K+S Group
Q3 Conference Call
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K+S Group
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Thorsten Boeckers, Chief Financial Officer
Jörg Bettenhausen, Head of Finance and Accounting
Lutz Grüten, Head of Investor Relations

Questions From
Michael Schäfer, Commerzbank
Christian Faitz, Kepler Cheuvreux
Joel Jackson, BMO Capital Markets
Neil Tyler, Redburn
Andrew Benson, Citigroup
Markus Mayer, Baader Helvea
Knud Hinkel, Equinet Bank
Thomas Swoboda, Société Générale
Stephanie Bothwell, Bank of America
Andreas, MainFirst
Markus Schmitt, Oddo Seydler
Introduction & Key Highlights

**Dr. Burkhard Lohr, CEO**
Thank you very much. Ladies and gentlemen a warm welcome to our Q3 conference call.

With me here is Thorsten Boeckers, our CFO, Jörg Bettenhausen, Head of Finance and Lutz Grüten, Head of Investor Relations. After a brief presentation we'll be happy to take all your questions.

Now let's start with the highlights of the third quarter on slide 3. Overall we report a very nice improvement on last year. In the third quarter we had no production outages at our Werra plant, mainly as a result of our counter measures which we implemented at the beginning of the year. This led to significantly higher sales volumes and improved product mix and therefore better earnings.

EBITDA rose by almost 40% compared to Q3 2016. After completion of our Bethune mine in Canada capex came down substantially and our free cash flow therefore improved nicely from last year's depressed level.

Furthermore we benefited from rising MOP prices, however, please keep in mind that our speciality fertilisers reflect MOP price increases with a time lag, however, this also implies that products like Korn Kali and industrial potash have further upward potential from here.

Bethune is a multi-billion dollar investment and it shouldn't be a surprise that ramping up goes along with some hiccups. We have adjusted as you already know our production plan. As a result we had lower than previously guided production and D&A in the third quarter. Nevertheless we have commenced selling our Canadian product at the beginning of Q4.

We can also confirm our previous guidance for the coming years; the operation will be EBITDA positive in 2018 and EBIT breakeven in 2019.

Let's go a bit more into detail concerning the potash market and the trading update on slide 4. In Q3 demand in MOP was improving across all important regions and prices picked up further. As a result our average selling price increased compared to Q3 2016. Furthermore higher product availability at our Werra mines fuelled an improved product mix.

However, the additional supply of specialty fertilisers, namely SOP was not fully absorbed by demand at the beginning of Q3. Nevertheless prices have started stabilising on the back of more robust demand towards the end of the quarter. All in all we still expect our average selling price to move up slightly based on last year.

On slide 5 we will give you an update on regulatory and environmental affairs. We have already spent a lot of time and effort to improve our environmental standards and we have achieved a lot. After we had received our permit for deep well injection at the end of 2016 we immediately started to implement additional measures to limit our outage days. Instead of the 55 days expected at the beginning of 2017, we are now optimistic to have no additional outage days in addition to the 25 reported in Q1.
With the ramp up of our KCF in 2018 we will further reduce the tailings wastewater by 1.5 million cubic metres, or 20%. We have commissioned an external advisor to carry out a concept for extracting additional products from tailing wastewater.

And last but not least we have just recently, more precisely last Thursday, been granted the approval for early commencement for the needed expansion of our tailings pile in Hattorf. This product remains on schedule; this is an important milestone for us.

Finally, and I had the chance to discuss already with many of you on our last roadshow I have amended the way to handle our pending approval procedures and ongoing disputes. It is my aim to settle the most important topics on that list sooner than later and as you might have already seen in the last news flow we are on the right track to get it done. That is very important to secure our licence to operate and to avoid further shortfalls as in 2016 and Q1 of this year.

Moreover we are on track to settle our long lasting discussions with the German environmental organisation BUND and Gerstungen the township in Thuringian about our deep well injection practice.

And now let’s move on to slide 6 with an update on the Salt business. With Salt we saw some impacts with respect to Hurricane Irma in the quarter under review. It caused shortages on freight capacities as well as severe damages and some production losses as our mine in the Bahamas.

The negative EBIT impact in 2017 is expected to be around €10m, however our non-de-icing business achieved a very nice volume development quarter over quarter and has almost reached the size we reported a year ago. Most of that growth came from low priced chemical salt products and the average selling price came down to €108 per tonne.

Looking at the pre-buying for the upcoming winter season we saw weak de-icing business in North America, which was partially offset by higher demand in Europe. Furthermore the FX development also caused some headwinds in the third quarter.

Having said this I want to point out that the underlying trend in Salt is still very promising. Our earnings have improved compared to the previous year, with similar winter conditions. We are continuing to reduce costs and focus on high margin businesses.

And what does this all mean for the full year 2017? Please turn to slide 7. The most important message on this slide is that we confirm our full year guidance. EBIT 1 will be in the range of €260m to €360m which implies a tangible increase over last year. What are the building blocks to bridge the EBIT 1 from ’16 to ’17? Additional volume and positive product mix effect in Potash as just discussed are expected to have a positive contribution.

On the other hand the EBIT 1 contribution of Bethune is unchanged, expected to be more negative than in 2016. Lower prices in our Salt division could not fully be compensated by positive price effects in our Potash and Magnesium division. Cost savings, currency, wages and freight rates will have an overall positive impact on our full year EBIT 1.
Our guidance is based on a normal winter and no additional outage days for the remainder of the year. The potentially positive impact from having only had 25 outage days, versus our previous guidance of up to 55 days would have been compensated by lower volumes, mainly from Bethune. 500,000 tonnes will be their production at the end of this year, instead of the earlier guided annual production of 6 to 700,000 tonnes. For the entire division we now expect 6.8 to 7.0 million tonnes of sales in 2017.

While the upper end of our range reflects a harsh winter the lower end is reflecting the financial implication of a mild winter and making a decision about the closure of our Sigmundshall already this year. This decision would cause a mid-sized double digit million euro amount as one off cost. But it would not trigger any cash out in 2017. However the decision is still pending, in other words even with a decision to close Sigmundshall this year and the mild winter we would stay in the range.

Having said that let's move on to slide 8 and an update on Shaping 2030. At the beginning of October we published our new Shaping 2030 Strategy, let's recap the most important points. We remain convinced, especially after intense discussions with our shareholders and sell side analysts that our one company approach is the best way to generate long term value for all stakeholders.

We see significant upside potential in our earnings and profit ability when thinking and acting as one company. Currently the focus of our daily work is dedicated to Phase 1 of realising synergies of at least €150m by 2020 and reducing our indebtedness. By 2023 we aim to achieve an investment grade rating again. It is of the utmost importance that regain financial strength in Phase 1 before we are able to start Phase 2.

Let me give you an update on our current shaping related projects and what we have done so far on slide 9. So what is on our current to do list? We have set up a project management team which is steering Phase 1 processes, tearing down silos and making sure that we become a more customer centric organisation and this also needs to be reflected in our organisation. The implementation will be finished by the end of 2018. In parallel we have now started the bottom up validation of our synergies and this should be done by the end of Q1 2018.

Last, but not least, we have changed the long term incentives for our senior management. The LTI programme will be indexed to the relative share price performance of our shares versus the index. Beating the index, with its wide range of first class listed companies, is an ambitious target. At the end K+S management is stepping into the shoes of our investors. As said earlier, we will keep you posted on the findings and give you an update in the first half of 2018.

With this I would like to open our Q&A session and hand over the conference call to the operator, but please limit the number of questions to two and one at a time. Thank you very much.

Questions and Answers

Telephone Operator
Thank you. Ladies and gentlemen if you would like to ask a question please press *1 on your telephone keypad, if you change your mind and wish to withdraw your question please press *2. If you would like to ask more than one question please submit one
question at a time, once answered we will move to your next question. You will be advised when to ask your question.

So that's *1 on your telephone keypad.

Okay so our first question comes from the line of Michael Schäfer, from Commerzbank. Michael please go ahead your line is now unmuted.

Michael Schäfer, Commerzbank
Thanks for taking my two questions. The first question is on your outlook you provided for the volume heading into the fourth quarter. So you lowered the upper end of your P&M sales volume guidance to 7 million, so this implies basically 2 to 2.2 million tonnes for the fourth quarter. So I wonder, given the deferrals we have seen in Bethune basically how the visibility is for you in order to make this number at the upper end, so how can you make sure basically that you deliver on those numbers you’re now projecting for the fourth quarter and what kind of recovery is included also from the German production would be my first question?

Dr. Burkhard Lohr, Chief Executive Officer
Thank you very much for that question. We are now six weeks before the year end; of course we have quite good visibility concerning our production. We will not see further production standstills at the Werra, that is for sure. Yes, we have reduced our expectation for the full year with the Bethune production, that is now fully reflected in the current guidance and there is no significant risk that we could not achieve that together with our German production, we have cut the expectation, or reduced the expectation against our summer expectation, but that was mostly Bethune and now we have high visibility that we can achieve that.

Michael Schäfer, Commerzbank
So Bethune is basically performing according to plan now?

Dr. Burkhard Lohr, Chief Executive Officer
Now it’s performing according to plan and I think not only production is running well, as you have heard we have sent a ship to China, it has arrived in China and our clients are very happy with the product quality. So we are in the market with our Canadian products.

Michael Schäfer, Commerzbank
Okay, thanks. The second question would be on cash unit costs, I am looking at the EBITDA to sales in terms of tonnage. You reported something like €206 per tonne, in the third quarter, up from €189 in the second quarter, probably partly due to significantly lower sales volume. So I wonder whether you could provide us with some
indication heading into the fourth quarter when you’re obviously expecting a significantly higher sales volume?

Thorsten Boeckers. Chief Financial Officer
Hi Michael, it’s Thorsten here. We had - I mean the third quarter is always - also because of overall face volumes a little bit above the other quarters when you look at cost per tonne. I mean this will change again with higher volumes in the fourth quarter and we believe that when we look at costs per tonne on the EBITDA basis we will stay, excluding Bethune, at about €220 per tonne on a full year basis.

Michael Schäfer, Commerzbank
And if you include Bethune?

Thorsten Boeckers. Chief Financial Officer
This was excluding Bethune.

Michael Schäfer, Commerzbank
Okay, thanks.

Telephone Operator
Thank you very much. Our next question comes from the line of Christian Faitz, from Kepler Cheuvreux. Christian, please go ahead your line is now unmuted.

Christian Faitz, Kepler Cheuvreux
Thanks, good morning gentlemen, thanks for introducing the policy on question asking. So one question - what is your definition of above average winter conditions as quoted in your outlook in terms of obviously the de-icing salt business? Thank you.

Dr. Burkhard Lohr, Chief Executive Officer
Roughly three million tonnes in the fourth quarter should be a normal winter development. We have seen the first half of November, here we are quite in line with our expectations, but decisive is December of course because in November volumes are not that high, but in total roughly three million tonnes should be a normal Q4.

Christian Faitz, Kepler Cheuvreux
Okay and maybe as a short add on, is it true that in Q4 you’ve already seen some decent volumes, especially in the US after a slow Q3?
Dr. Burkhard Lohr, Chief Executive Officer
As I said we are on budget, but November is not the decisive month, it's December.

Christian Faitz, Kepler Cheuvreux
Okay thank you.

Dr. Burkhard Lohr, Chief Executive Officer
You’re welcome, second question? Sorry thank you very much for your question.

Telephone Operator
Our next question comes from the line of Joel Jackson from BMO Capital Markets. Joel please go ahead your line is now unmuted.

Joel Jackson, BMO Capital Markets
Thank you, good morning. Can you talk about the decision for Sigmundshall, whether to close early, can you elaborate more on the puts and takes, on what would make that decision to close the mine about a year early? And you know a lot of your peers are believing that potash demand will grow again 2, or 3% next year after a good up year this year. If that demand is there you would think there's room for Sigmundshall to stay, or is this a decision that with Bethune ramping and maybe now stabilising and ramping on schedule that you have to shut down Sigmundshall to make room for Bethune?

Dr. Burkhard Lohr, Chief Executive Officer
Thank you for that question, should we start with the last bit, it's not linked at all to Bethune. We are producing 600,000 tonnes here, a whole range of products, specialities, industrial products and only a slight portion of MOP. That is purely linked to the status of production in Sigmundshall. This is the lowest - sorry the deepest mine in the world that is still active as a potash mine, 1500 metres, 60 degree Celsius, I've been there a couple of times, it's really very difficult to work there and the efficiency is low. And it has reached, as we have indicated for years, that point - close that it's reached its economic mine life.

And now it's a matter of negotiations with work councils and unions because we are talking about 780 employees. And the question is will we have an alignment on how to deal with this matter by the end of the year or will we need a couple of weeks more. And if we should take the decision this year it would mean that we close the mine by the end of 2018, because it takes a while to get all the permissions that we need to not produce any longer but to go into the after usage phase. And that's the driver for that decision.
And maybe I could add that's why we are not that - that's why we cannot quote precisely the costs which are linked to that. It's not the mining obligations because we have good provisions for that already as you know, but we talk about redundancy costs. And you can only build provisions for redundancy costs if you have an agreement with unions and work councils and it's not that sure whether we have to build that for the entire team or we can convince a couple of people to stay in other mines. And that is the moving part here still.

Joel Jackson, BMO Capital Markets
Okay I may have missed the nuance, that if you make a decision to close in the next couple of months it's to close by the end of '18, which is sort of in line with your prior guidance, correct?

Dr. Burkhard Lohr, Chief Executive Officer
We are more or less in line, we always talked about - the closure could be at the end of '18 or at the end of '19. And if we close at the end of '18 we rather have to decide it very soon.

Joel Jackson, BMO Capital Markets
Thank you. So my second question would be on SOP, you talked about that there was some weakness in SOP, it's now stabilised, I believe the company has been a little concerned about some new SOP capacity in Egypt, plus of your course your tonnes are getting better because you haven't had any issues at Werra. Do you think that if you look into 2018 SOP might get soft again, are you concerned on that or do you think that you're stable now?

Dr. Burkhard Lohr, Chief Executive Officer
No we have seen the effect of all the additional capacities and us coming back in the market with normal volumes as we did not have any further standstills at the Werra in the first part of the third quarter. But we have seen the end of the third quarter already stabilising in terms of demand and in terms of pricing. And we are hopeful for Q4 and for '18 that we will see a nice development here.

Joel Jackson, BMO Capital Markets
Are you less worried about the new Egyptian capacity than you were maybe two months ago?

Dr. Burkhard Lohr, Chief Executive Officer
Sorry I didn't get that question.
Joel Jackson, BMO Capital Markets
Are you less worried about the new Evergrow capacity in Egypt than you were maybe two months ago?

Dr. Burkhard Lohr, Chief Executive Officer
I don't remember that we were very concerned about that two months ago, maybe in some one on ones we elaborated on that a little bit more intensively, but we are not concerned. The outlook I just gave you takes all capacities into consideration, including Egypt.

Joel Jackson, BMO Capital Markets
Thank you very much.

Dr. Burkhard Lohr, Chief Executive Officer
Thank you.

Telephone Operator
Our next question comes from the line of Neil Tyler from Redburn. Neil, please go ahead your line is now unmuted.

Neil Tyler, Redburn
I've got two really related and they both are linked to the 2018 free cash flow guidance. Working back from your guidance of a modest negative free cash flow for 2018, if I think about the run rate of D&A, tax and interest it suggest to me EBIT close to €400m. First of all I suppose that's the first question, is that in the right ballpark for the 2018 EBIT that I should be thinking about?

Dr. Burkhard Lohr, Chief Executive Officer
Interesting question because we are talking about the third quarter and the guidance for 2017. And as you know in March we will give you qualitative guidance, but with that number you have just quoted I - it wouldn't cause significant concerns to me.

Neil Tyler, Redburn
Okay, in which case I'm going to stay on this topic and throw a few numbers at you so apologies for that. But if I think about you know where euro denominated realised prices are at the moment some sort of €10 or so above last year and add the improvement in - modest improvement in volumes in Germany alongside and absence of
hurricane impacts in salt and a lower D&A cost, all of that, excluding the improvement in EBIT in Bethune, all of that gets me to a tailwind, an EBIT tailwind of about €140m to €160m 2018 versus 2017. And then I think you’ve said in the past that Bethune EBIT will still be - well you said today that EBIT will still be negative but significantly less so than 2017.

So I wonder if you could sort of help me understand some of the offsets that will materialise to mean that year on year EBIT won’t be up anything like as much as the amount that I’m sort of getting to in that sort of bridge scenario?

Dr. Burkhard Lohr, Chief Executive Officer
Initially you asked for the cash flow of ’18 and maybe we could narrow this topic from another perspective. And all I’m saying is that this is well known so far but we haven’t seen that reflected in some expectations published for 2018.

Earlier we have said we expect free cash flow breakeven in 2018, with a US dollar expectation of 1.10. Now the dollar is weaker, or the euro is stronger it depends on how you look at it and we have adjusted this and that is the main reason for us to believe it will not be breakeven any longer, but we expect a more negative free cash flow for the last time. After that we will have the significant positive free cash flow in 2019.

Neil Tyler, Redburn
Okay thanks I’ll probably follow up with your investor relations afterwards.

Dr. Burkhard Lohr, Chief Executive Officer
Okay thank you.

Telephone Operator
Our next question comes from the line of Andrew Benson from Citigroup. Andrew, please go ahead your line is now unmuted.

Andrew Benson, Citigroup
Thanks very much. Just on the Sigmundshall mine that you’re going to close down, can you - first question, can you indicate the level of your billion of mining provisions that relate to that site and the sort of shape of the cash outflow?

And can you give an indication as well of the other cash charges - you talked about redundancies and I wondered if there were any others and try and quantify the magnitude of those that would be crystallised by the decision?

Dr. Burkhard Lohr, Chief Executive Officer
I’m happy to do so, and maybe let’s start with redundancies, if - assuming that we close the site at the end of 2018 the cash impact of the redundancies will start in 2019 and not the only impact will be in 2019 because we have a lot of work to do. After we have closed we have to flood the mine. Before that we have to take out the equipment. We have to handle the tailing pile waters. We have to cover the tail piles. And we need employees for that. And that means that we have the biggest portion of the redundancy payments in 2019 but it will go until the middle of the ’20s. That was the first part of the answer.

The second is we have the mining provisions of roughly €100m linked to the Sigmundshall mine and I mentioned what we have to do, so this will take years. And the handling of the tailings pile water is an eternity task. So the annual cash impacts are minor. We are talking about single digit million euros a month.

Andrew Benson, Citigroup
Okay and then the K-UTEC consultancy, you’ve talked about both the KCF plant and other measures to manage waste and or extract value from waste, both in terms of the tailings and the water discharge. Can you give some sort of dimension to what you hope that you can extract from these, if you like, wastes in order to mitigate the costs of the environmental challenges you face?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah, the KCF plant is I would like to call it the best of two worlds, first of all it reduces our salt water residues significantly, 1.5 million cubic metres per annum and we gain some speciality products. If it’s fully ramped up it has the capacity of 300 - 400,000 tonnes annually. And other with K-UTEC we are looking for solutions to maybe do more in this - doing something comparable but even more efficient. But we will not reach the same quantities. The volume of salty water in fact will be lower and the additional products will be lower as well because every new step of course starts from an already optimised status. But I can give you only this qualitative indication, it's too early to be precise on water and product volumes.

Andrew Benson, Citigroup
Thank you very much.

Telephone Operator
Our next question comes from the line of Markus Mayer, from Baader Helvea. Markus, please go ahead your line is now unmuted.

Markus Mayer, Baader Helvea
Good morning. Firstly I have a question on the forex sensitivity. On your chart I understand the hedging strategy, but maybe you can give us now a new guidance as you are now selling more volumes into the US market? That's my first question.
Thorsten Boeckers. Chief Financial Officer
Markus, what kind of guidance would you have for 2018 right?

Markus Mayer, Baader Helvea
Yeah, exactly.

Thorsten Boeckers. Chief Financial Officer
So rough numbers when the dollar would move to 1.30 we would have a minus of about €50m.

Markus Mayer, Baader Helvea
15, one five?

Thorsten Boeckers. Chief Financial Officer
Five zero.

Markus Mayer, Baader Helvea
Five zero, okay.

Thorsten Boeckers. Chief Financial Officer
And this goes also into the other direction when the dollar plunged to 1.10.

Markus Mayer, Baader Helvea
Okay, so basically then this is kind of the guidance we can take as the run rate going forward, this of course also is including the hedge policy?

Thorsten Boeckers. Chief Financial Officer
Yeah this is what we will see in the P&L and this is now for 2018, it's a little bit difficult to give you guidance for 2019 given that we may have a different starting point. And so we haven't yet started to hedge significant amounts for 2019, so this is for 2018 versus 2017.
Markus Mayer, Baader Helvea
But could you also give us a guidance excluding hedging?

Thorsten Boeckers. Chief Financial Officer
I don’t have the number with me but you know our dollar exposure - in the potash business which is about a billion and you know that most of the salt business is a natural hedge because we are also producing in the dollar area.

Markus Mayer, Baader Helvea
Okay.

Thorsten Boeckers. Chief Financial Officer
So it’s a significantly bigger effect if the dollar falls to 1.30 if we wouldn’t have hedged.

Markus Mayer, Baader Helvea
Okay understood. And then I have another question on the Nitrogen under EuroChem, can you maybe a elaborate how you see their cost curve versus your cost curve and also their - I’ve heard something that they also have the target to enter the SOP market, maybe some words from your side?

Dr. Burkhard Lohr, Chief Executive Officer
I have no information about the EuroChem cost curve, only expectations and I wouldn’t like to share that publically. And I think that they are very far away from doing anything in SOP.

Markus Mayer, Baader Helvea
Okay, thank you.

Dr. Burkhard Lohr, Chief Executive Officer
Thank you.

Telephone Operator
Our next question comes from the line of Knud Hinkel, from Equinet Bank. Please go ahead your line is now unmuted.
Knud Hinkel, Equinet Bank
Good morning gentlemen, one question from my side on Potash and Magnesium. While average prices in the division have been up in the last quarter, it seems that prices for MOP have been down quarter on quarter. So according to my calculation its realised price is €227 versus €230 for the last quarter. So given that the spot prices for MOP have been robust recently can you explain this development, is this due to currencies, or what is the reason for that?

Dr. Burkhard Lohr, Chief Executive Officer
The good news is that the market price shows a very nice development, a very nice development. If you remember where we were in the second quarter of '16 we were partially below $200 per tonne in Brazil, MOP, and the drivers really have picked up sustainably and we see that development has not finished and we expect that we will see comparable good development in '18 as well.

If you look at our average selling prices we have of course a lot of effects to take into account, the product mix, the US dollar impact, etc, and the regional mix between the European business and the overseas business. But very important is the market price development which is nice. And that will roll in into our price development in the next couple of quarters.

Knud Hinkel, Equinet Bank
Okay thank you.

Dr. Burkhard Lohr, Chief Executive Officer
Thank you.

Thomas Swoboda, Société Générale
Good morning gentlemen, two questions from my side please. Firstly on the SOP contract which you have to renegotiate for next year, the question is have you completed the procedure already? And related to that, is the recent kind of pressure on the SOP price changing the set up here? Thank you.

Dr. Burkhard Lohr, Chief Executive Officer
Thank you for that question, it is of course difficult to talk about single contracts, but as you have a knowledge about that we - there will be an agreement at the end of this year
and of course it will reflect the current market conditions. I cannot tell you more precisely what conditions of the contract are, it's impossible, sorry for that.

**Thomas Swoboda, Société Générale**
But it's not concluded yet, that's the message?

**Dr. Burkhard Lohr, Chief Executive Officer**
But the year is almost done.

**Thomas Swoboda, Société Générale**
Okay. The second question on the free cash flow and the net debt guidance you have given with the strategic update. Have you included the cash outflow for Sigmundshall and the cash flow out for the cost savings programme you have announced with the strategic update on those numbers? Or should we be stripping those potential costs from the numbers you have - or from the indications you have provided?

**Thorsten Boeckers. Chief Financial Officer**
Thomas when we talk about cost savings we are targeting this is of course in the numbers, cash outflows in Sigmundshall you will not see before 2019.

**Thomas Swoboda, Société Générale**
Right, the question is - is this included in the indications on free cash flow and on net debt you have given?

**Thorsten Boeckers. Chief Financial Officer**
Yes, yes it is.

**Thomas Swoboda, Société Générale**
It is?

**Thorsten Boeckers. Chief Financial Officer**
Yes it is but not for 2018, so when you think 2018 you won't see any numbers there but for the years after it, of course.

**Thomas Swoboda, Société Générale**
Understood. And does it apply as well to the cost savings programme, you haven’t so far shared the costs and the cash costs for this programme, is this included as well or not?

Thorsten Boeckers. Chief Financial Officer
We have assumptions included yes.

Thomas Swoboda, Société Générale
Okay, perfectly clear - thank you.

Telephone Operator
Our next question comes from the line of Stephanie Bothwell, from Bank of America. Stephanie please go ahead your line is now unmuted.

Stephanie Bothwell, Bank of America
Thank you very much and thanks for the presentation. Just a couple of small clarification points from me. So firstly on the Bethune, can you just clarify what the ramp up costs and D&A associated with Bethune were in the course of the third quarter? In addition to that previously you guided for €150m EBIT loss on Bethune for the full year, can you update us with your current expectations as of today?

The second question was on SOP ...

Dr. Burkhard Lohr, Chief Executive Officer
Sorry, one by one.

Stephanie Bothwell, Bank of America
Sorry, yep go ahead.

Dr. Burkhard Lohr, Chief Executive Officer
First of all we are not talking about the project any longer, as it was a project and we talked about €3.1bn investment of course we gave you a lot of information which is far beyond what we do usually for a site. Now we talk about the site and we are not giving single D&A numbers for example Werra which is bigger than Bethune, that’s why we just want to turn into the mode of giving earnings guidance.

And the earnings guidance is for the full year the number of 150 which will be most probably a little bit below that and in ’18 EBITDA positive and in ’19 EBIT positive. But for the last time as we started that in this year D&A, we always said the run rate is
roughly €15m a month and as we have started depreciation in the last month of Q3 you have the number. But please accept that we in the future talk more about total earnings impacts rather than the P&L positions.

Stephanie Bothwell, Bank of America
Okay that’s helpful, so then when I look forward to 2018, 2019, 2020 can you just confirm it’s still reasonable to use the current operating assumptions on cash cost per tonne that you have out there in the market for full ramp up by 2023?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah, we have not adjusted anything besides our expectations for 2017, the 500,000 tonnes and in 2018 it was not really an adjustment we’ve said always 1.7 to 1.8 million tonnes, now we rather see 1.7 million tonnes. But full capacity of Phase 1, two million tonnes is available at the end of the year. Of course we cannot use it in the first year because it’s still ramped up and we need a little bit more maintenance parts and it’s still our target to start with the very profitable secondary mining by 2020 and we will have fully ramped up by 2023.

Stephanie Bothwell, Bank of America
Okay I was thinking actually more on the cost side because obviously energy costs have moved, FX has moved since the guidance was originally set. So I wondered whether or not we should consider any update to your current guidance for Bethune, or whether we should still be running at the old assumptions, which I think were set in sort of 2013, 2014?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah, the biggest cost items is natural gas and we have secured deliveries for the next couple of years. And the natural gas costs in Canada are still on a - a level which is significantly below our initial expectations. So there is no reason for having a more negative few on the next couple of years. And everything we are seeing of course is incorporated in our guidance, EBITDA positive in 2018 and EBIT positive in 2019.

Stephanie Bothwell, Bank of America
Okay, the second question then was on SOP, in your release you made some comments around the additional supply in the market in Q3 and how that’s impacted upon pricing, but then I thought earlier in your comments you suggested that Q4 should be a little bit stronger on SOP, but perhaps I misheard. Could you just clarify what you’re seeing in the SOP market, whether or not you would anticipate a further strengthening in spot prices from here or whether or not current levels are a reasonable expectation as we go into 2018? Thank you.
Thorsten Boeckers, Chief Financial Officer
Steph, all I am saying in the second quarter already that we see some demand weakness in the standard industry and it indicates demanding standard SOP from us. And we have seen this in the third quarter or in most of the third quarter again but we spotted at the end of the third quarter stabilisation there in terms of demand and we’ve picked up confidence that we have also seen stabilisation of pricing again. We took the good demand from granular but this is a smaller customer group so from here we would say we see stabilisation in the prices and need to see what’s happening in the fourth quarter.

Stephanie Bothwell, Bank of America Merrill Lynch
Okay that’s very helpful, thank you very much.

Telephone Operator
Our next question comes from the line of Andreas from MainFirst. Andreas please go ahead your line is now unmuted.

Andreas, MainFirst
Thank you. The first question frankly again on Sigmundshall. So the mine will be closed by the end of 2018 but you might not produce a lot in 2018. In general my understanding is that the margin was anyhow thin but with the procedures you have to do to close it is that something where we have to be even more cautious on the P&L in 2018 or is that not having a great impact?

Dr. Burkhard Lohr, Chief Executive Officer
No of course we knew that there will be a decision that leads to closure at the end of ’18 or the end of ’19 and we had a precise idea what the impact of Sigmundshall in 2018 would be and that is unchanged and it’s fully reflected in everything we said about ’18.

Andreas, MainFirst
Right but from Sigmundshall running down production and having all the preparations it is definitely a negative impact we have to have in mind?

Dr. Burkhard Lohr, Chief Executive Officer
There will be a slight negative impact in ’18 but again that was always expected and the production will be slightly lower, but that is not - 600,000 tonnes is not talking about half of it or whatever, slightly lower production, slightly negative earnings impact and then closing to zero at the end of ’18 if the decision is to do it by the end of ’18.
Andreas, MainFirst
And the second question I have is basically on the de-icing price. You are probably now done with all the negotiations on the prices for the next season. Could you give some more of an update how that compares now with the prices we have seen for the last season?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah the weakest area is the Midwest and here we have seen significant decreases in prices compared to the earlier season and that is of course fully reflected in our full year guidance for 2017. A slight dip we have seen at the US East Coast. Strong development means on line or even slightly higher in Canada and in Europe.

Andreas, MainFirst
And if you look on the total global de-icing pricing, has it improved or is it stable or is it down?

Dr. Burkhard Lohr, Chief Executive Officer
It was really a global pricing market price because we are talking about hundreds of -

Andreas, MainFirst
No - for your average price we see in your de-icing business obviously makes sales this volume, is that going down or is it -?

Dr. Burkhard Lohr, Chief Executive Officer
The average of what I said is of course that we have a lower average selling price over all regions and the volume of course depends on the weather. I always said if we had two nice weeks that could be good for the total season to make it an above average season so it really depends when and how strong we will see some weather. But November is so far promising - why not forecast [laughs].

Telephone Operator
Okay our next question comes from the line of Markus Schmitt from Oddo. Markus please go ahead your line is now unmuted.

Markus Schmitt, Oddo Seydler
Good morning. Just a technical question from my side. I saw that you brought about €120m in the quarter and obviously you booked the drawdown in the long term financial liabilities. I assume you brought down from your RCF facility so is there a reason why you booked it in the long term side and not on the current liabilities?
Thorsten Boeckers, Chief Financial Officer
You mean you’re looking at the net debt number or...?

Markus Schmitt, Oddo Seydler
Yeah I mean I look on the balance sheet on the cash flow statement, so on the cash flow statement that you brought about €122m and I do not see your short term liabilities going up because I saw it to the bond refinancing bond issues you repaid all your drawdowns of your RCF recently so this must be fully available. But when you draw down now €120m in your cash flow statement I would assume your short term liabilities should go up by €120m. Or is there an issue on my side that I did not fully understand?

Thorsten Boeckers, Chief Financial Officer
I mean you know that we have or we had issued after the bond financing of the first half s..... and this amount now is pretty similar to this. What I suggest is we double check and come back to you. I mean it must be this but I want to be clear.

Markus Schmitt, Oddo Seydler
But it would mean actually you have still €1bn of your RCF fully available and undrawn currently right?

Thorsten Boeckers, Chief Financial Officer
This is totally undrawn, this is correct.

Markus Schmitt, Oddo Seydler
Okay but can you maybe elaborate a little bit on the new structure because that would be interesting, I mean maturity and maybe average cost of sales to instrument?

Thorsten Boeckers, Chief Financial Officer
It’s five years duration and we have the interest - €65m is the - so it’s a five year duration and we have interest costs of 1.5% on average on this.

Markus Schmitt, Oddo Seydler
Okay and the amount is obviously then €122m around about or €120m, whatever.
This is roughly it yes.

Okay good, many thanks.

Our next question comes from the line of Michael Schäfer of Commerzbank. Michael please go ahead your line is now unmuted.

I have two follow ups if I may. First coming back to Sigmundshall, apologise for this one, but looking back on your Q2 call basically you indicated that Sigmundshall was basically contributing zero to the EBIT line given their low efficiency and the overall production environment you faced there. I wonder whether you can reconfirm this and relate it to this heading into 2018? And also looking at the product mix coming from Sigmundshall are there any kind of compensating factors that you may expand production at other mines primarily when it comes to speciality products for instance? This would be my first question.

It’s about zero this year. It's slightly negative next year, and that's by the way the reason and it was always expected why with all the effort we cannot bring it back into the positive, that's why we have to find a solution. And yeah we always indicated that we will lose that 600,000 tonnes and there is no short term compensation positive from our side.

Second would be a quick follow up basically coming back to my initial question at the beginning of the call talking about unit costs of production. So I referred at that point in time to cash unit costs of production or EBITDA. Basically your answer was rather referring to EBIT, i.e. total unit cost. Am I mistaken, or just to clarify this please?

Michael I’m happy that you ask again. You’ve spotted my mistake. So the 220 I guided for full year '17 was based on EBIT. When you look at an EBITDA basis and this is all in, you end up with a number slightly higher than 210.
Okay thanks for this one.

Telephone Operator
Our next question comes from the line of Markus Mayer from Baader Helvea. Markus please go ahead, your line is now unmuted.

Markus Mayer, Baader Helvea
Thank you. I have a question on the approvals you received for the tailings in Hattorf. Can you remind us was this approval now the production secured or do you need any further approvals for this site? That’s my first question.

Dr. Burkhard Lohr, Chief Executive Officer
Yeah good question because it’s a little bit tricky. First of all we have approval to start works and that means that we still have time with the existing approval until summer, autumn of next year we can now prepare the extension and in parallel we have to get the final approval. But that’s important, with the approval of starting work the authorities have given a positive prognosis. They have to have a positive prognosis otherwise they wouldn’t be able to hand over the approval for the start of the works, and that means that the probability of the final approval is very high. I would even say it’s more a technicality. But it’s not in our hands [audio jumping].

Markus Mayer, Baader Helvea
Okay but when we have the final approval then basically you are safe at this site from the authority’s side?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah and I’m not seeing any further - that was really a breakthrough because the whole process how to do the works and how we make sure that there will be no negative environmental impact it’s already discussed, it’s on their table and they have on this basis turned over the approval for the early start. Now we only need the final approval but we can start preparing and we should not have with the high probability any problems in ’18 and of course the years to come.

Markus Mayer, Baader Helvea
Okay very good. And then I have a question on this share price based incentivisation programme for the management. A, can you elaborate on what kind of management levels this is relevant? And B, when does it start?

Dr. Burkhard Lohr, Chief Executive Officer
So it’s a level below the Executive Board. The first four levels if I remember correctly, the levels below that are not having long term incentives. But very important the top management and I wouldn’t be surprised if the supervisory board would indicate that for the Executive Board as well but that is of course not in my hands as you can - but I am not shy in saying that I would appreciate it being in line with the compensation of our top management.

Markus Mayer, Baader Helvea
And the starting of this programme is then...?

Dr. Burkhard Lohr, Chief Executive Officer
Well it starts the beginning of next year.

Markus Mayer, Baader Helvea
Beginning of next year. And then for the management then, the top management most likely then, those are expected to start middle of year potentially or is it more around the AGM?

Dr. Burkhard Lohr, Chief Executive Officer
No the supervisory board is able to change that without the AGM.

Markus Mayer, Baader Helvea
Okay very good, thank you.

Telephone Operator
Our last question comes from the line of Christian Faitz from Kepler Cheuvreux. Christian please go ahead your line is now unmuted.

Christian Faitz, Kepler Cheuvreux
Sorry another Sigmundshall question, technical question. You mentioned during Andrew’s question you were planning to flood the Sigmundshall mine after closing rather than just simply closing the shaft. Why is it necessary because my understanding is that in that geological area you would only flood the mine if there was brine inflow?

Dr. Burkhard Lohr, Chief Executive Officer
No, no that is a precondition, it has always been a precondition that we have to flood that mine. It’s in Lower Saxony and it’s the standard - or even more in Lower Saxony to fully flood the mines after they were closed.

Christian Faitz, Kepler Cheuvreux
Okay thanks.

Dr. Burkhard Lohr, Chief Executive Officer
I think that was the last question if I get the message right. That’s why I would just like to thank you for joining this call. We are very happy that we have solved some problems including the environmental and there is good reason to be positive for Q4 and for ’18 and I hope that you could feel our positive mood in general and again we will see you on the road. Thank you very much for joining this call. Bye-bye.

END