the basis for a continued long term growth rate of 3% to 5% per year.

Although the fundamental business outlook for the coming years remains positive for K+S, it is important to make the Company fit for the future in good times too. That is why, as already announced in the middle of the year 2008, the business models for the COMPO and for the fertiva business segments will be developed further.

Essentially this new direction envisages that the nitrogenous fertilizers distributed by fertiva and with ENTEC, as well as the self-containing Nitrophoska products, hitherto distributed by COMPO, will be grouped together in a new company, K+S nitrogen.

Latest from Q3 2009 onwards, COMPO and K+S nitrogen will likely to be reported as one single business segment with two sub-segments, but this is still under consideration and also with view to the IFRS requirements.

With effect -- with efficient and lean distribution channels and structures, K+S nitrogen will be able to concentrate more on bulk consumers in the agricultural sector, and on speciality crops such as fruit, vegetables and grapes.

Based on 2008 numbers, 0.8m tonnes of ENTEC and Nitrophoska products will give a revenue contribution of approximately EUR370m that will be then distributed by K+S nitrogen.

However, slow-release fertilizers, coated fertilizers, NPK specialties as well as nutrient salts in the professional sector, along with consumer products will continue to be sold under the COMPO logo. Revenues for these products amounted to EUR381m per year -- last year.

Following this reorganization, COMPO will continue its business with much leaner structures and higher efficiency. And it should be able to work the market more effectively. While we expect restructuring charges in 2009 of approximately EUR10m, the measures should lead soon to the significant improvement in earnings capacity.

The fact that de-icing salt will continue to be needed to ensure road safety has again been demonstrated during the past few months on both sides of the Atlantic. However, it is also true that in the light of the two previous very weak years for de-icing salt, and in particular because of rising cost, the profitability of esco has been reduced. This is why we approved the package of efficiency enhancing and cost cutting measures in 2008. And it should secure the future and competitiveness of esco.

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First, the cost optimization program will improve the efficiency. And in addition, from last November onwards the weekly working time, as established under collective bargaining agreements, was increased by an average of two hours per week without direct wage-based compensation, but with the opportunity of additional profit participation.

Altogether about 110 jobs across Europe will be affected by these measures. Here too it is intended to prevent operations-related redundancies wherever possible by providing further employment within the K+S Group. Like in the case of COMPO, the measures should lead to soon -- to a significant improvement in earnings capacity.

Potash and magnesium products, some outlook and perspectives by business segment for the year 2009. Revenues should be about on the same level as about a year ago, based on a significant decline in sales volumes of just under 6m tonnes, in the comparisons in 2008 versus 7m tonnes, the stronger US dollar, and the markedly higher average price.

While the cost level in 2008 benefited from increasing stocks in the fourth quarter, this effect will probably not be repeated. And in addition, a weaker currency result as well as higher personnel costs should weight on earnings, so that EBIT 1 should be tangibly lower compared with the year before.

COMPO/fertiva, revenues are expected to decline significantly. While the consumer segment will probably be adversely affected by a low level of the propensity to consume, we expect not only lower demand for nitrogenous fertilizers, but also lower average prices. Operating earnings should follow the declining trend for revenues, and be much lower compared with 2008.

As a result, now on the basis of salt, of the good start of the de-icing salt business both in Europe and North America, due to wintry weather conditions, we are expecting a significant increase in revenues for the salt business during the fourth quarter. On the cost side this year lower freight and energy costs will provide relief. Overall, operating earnings will be significantly above the level seen last year.

And last but not least, our complementary business segment, revenues should attain a similar level than a year ago, with all segments developing in a relatively stable way. For operating earnings, however, we expect a significant decrease compared with the previous year, which primarily results from the lower contributions to earnings deriving from waste management and logistics.

In view of the global financial and economic crisis we are experiencing, we expect that the hitherto positive performance of the K+S Group will suffer a temporary setback this year [next] (inaudible).

Following the estimates, in the outlook for the third quarter of 2008, and against the background of the price level for potash and magnesium products evident in the first quarter, we expect a tangibly higher average price for 2009 as a whole compared with the previous year. However, we now expect significantly lower sales volumes, which will rather offset the aforementioned price effect.

While the revenues of COMPO and fertiva business segments should be down significantly, mainly in view of substantial price decreases for nitrogen fertilizers, we expect significantly higher revenues for the salt business segment because of the good start with de-icing salt.

Overall, the revenues of the K+S Group in 2009 should be down markedly on the previous year. The revenue forecast assumes an average US dollar exchange rate for 2009 of about \$1.30, 2008 it was \$1.47.

For the financial year 2009 we forecast significantly lower operating earnings EBIT 1 in comparison to the record level experienced last year. This is primarily due to the already described decrease in sales volume in the potash and magnesium products business segment. Even the strong US dollar exchange rate and higher earnings from salt against last year are not inclining us to change this forecast.

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The year 2009 faces us with challenges such as we have not experienced in a long time. The financial and economic crisis has assumed dimensions that all of us would have considered almost impossible a few months ago. No one can predict when the bottom of this recession will be reached.

For us at K+S, too, the crisis once again vividly made us aware of what it means to live in a globalized world. Cereal prices quoted on the Chicago Commodity Exchange, the oil price level, the strength of the US dollar, the excess of Brazilian farmers credit market, all these and other factors have been part significant impact -- have imparted significant impact on our business success.

This is all the more the reason why we will do everything possible to make K+S even stronger, more competitive and thus resistant to crisis. We will also lead our K+S safely through the difficult terrain that lies ahead of us.

For 2010 we already think it highly probable that revenues will again increase appreciably. This assessment is based primarily on a normalization of significantly higher revenues in the potash and magnesium products business segments due to volume effects.

Given that, we see realistic chances of a significant increase also in operating earnings, an increase that should then also have a positive impact of adjusted Group earnings after taxes.

Thank you very much for listening. Now we are happy to answer, I think, a lot of your questions.

QUESTIONS AND ANSWERS

Christian Herrmann - K+S AG - Head of IR

Okay, Mr. Pfeifenberger first.

Matthias Pfeifenberger - Deutsche Bank - Analyst

Hello, Matthias from Deutsche Bank. I have three questions really, maybe to Mr. Felker and Mr. Steiner. What sales volume is the guidance based on? The measures we initially got was 1.1m, it's now 1.3m. You could stock, maybe stock up a little bit maybe 300,000, 500,000. What's a first color on the sales volume?

And then maybe if you say it's picking up in 2009 what could be -- to what levels could the demand restore? Is it going to be closer -- that's obviously hard to estimate, so maybe the first one. I have a couple of more things.

Norbert Steiner - K+S AG - CEO

With a view to the year 2009, volume-wise we have reduced our outlook or our anticipation of the global demand and more or less the production down to 50m tonnes. So this is something where we think the reduction could go to. That means another 5m less compared to the year 2008.

And having this all in mind we -- and comparing that with the CapEx already mentioned and already communicated of about 6m tonnes in the first quarter -- the first half year sorry, of 2009 it means that a certain kind of normalization will take place in the second half. This is at least our assumption. And this is also more or less the basis of our more or less steering of the production within our potash division.

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You mentioned correctly that we have announced that we are cutting back our production up to 1.3m tonnes per year. This is done in a very sophisticated way that we are always able to produce those volumes and those articles, those products that are being requested by the market. So we are not doing short time work all over the company simultaneously but selectively.

And we have only agreed upon and directed this short time work for the first quarter generally. And we will then see at the end of March what will be needed to be the reaction for the second quarter in order to be more or less -- as soon as possible in the position to catch up when the demand has been caught up. So this is more or less the volume of sales, which we could anticipate also for the entire year 2009.

Matthias Pfeifenberger - Deutsche Bank - Analyst

Okay, thanks. And then I have two more. First of all, do you see the \$750 level sustain -- I guess that's what's factored in your guidance, the 600, 615, that's what you mean by substantial base effect on the price. Do you see that being sustained over the year?

And the last question really, I know you wouldn't comment on COMPO's DSM, but we have caught some statements from the press conference. Maybe you can reiterate them, and maybe share your view on if you might be willing to wait for a salt acquisition, because the multiple is going to be inflated by a very strong winter season, so that all of the salt assets are actually trading very high, because we have a very strong winter. Thanks that's it.

Norbert Steiner - K+S AG - CEO

Joachim might correct me if I am wrong, but the \$750 announcement recently issued by BPC certainly has taken into consideration at least two factors.

The first factor is that when I mentioned that during my initial speech the price level globally had never reached that \$1,000 level that somebody might have dreamed of like us and others as well. But it was not reality. The level was more in the neighborhood of \$750 to \$800 globally speaking. And with a view to that this has been done also on the basis where transportation costs were higher than they are right now.

So when you take this together, and exclude the not as much numerous spot shipments for \$1,000 which we also have appreciated to some smaller extent, then you are more or less with that \$750 per tonne for the big customers in Brazil based on lower transportation costs, you are more or less in the neighborhood of that what you have had in the past.

And, therefore, this is more or less the support for that what we had written down in our drafts of the annual report, with the view on 2009 before already. And it is quite simple that the development of the prices in 2008 with that increase from 400 to 800 to make it simple, to make it simple, maintained in the fourth quarter by reduced volumes, maintained in the first quarter when it comes to K+S at least, on the reduced volumes.

And now the announcement more or less supporting that makes us quite confident that, more or less, in the first half year on reduced volumes we might be able to maintain that price level. And then when you compare that as an average basis with the basis of 2000 -- or with the average of 2008, you can come easily to that conclusion.

To avoid one mistake I would add one comment with respect to the figures that we have published in our Q4 report that is available on our home page as well. There you see quotations and price indexes for the fourth quarter, which are lower than the EUR600 per tonne that I have mentioned. But please keep in mind that it is an average for all products of the K+S potash and magnesium sector including kieserite and magnesium, sulfur mixtures and so on. So don't be misled by that.

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The second question more or less needs to be explained along that what we have been saying all the time through. We have two big major working fields of core business which we call fertilizers and plant care and salt. And we have always said that we are interested to grow in either direction, in either of these two pillars on which the K+S business model is built on.

So we always look for opportunities to get into cooperations or to find acquisition targets. And this has been the case also in the past. Also in those times, when one could see that particularly the potash and generally the fertilizer business would be growing and expanding significantly, we had the chance to acquire our big salt operations in Chile, and in Brazil. And this more or less to support what we had said before.

So we continue to follow this structured strategy with the ambition of a controlled, healthy and sustainable growth. And we will also be and always be looking at those opportunities that we have materialized back in 2006.

And including, of course, targets, projects within the fertilizer of course with a certain focus on potash issues, but not forgetting the nitrogen side of the fertilizer area, but also continuing to look into the salt business. And whatever more or less comes to our table is analyzed in the normal way.

Christian Herrmann - K+S AG - Head of IR

Next Mr. Roediger, then Mr. Faltz and then Mr. Kippe.

Martin Roediger - Cheuvreux - Analyst

Yes, Martin Roediger here from Cheuvreux. Two questions. First, some financial figures. There are obviously some special items in the financial results when it comes to the mining provision. And also in the other operating income I saw a release of provisions of EUR29m. Can you -- in Q4, maybe you can elaborate on that.

And the second question, a follow up question, is it correct now to assume that the basis of your forecast for 2009 is the potash price on average of \$750 per tonne?

Norbert Steiner - K+S AG - CEO

The basis of the forecast '09 was not the \$750 per tonne because they came out later than we finished our -- the preparations for the annual report. It was the basis that we had achieved in the end of the year 2008, meaning EUR600 per tonne in Europe and the respective price levels in the other countries.

For potash?

Unidentified Company Representative

For the lead product not for --

Norbert Steiner - K+S AG - CEO

For MOP? Yes, of course, we are talking about MOP and not about kieserite here. And so this is what I can comment on that question.

And the other question pertaining on our -- can be difficult. We have changed the view to here IFRS requirements more or less what we have to do with respect to the Neuhof Ellers plant, where we had stated in our previous statements we'd had a growth

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presentation, and now we have an active side more or less which is equaling the passive side. So it has nothing to do with some negative influences on the P&L. This is just a way to adapt ourselves within the IFRS reporting system to the IFRS requirements. It's complicated, but this is more or less the material out -- look out of that.

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

Next one Mr. Faitz, please.

Christian Faitz - *Sal. Oppenheim - Analyst*

Hello, Christian Faitz, from Sal. Oppenheim. Two questions please. First of all, the EUR29m financial result.

Norbert Steiner - *K+S AG - CEO*

[What?]

Christian Faitz - *Sal. Oppenheim - Analyst*

The EUR29m financial result which is mainly due to the higher interest on the potash -- on the mining obligations. Will that be pretty much the same level going forward or what can we calculate that on for the next couple of quarters, years?

Second, can you give us an idea of how volume and prices developed to date in the first quarter in potash? And maybe in relation to that can you comment on the volume mix effect i.e. the three specific segments within your potash and magnesium products in terms of volume development? Thank you.

Norbert Steiner - *K+S AG - CEO*

First question, it should be hopefully a one-time effect. But I have learned to say never say never, because it's depending on the development of the financial markets. And the underlying effect is company bonds. And when these company bonds and their interests develop in a certain way it has effect also on the evaluation or on the appraisal of our mining obligations.

So this was an issue already discussed the year before. But we were able to maintain the interest rate that we applied to that. But now it was evident that despite all development of the pure interest rate which went down, the risk factor included in the company bonds more or less increase, and therefore we had no chance to avoid that anymore.

But it is something which is an issue of IFRS, and we can never more or less promise or foresee in which direction it will go. And the second question, Joachim.

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

Okay, sales we have until yesterday in potash were lower in quantity, prices were the prices we have average achieved in the fourth quarter of last year. That means higher than the average of the last year.

And the second part of the question was composition of what, I didn't understand it.

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Christian Faitz - *Sal. Oppenheim - Analyst*

It was the -- basically the composition in terms of the three main product groups and how they developed in terms of volume maybe in the fourth quarter, maybe for the full year '08.

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

The three product groups, NPK or special --

Christian Faitz - *Sal. Oppenheim - Analyst*

Special (multiple speakers).

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

Okay. No, we have -- when you look at that then the sales we've got to -- industry, chemical industry, pharmaceutical industry are a little bit stronger still than in agricultural industry. The sales to fertilizer industry NPK industries are still very low, very slow. And the product mix magnesium, sulfur products against MOP are normal I would say.

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

Okay, Mr. Kippe in the front.

Stephan Kippe - *Commerzbank AG - Analyst*

Yes, thank you. I have two questions for Mr. Felker. First of all, if we look at your global potash market outlook you are expecting a sales volume reduction in 2009 of 10% versus 2008. How is that founded in regional assumptions? Are there any regions which will be far less successful or more successful in terms of relative development? And how does that relate to the regional or global footprint of K+S? That would be question number one.

And the second question if I look at Q4 volume development, surprisingly I've seen that the volume reduction in Europe in Q4 was relatively more severe than in overseas areas. And how much of that European volume reduction did you estimate a postponement of volumes into Q1 or even into Q2, and how much of that is to your -- in your estimates is demand lost for this planting season? Thank you.

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

Okay, when it comes to -- sorry, when it comes to forecast of next year regional-wise I think the region most hit will be Europe, Western Europe. The region less hit will be India, India the consumption is very stable the Government has announced that they will continue subsidies of fertilizers in total.

The contracts pricewise are running into April, and only then there will be a new price discussion in India. Quantities being imported in potash at present are still very, very strong.

China, China we are in a situation that there is more or less a gamble between big suppliers of potash and the state owned, state organized imports organizations. There are various rumors. One rumor is that local stocks of potash are on a very low level. Chinese authorities would never say that in order not to jeopardize the price discussions, and they say they are very high.

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What we are seeing is that the prices in China are increasing by \$60 over the last few weeks. And that especially the NPK producers are demanding product. But I still think that the Chinese Government structures will try to avoid as many imports as possible.

North America, it's more or less a decision on what farmers will grow. It will be a decision how strong the demand for ethanol would be and so on. But I think North America in total will be quite stable.

I think in -- there is another aspect, the more professionalized the farmers are, there is not the farmer, that's one of my biggest problems, I have farmers with 50 hectares and farmers with 400,000 hectares. And we always talk about the farmer. I think the more professional the farmer is, and the more he is also knowing about the food supply chain and the next steps the more he will apply fertilizer, because yield for him is a decisive factor.

The other part was the Q4 that was the Q4. The Q4 influence in Europe, our biggest market is Europe, so if the European market is asking less products we are directly hit. The product portfolio -- the country portfolio worldwide we can, how should I say it, we can breeze with it a little bit longer. So that's why we are first hit in the fourth quarter, in the fourth quarter last year in Europe, and to a minor effect in overseas countries. That's the reason.

Stephan Kippe - Commerzbank AG - Analyst

And how many of these volumes that were lost in Europe were postponement or how --?

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

That is -- there is no postponement so far. The question is our clients are -- it's a trade, okay. Trade is sitting on relatively high stocks. Again, relative, it depends on which region, which structure I am talking about. The consumer and the people who can make product flow, can create demand are the farmers. So our deliveries are depending on the situation of stockholders, of warehouses and so on. And they are still relatively full now.

When you look out of the window it's raining and it's raining from my end, for myself it's raining much too long already, in some other parts of the areas where it's snowing, which is a special form of rain for me, it's a different situation. So that's why it's quite good to have the two businesses.

The demand of farmers asking product from the warehouses of the distributors is delayed in Europe very much, and that's one of the factors. And we will only be able to supply product when distribution is starting to empty its stocks.

Stephan Kippe - Commerzbank AG - Analyst

So you --

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

So we cannot yet talk about the product is suspended. I know what you will ask, I know all your questions, I think I know your questions. You will ask whether people can avoid to use potash. They can when they are little educated, when they have no contracts.

I give you an extreme example. When I am a farmer and I have the contract with Suedzucker to grow sugar beets. Suedzucker will tell me how I grow my product. If in their recipe, in their formulation, it says you have to supply so many kilograms or so many tonnes of potash, either you do it or you are out of business.

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Another issue you have you can make a decision in two ways, in yield and in quality of product. Yield is one thing, very difficult to estimate, quality of product for the educated farmer is very simply, they know if I apply less phosphate, less potash, then quality of products will go down. Protein content will go down for example. Structure of the plant will go down. So professionals will exactly decide what to do.

Smaller farmers they have learned from their grandfathers that in some areas you can avoid application of fertilizers. Then they experience what will happen in the year, less harvest and then they will go back to the normal pattern. But that is not our client.

Christian Herrmann - K+S AG - Head of IR

Okay, I have to stay -- sorry, we have to give the other ones a chance as well, you can ask later again, Stephan, okay. The next one is Mr. Grueten, please. Mr. Grueten is over there, just over there.

Lutz Grueten - Kepler Capital Markets - Analyst

Lutz Grueten, Kepler Capital Markets. Two questions from my side. First of all, regarding the volume outlook you gave for 2009, you are saying you expect the market production to come down by 10%. And you might cut your production by 1m tonnes which implies a 15% cut. When and how do we expect to gain and regain market share again?

And the second question regarding one-off charges for the COMPO business, here you are guiding for EUR10m 2009. You are also saying that for fertiva there might something to -- no, sorry, for the other division there might be something to come. Could you also give us a number here for one-off charges 2009?

Norbert Steiner - K+S AG - CEO

To start with the second question, we have been -- no, I should start differently. What we do with respect to fertiva is an add-on. They will be getting material like I have described. They will need to increase their sales force by a certain volume, as well as a certain headcount. But different to that nothing more or less happens with fertiva.

Of course, they need to invest into the more or less spreading of the new name, K+S Nitrogen. But I think with a view to the clients that is -- the number of client that is over-seeable that does not cost too much money. So we should not look into fertiva with respect to get an idea about the restructuring costs that we have to envisage.

What we have done so far, we have some measures already in Germany. And this has more or less in cost item of about EUR5m which has been absorbed in the figures of COMPO consumer business in 2008. And we are expecting about another EUR10m in 2009. So then it will be more or less hopefully everything which is connected with cost.

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

And the second question was estimate of the world market minus 15% -- minus 10% and we cut you've calculated 15%. It's relatively simple, we carry high stocks and I would like to get rid of the stocks first, and I cut production very deep at present.

And as we have a rather complex structure of production, we have a very wide product portfolio in potash. We have announced short work for half a year, because it's very difficult for us to say we close one whole mine, we close one full plant, because some of the product portfolio we have is still running quite stable, chemical industry product, pharmaceutical industry products, potash for mining industry -- for oil industry and so on. So the cut we have announced in production is very aggressive, more aggressive than the others have announced. And so --

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Lutz Grueten - *Kepler Capital Markets - Analyst*

But this implies that your average inventory levels are higher than the average of the industry.

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

No, they are not. We carry high stocks, double the stocks which we normally have. Normally we have 0.5m in a normal year this year we, at the end of 2008 now we have 1m tonnes. And this one -- this 0.5m more is what we want to get rid of first.

So we have hit the brakes in production quite hard. But we are running the structure in a way that immediately when market reacts we can start again. And then this will level out. But I also want to say I also expect that other producers will announce more cuts in production.

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

Next one, Mr. Heine.

Andreas Heine - *UniCredit - Analyst*

Andreas Heine, UniCredit. I'd like also to come back on this and discuss on the inventories some production volume. So production cuts you have announced I guess is not compared to the 2008 production level, but to your production capabilities which is close to 8m tonnes.

So the 1.3m tonnes leave you then with 6.7m tonnes, but your delivery assumptions are 6m, so that would mean an increase of 700,000 tonnes. So first, do you expect more production cuts to be announced?

And secondly, also from what you said about the general market, you said that production -- well, demand for the 50m tonnes. I think the production capability of the global market is close to 60m tonnes which also means 10m tonnes of production cut, 6m were already announced, so another 4m are needed to bring it into equilibrium.

And this is just to bring production in line with demand, not talking about a reduction of inventories, which are 35% above five years average in North America. So there is still some gap between the equilibrium.

How do you see the situation for K+S first? And then, also, do you think that the announcement of another 4m tonnes is realistic for your competitors?

Norbert Steiner - *K+S AG - CEO*

Well, I think that the competitors worldwide we have, and there are not too many actually, they will definitely also announce more production cuts if the markets will not start very soon.

And your comparison to 2007 and 2008, we have already -- when you match the figures sales and production, in 2007 we have sold the stocks, relatively high stocks, we have emptied the stocks. We started the season 2008, the year 2008 with very, very low stocks. Now it's just the other way around. At the end of 2008 we have high stocks, more than average.

And you are right, the North Americans have also announced that they carry higher stocks than the last two or three years. But on average, I would say, that would be about 500,000 tonnes maximum, which is a high percentage in total.

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The question will be now we have announced cuts very, very early. We have tried to figure for -- out for you what is the average production we expect for the year 2009 worldwide. And we found out the announcement we had from our competitors, our own announcement, and we said we think the demand might be 50m.

Production, you are also right, we have reached 58m, 59m tonnes production which was the absolute record we ever had worldwide. And that meant no holidays, we worked all the year through, and all the systems were under extreme stress. And that was really extraordinary.

I think a normal production, and we lost all the mine in the industry, don't forget about it, we lost 1.5m tonnes in [Dersoniki]. I think when we would run a normal year now 57m tonnes is already a good production.

So we have to wait what other announcements will be there. And you are right from the calculation there are still some quantities missing to have this equilibrium you were looking for. But I think we have done enough cuts, and it will be the others who will follow.

There any been no announcements made by ICL, for example. Most of the North Americans they have announced, the Russians also, Belarusians have announced. So I think there will be more announcements to come.

Andreas Heine - UniCredit - Analyst

And once again on your own production, what is wrong with the math that I take 8m tonnes minus 1.3m tonnes coming to a production of 6.7m tonnes, and you estimate your own deliveries to be 700,000 tonnes less than this. What do I wrong with this calculation?

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

No, we have -- last year we have not produced 8 million tons.

Andreas Heine - UniCredit - Analyst

Is this 1.3 million production cut compared to what you produced last year or your production capability?

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

No, that's a production cut we have announced for the first half of this year, 1.3.

Andreas Heine - UniCredit - Analyst

Compared to your capacity which is 8 million tons.

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

Yes, to the capacity, yes. To the theoretical capacity.

Andreas Heine - UniCredit - Analyst

But then it is not enough to come to 6 million tons.

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Norbert Steiner - K+S AG - CEO

Yes, six months, this is not a year. Six months is half a year.

Christian Herrmann - K+S AG - Head of IR

Next one, please, is at the back on the left hand side, yes. Sorry, I don't know your name. Could you please mention your name and your company, please?

Lars Hettche - B. Metzler seel. Sohn & Co. - Analyst

It's Lars Hettche from Metzler. Hi. I have two questions. The first one is that you said that the EBIT in the potash segment in Q4 was positively impacted by building up inventories, that means by capitalization of costs. Could you give us a figure here how big that impact was here in Q4?

And the second question is also regarding the inventories. Can we assume that inventories will continue to rise in the first quarter? Or are the production cuts enough to keep inventories here on a stable level? Thanks.

Norbert Steiner - K+S AG - CEO

The impact of the building up of the inventory in the fourth quarter is about EUR70m. And we assume that at least in the first and maybe also in the second quarter there will be only a small outflow out of the inventories to our direct customers, the wholesalers' area. On the other hand, we are also producing still things which are not being inventoried at the end of the year which are directly going out of our production to, more or less, the customers in special purposes. For example, like Joachim mentioned, potash for industrial utilization is not stored, it's directly being produced also nowadays on slightly reduced volumes. But it's a mixture. But we should take into consideration that this inventory will also be staying there at least until the end of the first half year.

Christian Herrmann - K+S AG - Head of IR

The next one is Mr. Cohrs. Where's Mr. Cohrs? Yes, over there.

Gunnar Cohrs - Berenberg Bank - Analyst

Okay, Herr Steiner. Gunnar Cohrs, Berenberg Bank. I have actually two questions. The first question is actually just could you actually verify that you mentioned that your guidance in '09 for the potash area is based on an average price of EUR600 per tonne. So I then calculate the \$750 per tonne, this is in terms of current exchange rates more or less the same price?

Then the second question, actually when I talked to our commercial guys in our bank, who actually are specialized for a couple of hundred years on financing the overseas trade, I hear that it is, at the moment, extremely difficult to get the financing. So at the end is it also this crisis more a financing problem or is it really a problem of demand? Thank you.

Norbert Steiner - K+S AG - CEO

Once again, I mentioned that we were basing our forecasts on the EUR600 per tonne for MOP Europe, including freight. I do not want to calculate now exchange rates. Sorry for that.

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The second issue, financing of customers. This is an issue which we see as well as in some parts of the world the people are not in a position, at least smaller clients, are not in a position to get so much and good financing from their local banks than they have been able to do, maybe a year ago. So far we are doing what we can do in order to extend our payment terms from three years to -- three months to four months or five months or so. But so far, as I have got the information from our people, this is still in a very limited way. It is not that the unsecured receivables that we have are more or less exploding. But it is certainly a way that we need to more or less continue with our sales and in, contrary to that, and despite all political announcements, we see that [Hermes Oehler] is not that willing for the time being to grant us the security that we want to have. So there's a bigger gap to be envisaged, unsecured and secured receivables, and on top of that we see the extension in parts with our clients of the payment terms.

Christian Herrmann - K+S AG - Head of IR

Next one. The lady in black.

Rim Bennani - Exane BNP Paribas - Analyst

Good afternoon. Rim Bennani from Exane BNP Paribas. I have four questions. The first one, if I hear you correctly you think actually Q2 might see an uptake versus the quite dull Q1 given India, Brazil and probably China will be back. Is that correct?

And secondly, in Europe I hear as well that there's quite a wait and see attitude, not that much from financing but because farmers are rather reluctant to sell their cereals given prices and rather are waiting for a bit of volatility. How far can they wait in terms of window application? What's the deadline? I know as well you come a bit later versus the other nutrients in application. And, sorry this is still the first question. And you're quoting as well a normalized level in H2. Is that actually H2 versus H2 '08 or '07? Just to get a feel of what is built in the guidance from a volume side.

On the second question, there is a question that comes back quite often which is discipline that has been quite outstanding in the market. And the ruble playing in Russian players' mines. Do you see that as a risk actually or not?

The third question, you're saying significantly lower sales APS and you've quoted as well minus 10 overall for the demand for 2009. If I link that to the significantly lower EPS and I know it's a kind of big shortcut, but just to get a sense of how much you think EPS can fall? So you're quoting minus 10 for consumption. Is that a likely good figure for 2009 EPS?

And the last question is on free cash flow. What is the working capital reduction that you expect for '09, or that you'll be targeting? Thank you.

Norbert Steiner - K+S AG - CEO

For the fourth and third question I'm afraid I need to disappoint you. We do not have, we have never published any working capital forecasts for a year. This is something which can get up and down very quickly and therefore it is looking into the crystal ball right today in order to get to a figure.

And also we have some guidances and we have some more or less words that we use in order to describe the tendency but it's just a tendency and we also have been utilizing and always these words very cautiously and therefore there is no possibility right now to be more precise on that.

With respect to the second question I think it was about the discipline. So far we can only look to the situation that most of the companies worldwide have been privatized years ago already and they have been guided along more or less commercial

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backgrounds and commercial ideas. And so far, these companies have seen a big advantage to follow the policy of what we call price before volume policy.

If one would lose, just as a speculation, the discipline that you mentioned, what would be the consequence out of that? The consequence would be that they would more or less increase the sales volumes or undercut prices with the effect that the bigger leverage behind of their remaining volumes that they want to sell within 2008 still, and of course, also in the consecutive years, would be jeopardized significantly.

The best example of the discipline has been shown in the beginning of 2006 where China tried to more or less gamble with the Russian and the North American potash producers and the answer was discipline. To cut back production for a certain while, just to adjust their production levels to the reduced demand coming from China.

And if you look to the situation that has been the case in the last weeks, what could have been the benefit to either push material into the market where, in the winter season in the northern hemisphere there is no application. And secondly, where the inventories on our wholesalers' side are still filled with material that they have bought to significant levels of prices. And last, but not least, there is no application and the application now is the most important point that we need to have in the next couple of weeks to come.

So there is no use and we would not have moved any additional tonne if we would have cut back our potage price from the already sighted EUR600 per tonne, including freight, to some significant lower volume. But this more or less would have been done in vain but not without any result.

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

Well, uptake in Q2, I think what I see now is that there's product being moved in Brazil, about 600,000 tonnes already at a price of \$700, \$750. That is why I think it was very, very smart of the [PBC] to confirm that \$750 is a realistic price level. And they took off all the speculation of prices increasing to \$1000 and things like this. That I think can give the Brazilian market at least a very good orientation. And that is in line with what we intend to do and what we are doing.

As I said before there are some signs that in China the NPK industry especially is demanding for more materials for input for potash. In Europe, the demand is relatively slow and there's some signs in Southern Europe, also for NPK but for North Western Europe and our region here I think we have to wait for the better weather. Because even if farmers would like to apply they cannot apply because now it's too wet, they cannot go with their spreaders into the field.

And you asked also, I think that was your first question, how long can they delay? It's depending on weather. I would say they can delay another three to four weeks on average in Europe but not much longer because then the season becomes too short for them and that would be another disadvantage.

Christian Herrmann - K+S AG - Head of IR

Okay. All your questions answered?

Rim Bennani - Exane BNP Paribas - Analyst

Just on the normalized level that you're quoting for H2, I just wanted to know normalized versus what? Thank you.

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Christian Herrmann - K+S AG - Head of IR

Yes, the normalized level in the second half is certainly based on '07 not on '08 because '08 was already damped in the fourth quarter. Next one, Wolfgang Fickus, over there

Wolfgang Fickus - WestLB - Analyst

Yes, Wolfgang Fickus, WestLB. Can we expect a quantitative guidance for 2009 at a certain point of time? Is it that you're planning that once you've seen some sort of seasonal pattern in the March to May period in Europe that you would say in May?

Norbert Steiner - K+S AG - CEO

We have done what we have been doing all the years before. This guidance what we were able to issue right now and then we will be a little bit, hopefully we have the background more precise when we issue the first quarterly results in connection with our Annual Shareholder Meeting on May 13. And then the more the year proceeds then we will be more or less precise. And first, more or less corridors can be expected with our half year result in August. This will be, has been the policy that we have been doing in the last years, I think, with quite good success. Also with a view to our investors and our analysts and I would like to continue with that. This is our, more or less what you can expect.

Wolfgang Fickus - WestLB - Analyst

Fine. So the first range with the second quarter results in August.

Then the second question is again on China and the negotiations which are a kind of benchmark for the industry. We've seen that China has actually bought commodities quite aggressively in many fields. They struck a five year oil deal with the Russians, for example. They're investing in Rio Tinto, etc. Could it perceivably be that the Chinese try to get a multi-year deal with the Russians to have some planning security because the price range was quite volatile over the last two to three years? Is that something which is perceivable? I mean it would give the whole industry a kind of planning background because, you --

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

If they would have done that in 2007 it would have been great for them. If they will do it now, will it be great or will it bad? I've no idea. No, they have never done it. What is traditionally they do it for one year, it's because of State budgeting, also it's because of making their internal budget financing and so on, to have some planning numbers there.

China and India they have always made, they have tried to make one year's contracts. Already in April 2007 the North American producers threatened them (inaudible) threatened them if they don't come to terms that they would only give half year's contracts. So I think there's no way to do that for long term. Also producers wouldn't ask for that. It's not realistic. It doesn't work.

Wolfgang Fickus - WestLB - Analyst

Okay. Well, the levels, even if you went down from say \$600 to \$500 would be a really very profitable business still. But you still --?

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

Well, I think just recently you see so many contracts being broken so I think if I would go to my clients and say, "Look I still have contracts from, I don't know, October this year, why don't you buy?" They will say, "I cannot. I cannot." They just don't do it.

Wolfgang Fickus - WestLB - Analyst

Fine. And then maybe just for the sake of repetition because I didn't get Mr. Felker what you said on the Q1? You said that prices are flat quarter-on-quarter across the mix in your potash division?

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

No, prices we have achieved for the first, what are we now, nine weeks or something? No, we are more? Ten weeks. They are the average prices in the first quarter of this year. The average prices we have had in the fourth quarter last year. So we are not reducing prices, our pricing before quantity approach sticks. So we continue with the high prices but we have less quantity.

Norbert Steiner - K+S AG - CEO

And what we need to take into consideration is that the mix in products is more or less not -- can vary. So that you should not be surprised if the average prices that we have written down in our Q4 report will not show up in -- might be varying after the first quarter of 2009. So there is a mixture which you can never predict will happen within a quarter and therefore ups and downs can happen. But it does not mean that our policy that Joachim has described once again had been changed.

Wolfgang Fickus - WestLB - Analyst

Okay. Then the second question on Brazil which is one of your very important export markets. Now back in 2008 when BPC said that they would raise the price to \$1000, [Compotek] straight away said they would raise the price to \$1000.

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

No.

Wolfgang Fickus - WestLB - Analyst

Well, that's what I got via [FMB]. So can we just assume that \$750 is now the accepted price by every participant and you would also from your side expect some shipments maybe, well, firstly also in the first half of 2009? Is that what you're expecting?

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

Well, I think that the thing BPC wanted to do is they wanted to give the Brazilian market confidence that the quantity which is just handled now, which is trade to applying parties, which is done at present at \$700, which is a mixture of product bought very early and product bought very late. So part of it could be \$900 but some of it could be \$600 from the first half of the last year. That's \$750 for BPC is a good price and they say goodbye to all the announcements they have made before of \$1000, \$1100. And we have also had sales of \$1000. We had a fantastic big ship to Sri Lanka for \$1150, but one ship a year is not enough.

Okay, so \$750 if that would be the orientation and if product is running with \$750 it's in the line of our policy, that basis effect which we always try to describe and that would be a good stabilizing factor price orientation for a lot of people. And when you

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see now the difference between \$750 and the price is still workable in India, it's a normal difference between Brazil and India. So it seems to become more realistic again.

Wolfgang Fickus - *WestLB - Analyst*

Okay.

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

Virginie, do you still want to ask a question. Please excuse, I know that you all want to ask questions. We have time and I have you order by order. I still have six or seven people here on my list. Please. Okay.

Virginie Boucher-Ferte - *Deutsche Bank - Analyst*

Yes, thank you very much. It's Virginie Boucher-Ferte from Deutsche Bank. I had one follow-up question on inventories. Just to put things in context for Europe specifically. Could you please see how many rounds of potash application or how much of a typical growing season's needs are currently being covered by inventories at the distributor level and at the producer level? I think for nitrates, for example, it's about two rounds of application, so the first and the second application, so basically most of the season's needs are at the distributor level. I just would like to have the same answer for potash.

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

Yes, very difficult. The two rounds of nitrogen application, I have my doubts, but never mind. But I think the situation will be like this. That the first application in potash, all over Europe, can be easily done out of stocks of distribution, very easily. And then it depends on how farmers make the decision. I think that we can expect that we supply product to distribution starting in April, middle of April perhaps, depending, again, on the country. There might be a difference between Southern Europe and Germany or France. But you are right, the first applications, whether it's nitrogen or whether it's potash can be relatively easily handled by distribution.

But what we also expect, if then the whole thing starts then, everybody will be under extreme stress because of supply chain. Because the season will be very short because of the bad weather on average.

Virginie Boucher-Ferte - *Deutsche Bank - Analyst*

And actually, whilst you talk about bad weather, I've also heard that when the season is being delayed too much because of the weather then it can lower the quantities that farmers will apply on their fields. Because if the yield's potential is being compromised then there's no point to apply the usual optimum dose of fertilizer.

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

In average you have two hearts in your body. When it rains a lot people say that a lot of nitrogen is washed out which says that then farmers need to apply, even from their tendency more nitrogen, which is good news. The other part is if the ground is too wet farmers cannot even go into the field and cannot even apply the product and that often leads to the fact that there's a very limited time window for them to apply product. And means that first they make a decision when they own, let's say, 50 hectares, where do I go first? And of course, they go first where they know they have the best soil, the best yield. And it might lead, when the time window is very, very narrow that some of the surface they have, acreage they have, they don't fertilize at all. That can be an effect, but professionals usually not.

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Virginie Boucher-Ferte - *Deutsche Bank - Analyst*

And a last quick financial question. Could you please talk about your hurdle rate for new projects and expansion acquisitions?

Norbert Steiner - *K+S AG - CEO*

Yes, I can only repeat what I said before, that we are looking into the entire field of those two pillars of business that we have, fertilizers and salt and I can only repeat that we have evaluated a lot of projects. Some of them have been gone, where we've stopped further going on some of them, a couple of them are still under review or under evaluation and we think it is better to look even better and more precisely to that what we find on the table and what we find as an object or as a target, than to be quick. And therefore we are not in too big hurry in order to come to a position to communicate on positive or something outcome of either cooperation contracts or acquisitions.

But, once again, we are looking to expanding the K+S Group and I can only repeat what I said, that the financial status in which we are at the beginning of the year 2009 is, of course, supporting our policy to get around to that. But never hasty. Sustainable and health and controlled is the message.

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

Maybe just to add the hurdle rate is return on investment after the third year at least 10%. And for the whole Group we want to achieve at least 12% to 15% return on capital employed.

And we also have, for the first time, in the current annual report mentioned some internal guidelines for future financing capital structure, equity ratios and net debt divided by EBITDA ratios. They are more or less in line with a typical BBB+ company, even though we have no rating.

The next question was over there in the back. I don't know who comes first so you have to choose.

Norbert Kalliwoda - *Kalliwoda Research - Analyst*

Norbert Kalliwoda from Kalliwoda Research. I've got two questions to you. The first is, you have already discussed the situation in China and so on the one hand we do have not such a major production they're generally seeing, but on the other hand, a tremendous consumption. So you are already located there in [Chinzhjehiang] so what's your personal opinion about your personal next steps on this site. And maybe you can give us an idea.

And the second question is, you have implemented a, let's say, CO2 emission reduction program until 2012, something like that. Could you quantify some costs and on the other hand you have already, let's say, EUR400m for water treatment or water protection planned. So hopefully some information about that. Thank you.

Norbert Steiner - *K+S AG - CEO*

To start with the second question. What we have done in the past with a view to the environment, fortunately, the view to our situation for the economic standpoint, unfortunately early. We have changed the more or less entire energy production system quite early from coal to gas heated incineration plants and power plants. Which, as it is a cogeneration unit, we are quite close to the, let's say, theoretical optimum of energy utilization of above 90%.

With a view to that we have been granted the necessary CO2 emissions certificates in this first and second period for free and we have been able to sell more or less the surplus that we have had in the first period to some small amounts of money, I do

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not remember the figure any more but it was not significant. And now more or less we are balanced but we try to optimize the system of those that we are only using in 2012 and therefore there are some movements with respect to that. And at least with respect to the time after 2012 everything is still under political discussion and consideration and we need to see what the very outcome of that will be.

So we need to get a more precise view on the final outcome of the CO2 emission regulations to be set in place from 2013 onwards. There is a framework established meanwhile by the European Union, but then it goes down to the national level, national sector, and then more or less the regulations for the adoption of that framework, European framework, under political discussion. So it's a little bit premature to say where we are and I do not want to speculate because it can change from day to day.

So we did a lot from, let's say, mainly the economic standpoint to optimize our generation of electricity and steam. To name one thing that we are doing right now, is we prepared ourselves to change from the gas heated power plant in our Wintershall site, I think, by April or June at the latest to cooperation with Eon. They will run the power plant based on the incineration of household waste and we take out the steam so that we can then stop our own power plant at the Wintershall site, reducing the gas intake significantly and, of course, optimizing the cost bill for the energy in that particular site.

With a view to the water treatment, we have formulated a package of measures to bring down the outflow of salty liquid waters from our Werra site including the three different sites, Wintershall, Hattorf and Unterbreizbach in the next couple of years to come that we will hopefully ready at the latest in 2015 to be able to reduce the liquid outflow by 50% down from 14m to 7m square meters per year and also, and on top of that to reduce more or less the concentration of that what we will get also furthermore into the River Werra significantly.

That all is composed out of five to six big steps that we need to do, that we have described, and of course, we want to do it as quick as possible since we think this is an obligation that is on our shoulders and that we need to more or less do from the more or less balance of the economic -- ecologic and the social responsibility that we have in that area.

However it can only be materialized as quick as we get the authorizations from the authorities. I hope, that with the agreement that we have signed with the State of Hesse and Thuringia this will be more or less promoted or speeded up to a certain extent. But this is a big step forward and it will secure more or less the continuation of the political support for our Werra potash activities for the next 30 years to come. So with respect to that, more or less spreading all these EUR360m over 30 years, I think it's a good buy.

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

China, interesting. Well, our situation in China is different to the big exporters to China. We have started years back with the representative of Chinzhejiang which in the meantime we have jacked up to 100% order company. We are working since many, many years with, at that time, very small traders, clients, which imported on their own account or perhaps we have supported them with technical application, with advisers. And we have built up a client, customer portfolio over many, many years. And these business relations we have they are direct. So we make our own pricing policy in China. We are not depending on Sinochem or [Sinotech] and all these wonderful importers. So for us China -- for us as a company China is, of course, extremely important for giving guidance to the world pricing of potash products. But we are rather independent. We are also not supplying too much of the standard product but we are supplying specialty products. So the position we have in China is not big but it's rather independent.

Plans in China, I don't know, we could of course change the business model even stronger, we could work with contingencies and things like that, consignment stocks. But for the time being we are quite happy with what we have and it's quite profitable so why should we change it?

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Christian Herrmann - K+S AG - Head of IR

At the back. Karan. Mr. Khemani in the middle.

Karan Khemani - Cazenove - Analyst

Hi, gentlemen. Karan Khemani from Cazenove. I have four questions. I just wanted to start off with your guidance. I mean that's the one part to me that I'm still having trouble with, maybe you can explain to me certain things. You, whatever level of sales you generated in [PMP] in 2008, it's roughly about 7m tonnes and you plan to sell about just under 6m tons this year. Let's go with 5.8 million tonnes to be conservative. That would imply a 17% drop in volumes this year, but obviously, as the CFO highlighted earlier, that if you add to that the 500,000 tonnes or so of inventory, of excess inventory that you have above normal levels that you want to liquidate, I'm getting a figure of about 6.2m, 6.3m tonnes that you plan to sell based on today's assumptions this year. That would imply roughly 10% down. That would also imply that you've not lost any market share according to your figure on page 20 in your presentation. So let's say volumes are down between 10% to 17%, roughly in that range.

Now prices, if I look at your average price it was about EUR340 a tonne, again from your annual report, for the full year in 2008. In Q4 as Mr. Steiner mentioned, it was at about EUR430 a ton, no real change in the last nine weeks. We've seen some crystallization of price in Brazil and major economies, Southeast Asia as well. Let's say prices remain there for this year? Then I'm getting at least a 25% price effect, higher year-on-year price effect, compensated obviously by a volume effect by about 10% to 17%, whichever, you know if you don't manage to liquidate inventory. But still that's an 8 percentage point differential. Your revenues in PMP should grow by 8% this year if your volume is right. That's the first thing.

The second problem, I don't understand with your guidance and please explain to me again is, currencies have moved in your favor, the average euro to US dollar exchange rate, when you actually sell your MOP was 1.47 last year. Now it's 12% in your favor. So why won't revenues grow by 15% mathematically? Even if you only sell 5.8 million tons in PMP? That's my first question. Sorry it's quite detailed, it's just I've been writing down quite a few during the course of the presentation.

K+S Nitrogen, your new business unit, two sub questions coming from there. The first is, I mean is this a bad year for the likes of Yara and CF Industries and, you know, DSM Agro, the pure nitrogen players. Because it seems to me out of your whole guidance, the most bearishness had come in COMPO and fertiva, especially fertiva, just in terms of revenues.

And the second this is, does this fusion into K+S Nitrogen actually change your business trading relationship with BASF? Where I think on the downside the most you can lose on the EBIT 1 level is EUR5m. So it doesn't really matter what happens to that business this year. I'm just trying to wonder if that changes that risk limitation system you have with them.

My second to last question is actually about the industry in general. You know, PotashCorp, Bill Doyle there obviously more bullish than you guys are. I just want to know what is, I mean he went out in the last conference call and said that the cash cost per ton, for greenfield expansion in the industry, at today's exchange rates, is about \$600 to \$800 a tonne. And if obviously every year we have about 70m, 80m more people on this planet to feed, that's a net amount. So I'm trying to understand, is there going to be no expansion if the potash price does fall this year to \$300 to \$400 a ton? Or alternatively, have we reached a new fundamentally higher level, because in the end capacity has to go up in the sector. Does that mean the floor of potash prices is \$600 to \$800 a ton?

And my final question is for 2010. Eventually, equity markets preempt six months in advance all the bad news. Today your shares are down 5% to 6% although your guidance is horrible. What I'm trying to get at is what level -- sorry, no, not the nature of your guidance, just the bearishness of it.

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Christian Herrmann - K+S AG - Head of IR

Thank you.

Karan Khemani - Cazenove - Analyst

My final question is, what level of resurgence in demand do you see in 2010, in terms of actual potash consumption? Thanks.

Norbert Steiner - K+S AG - CEO

To start with, the last question, what we can do is to share our view of the markets in the short term and the midterm as good as we can foresee the markets. And it might be the case that K+S is -- has been a little bit more conservative, if you compare our Company with others. This is our style. This has been our style and will be our style.

So I would not like to comment more on the guidances from other companies, Potash Corporation, (inaudible) or whoever it might be. This is along our experience that we have gathered with the forecast for the next year and the year after. Quite well -- has been done quite well, despite the fact that from time to time, people reading our forecast might find it horrible. But this is something which we might stand.

What we have here with respect to the year 2010 is of course a big step forward because we are assuming that the demand will get back to 60m tonnes, more or less to the level that we have been achieving in 2007, if I'm not mistaken. But I think there is a good chance to get back to that because of all these troubles that we have with reduced application with more or less all these volumes that are sticking right now on the level of the wholesalers, as inventories build up and also taking into account a certain level of the necessity to fertilize in that sustained and more or less balanced manner. This is something which we have seen in the past with, let's say, 270m people less on the Earth when you compare that with the situation in 2007. And therefore, I think there are good -- part of good reasons that we can say this is not out of range. And this seems to be, at least from our perspective, a realistic outlook for 2010.

So we will certainly see what will be happening during the course of the year. But also, these 50m tonnes with -- compared to the year 2007 are significantly lower, are not -- are taking into account more or less also the psychological situation in the market. And if you would only look into the market from the perspective that we have had that big yields in the last year, more or less all around the globe, then the depletion of the soil has been great and should be filled up. But most likely it will not be filled up in the way that the normal farming activity should do.

So this is something which will certainly then also contribute to stability of prices. And it needs to be something that will stabilize the price in order to get back to a psychological situation that the people are thinking about the expansion that we need in the future. Of course, the gap between the slide to background and the pillars are bigger right now than we have showed it a year ago.

But if you then take into consideration that all these major influencing issues like the global population growing also still, the desire to also extend the utilization of meat and so on will be there. It will still be there and will recover to be there. Then we need to get additional capacities afterwards. And as you know, still the change from the -- Rio Colorado mine from Rio Tinto to Vale will certainly not more or less push it forward so quickly. Then you should also take into consideration that it will be postponed even more.

And everybody around the situation, looking into the potash world right now, certainly is thinking about the fact, when is the necessity there to have the mine operative after 2013. And also, with respect to the uncertainties as of today, people tend to postpone it even more. But then it is getting even more necessary to have new mines on stream. Therefore, it must -- it's no

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doubt about it, there should be delays in the coming on stream of additional potash mines there. So new -- no new decisions have been taken.

Eurochem is just in the beginning of the (inaudible) Kali mine. Potash Corporation has said we take the foot off the gas. If the new capacity is underway, we'll not be needed by the market. But where is the new additional greenfield announcement so far? It has not come. And it will be postponed even more. And then it will get into a market situation where the balance between capacity and demand will be better than we see it right now, also with perspective until the end of the year 2013. So this will then be again a good basis for enhancement of prices.

Nobody in the potash world right now would say that \$1,000 of price will be necessary in order to justify such a new mine. But I think just theoretically thinking, the price of \$300 or so, theoretically thinking -- I'm not telling that a price is going to be happening -- is something which is not encouraging.

Christian Herrmann - K+S AG - Head of IR

Mr. Felker, before you start on fertiva and COMPO and the restructuring, maybe Karan just to tell you, our guidance is always never incorporating price rises. So what we always -- the 2010 -- our guidance on 2010 is solely based on higher volumes, not on any expectations of rising prices in 2010 compared to 2009.

Karan Khemani - Cazenove - Analyst

No, sorry. I hear you. I was talking about '09 versus '08.

Christian Herrmann - K+S AG - Head of IR

Okay, fine. And then your question -- okay, this is -- I come to this. I think we also talked about this, this morning. Our guidance is less than 6m tonnes. Our guidance does not include any 500,000 tonnes from inventories. Our total sales volumes, what we foresee for the year 2009 is less than 6m tonnes. So you took 5.8m. You could think about 5.6m, 5.7m, whatever. You will see it will be less than 6m tonnes. You are right. If you just take the price of Q4, \$428 and you keep it stable in the first quarter, then you are right. The price effect slightly exceeds the volume effect, depending on what kind of volume we really take.

On the other hand, Mr. Steiner, Mr. Felker said that there are product mix changes to occur. And that can happen. And therefore, take -- don't take this \$428 as set in stone. It will be somewhere in this area in the first quarter. And that's where we base our guidance upon. So we believe and we tell you, price effect and volume effect is more or less the same. That's what we really meant.

Karan Khemani - Cazenove - Analyst

Okay, may I just -- I don't mean to persist on this.

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

Perhaps I go to the question of why forming K+S Nitrogen? That was one of the questions. Okay, what we are actually doing, we have started around, I think, '99, 2000 with a small product range called Nitrophoska ENTEC. New development at that time was, I would say, the latest invention in fertilizers. And we have grown this small plant to about 800,000 tonnes together with another product, which is all based on Nitrophoska.

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Now by doing so, the COMPO sales organization and marketing organization left the segments what they are usually working in. They are in turf and ornamentals. They suddenly have been in what we call the big cultures, potatoes, what have you. And their business model and the way they are selling also their pricing model is not suitable for a standard product.

In the meantime, the product is so much introduced to the market, so well known that we have decided to shift distribution. And because we can do that internally, we just take this 800,000 tons, give it to fertiva, and they will sell it. They have a good sales organization to do that. And we will have then all the Nitrophoska products in one sales organization. By doing so, we have decided also to show that they are part of the K+S Group and we will rename them.

Coming to your question to BASF, it's true we have a profit share model, BASF fertiva. But the quantities we are transferring now out of COMPO, they are not this profit-sharing model, so there we are 100% reliable or responsible for profit and losses. So it's a different business.

Christian Herrmann - K+S AG - Head of IR

Okay. Next one is Ms. Weber.

Annett Weber - BHF-Bank - Analyst

Yes, just coming back on the \$750 price in Brazil, what makes you so confident that this price is actually clearing the market and not alluding to the situation that buyers are actually taking -- continuing with their wait and see strategy, and waiting for further -- well, basically the Russians to admit that the \$1,000 was effectively kind of a mistake. And this is the first question.

The second question is, coming back to the financing side, can you possibly give us an indication as to what your undrawn credit lines are at this stage?

Norbert Steiner - K+S AG - CEO

Okay. So I would say the \$1,000 was not a mistake. The \$1,000 was a good motivation for a sales team, for an organization to achieve -- don't laugh, you also need motivation, to achieve in a good developing market. And there have been sales of \$1,000. And I would still say that there would have been a longer chance to apply this \$1,000 and realize this \$1,000 if we would not have run into a financial crisis. Part of this is responsible for this.

Now why am I confident that \$750 could be a good price? Our organization in Brazil -- and we are quite a good player in potash in Brazil -- they are reporting since a few weeks that product is moving at a local price of \$700, \$720, something like this. And this is done from distribution to farmers and also to bulk blenders. And I asked them the question, why do they do that? Do they need cash or is that really a price the farmers and the bulk blenders can live with? And they have made backward calculations.

A professional farmer applying \$700, \$750 in growing soybean with the present US dollar exchange rate and with the present currency exchange rate, US dollar/real or whatever you -- some people can pronounce the Portuguese. I cannot -- gives a professional organization a good profit. So I think it's the first very positive sign that \$750 is all right.

We have to wait now. We have so far only had very little order income from Brazil. So it means there is still enough stock in Brazil. We can, in the quarterly report in April, let's say -- I think we can have a look whether this has become really a strong argument or whether it's just helping with some quantities.

And the other question was, other than that?

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Norbert Steiner - K+S AG - CEO

The other question, number two, assuming that question one was perfectly answered, is going to the credit lines that we have. This has been communicated last year I think, at the end of last year, in autumn or so, that we were in the neighborhood of 1b. And this is still intact, should have improved until the end of the year on top of that.

And what you maybe have in mind is to get a certain flavor of that, what we could do. And I can guide you to our annual report on page number 84 where we have the key figures for the management of the capital structure for the first time, net indebtedness versus EBITDA, 1 to 1.5. Where are we at the end of the year, 0.4. You can read that through, everything, net indebtedness versus equity in percent, 50 to 100. We are at 33.2. And equity ratio in percent, our target corridor is 35 to 45, and we are, as mentioned, at 50. So on top of that, there is room.

Christian Herrmann - K+S AG - Head of IR

Okay. Mr. Swoboda. One second. Here you go.

Thomas Swoboda - MainFirst Bank - Analyst

Thomas Swoboda, MainFirst Bank.

Christian Herrmann - K+S AG - Head of IR

One second (multiple speakers).

Thomas Swoboda - MainFirst Bank - Analyst

Two quick questions. Firstly, did I understand you correctly on the product mix effect in the first 10 weeks of this year? You said that you expect rather stable potash prices or you see, rather, stable potash prices right now. But the product mix effect, which was minus 40% in the fourth quarter of 2008 is rather worse in the first weeks of 2009. This is my first question, just for clarification.

And the second question is on salt. With the SPL acquisition, you have increased your exposure to de-icing salt quite strongly recently. Is de-icing salt still the area where you would like to grow also by acquisitions or you prefer other type of salt for acquisitions?

And a quick follow-up. Did you had -- did you have any synergies from the integration of SPL? Thank you.

Norbert Steiner - K+S AG - CEO

To start with the first question, if I remember correctly, we said the following. And I would like to repeat what we said, and we said nothing else. We said that the price for MOP standard and granular material is, in a way, still in place that we have established it in the year 2008. In, let's say, the beginning of the fourth quarter, it was EUR600 per ton, granulated MOP, period.

What we said as well is that the average price in the fourth quarter, which you can find in our Q4 report, is a mixture of MOP commodity, SOP standard material, Europe, worldwide. And what we cannot tell you right now is whether the product mix that we have seen in the fourth quarter will be the same in the first quarter of this year. I mentioned that we have had a quite nice outflow, a little bit slowing down for a very high price, also in connection with the \$600 to be seen, salt for industrial purposes.

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But I did not say anything and I do not know it right now here at that place, which percentage of (inaudible) or something like that, will be included in the figures of the first quarter.

So what we wanted to tell you, MOP price level more or less stable, but it can happen that it goes -- the average price, compared to fourth quarter gets up or down. But this is most likely a structural effect, the consequence out of a different product which we cannot foresee right now since we have not accomplished the first quarter yet. So no confirmation of any threat or something like that, just a description of what is really going on and cannot be estimated 100% perfectly before we have seen the end of first quarter.

The second question was going to SPL. And I can only repeat what we have always said before, that we want to have -- that we, first of all, find the salt business attractive -- very attractive. That number two, we want to increase the portion of non de-icing salt related salt without, more or less, jeopardizing the ability to sell de-icing salt in bigger qualities -- quantities, sorry -- in the quantities what the market will need. This is generally still the basis and will continue the basis for our salt -- of our view on the salt business. So this was one of the reasons that we have started that improving program for Esco and also to smaller extent, also we do to SPL.

But what we like very much is the ability to mobilize our production capacities, more or less from one moment to the other. So nicely then that we were -- are able to more or less benefit from wintry seasons like we have been doing that in the fourth quarter and particularly at the month of February when a lot of competitors were not able to supply de-icing salt anymore. So continuing to strengthen the non de-icing portfolio and that we have made good progress in South America.

Unfortunately, as we have a certain volume of salt going into the industry, we see also the tendencies of slowing down in the chemical industry. That hits us to a certain extent. But we are well-positioned with respect to salt for commercial applications and also for table salt.

The view to the synergies gathered from SPL, we were in the lucky situation that we could directly ship of, I do not know, 40,000 tons from Chile to Rotterdam in order to be utilized here for de-icing salt purposes in the Lower Rhine region. And we have, on the other hand, concluded some contracts for salt of high purity, stemming from our Netherlands plant in Harlingen which we sell via our Esco operations, into the North American chemical industry. So we have always said that this will be limited.

But there are possibility more or less for cross actions from the one side to the Atlantic Ocean and the way back. So we are quite happy. And to name that after the intensive discussions about the potash markets situation in the first quarter and the year 2009 and in the year 2010, I have been very courageous in the one financial conference in the United States where all the major potash producers were presenting. And I started my speech with the words, "K+S is always earning, either in winter or in -- during the rest of the year." And this will be manifested also in the first quarter this year. We will have significant additional earnings coming and stemming from the salt business from Europe and from the Americas. And this is no secret, as you have seen it, either live here in Europe or over TV from North America. So it is quite helpful to have that business in place.

Christian Herrmann - K+S AG - Head of IR

So far, the last question I think is Mr. Spano. And one more?

Pascal Spano - Credit Suisse - Analyst

Yes, it's Pascal Spano, Credit Suisse. I'll try to be short. We learned from a couple of complex fertilizer producers the other day that they've lowered actually the content of potash in their complex fertilizers because they perceive the price to be slightly out of sync. Is that something you can confirm and would that be a structural risk to your business? My first question.

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And then secondly, still coming back on Q4, I heard your comments on mix changes, but yet the overseas price you reported for Q4 was down more than \$100 versus Q3. Usually I guess that's a pretty straightforward potash business, if you have any overseas markets, particular in Brazil, so that sounds a bit much to me. Can you shed some light on that?

And then the third question would be on currency and your guidance for 2009. You've been saying that you expect some negative currency effects for 2009. Yet we have an appreciating US dollar. Can you properly put that into context for us?

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

Okay. I'll talk to the NPK formulas. The formulas in NPK, you can change. There's no doubt you can have -- sorry for the ladies -- you have so-called (inaudible) formulas. NPK, very little P, lot of K, lot of N. But what you do, you're not optimum when it comes to yield and when it comes to the crop you grow. But it's true. We have heard that some NPK producers in China have made formulas with high N because they are not so much dependent on imports, and less P and less K, that's true. But it's sub-optimum.

Norbert Steiner - K+S AG - CEO

2009 and currency effects. We have been applying that new system of worst-case protection at the end of '07 for 2008, and then the last year 2000 because of the -- last year, 2008 for 2009. So far we have installed a worst-case line for 2009 on the level of \$1.42 if I'm not mistaken. And of course, since the dollar right now is under the line and also -- knock on wood -- should be under the line, we have of course a negative factor to incorporate that we have paid that insurance premium in vain.

But on the other hand, from the revenues perspective, we have overcompensated that. So this is something which we have decided to do at the end of 2007 in order to more or less change the system. But what I personally -- and I think also the entire Board of Directors, including the Supervisory Board has still in mind is that this protection level is something that we should keep. And I can imagine that we will, in the course of the year 2009, also do something in addition to that, what we have done already for the first quarter 2010 because if you look backwards to the year 2008 -- and when I got the information from our finance and reporting division about the average exchange rate of the US dollar versus the euro, I was quite surprised because it was only \$1.47. And I was of the opinion that it would be in the neighborhood of \$1.30 or something like that.

And it was due to the fact that at the beginning of the year, the dollar was moving up -- or better to say down to \$1.60 or so, and then we were protected with our worst-case scenario line, including premiums of \$1.51. So we've benefited from that. But at the end of the year, when the dollar grew -- got stronger and stronger, we were not obliged and did not utilize our options so far. And we benefited from the stronger dollar via our revenues. So this is something which protects us against a very, very bad and low-valued dollar. And I think this has been a policy that has proven to be a good one in the last 12 or 15 months. And we will continue.

Pascal Spano - Credit Suisse - Analyst

And can you quantify the maximum risk you have to write off in 2009 if the dollar stays where it is, just on (multiple speakers).

Norbert Steiner - K+S AG - CEO

What means risk? We have chances. With respect to that, of course you can call -- you can ask me what is on stake? What do you pay for the premiums -- as premiums for 2009? And this is something in the neighborhood of, I think, EUR35m that we have paid last year, but will materialize during -- in the course of this year, assuming that we will never, ever utilize one of the options that we have in place.

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On the other hand, don't forget the chance volume coming from the revenue side. So I always try to compare what we do with respect to hedging -- US dollar hedging with the insurance premium. And there we are more than happy that we do not need the insurance umbrella that we have put on our head.

Christian Herrmann - K+S AG - Head of IR

Just regards to your question to lower overseas sales -- sorry, prices in the fourth quarter compared to the third quarter, this is, you are right, not only the product mix effect. Certainly, we have sold more lower-priced volumes compared to higher-priced volumes. But in addition to that, what you miss in the fourth quarter is the lucrative spot deals, what you still had in the third quarter. So deals beyond \$1,000, what everyone, the Russians, but also K+S, at least to some small quantities had in the third quarter, they just disappeared in the fourth quarter. And you had to rely on a very much lower level. And you had to rely on contracts to India for example. And you know where the Indian price is right now, it's at 625. That's the reason why there was a drop in the fourth quarter in the overseas price -- the overseas realized price.

Pascal Spano - Credit Suisse - Analyst

Roughly what's -- the regional split in Q4 then is still 80%. Is Brazil -- is it fair to assume like your normal overseas sales?

Christian Herrmann - K+S AG - Head of IR

80% of the overseas sales? No, never. It was never 80%. On a full year realization of our product portfolio, roughly half of the overseas sales is Brazil. Okay?

Pascal Spano - Credit Suisse - Analyst

Thanks.

Christian Herrmann - K+S AG - Head of IR

Please. Where is the microphone?

Unidentified Company Representative

It's coming.

Christian Herrmann - K+S AG - Head of IR

Okay.

Neil Tyler - JP Morgan - Analyst

Thanks. Neil Tyler, JP Morgan. Just a couple of quick questions, please. Firstly, on the cost guidance. Just quickly, is it fair to assume your lower expectations for material, energy, freight -- if we look at an unwinding of the increases in 2008, during 2009 is that a fair assumption?

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Second question, your guidance for flat net debt. Even though you're expecting, I think to unwind the access inventories, is it right, based on your earlier comments on working capital, that there isn't a working capital gain within that guidance on net debt? So there's a zero impact from working capital? Thank you.

Christian Herrmann - K+S AG - Head of IR

Can I answer? We said that the working -- that the net debt will be stable to slightly improved over 2008. And I was asked several times this morning about this guidance. And I think we can admit here that this guidance is a bit conservative. Okay? Is that okay?

Neil Tyler - JP Morgan - Analyst

That's fine. And on the first question?

Christian Herrmann - K+S AG - Head of IR

The first question on?

Neil Tyler - JP Morgan - Analyst

The costs.

Christian Herrmann - K+S AG - Head of IR

Yes, you were right. You mean for the potash division. For the Group, the material costs will significantly be lower this year because the input costs for COMPO and fertiva will reduce tangibly. And even for the potash division, we foresee a slight decline in material cost. Okay? Anyone else?

So if this is not the case, after two hours, thank you very much. We are still having some coffee and some, I think, bagels or cake or whatever. So we can still sit together and discuss some personal questions. Thank you very much.

Norbert Steiner - K+S AG - CEO

Thank you.

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