K+S Group

Dr. Burkhard Lohr, Chief Executive Officer
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
Paul Walsh, Morgan Stanley
Neil Tyler, Redburn
Stephanie Bothwell, Bank of America
Oliver Schwarz, Warburg Research
Thomas Swoboda, Société Générale
Patrick Rafaisz, UBS
Markus Mayer, Baadus Helvier
Andreas Heine, MainFirst
Knud Hinkel, Equinet Bank
Analyst, JP Morgan
Joel Jackson, BMO Capital Markets
Marc Gabriel, Bankhaus Lampe
Introduction & Key Highlights

Dr. Burkhard Lohr, CEO

Ladies and gentlemen a very warm welcome to our full year 2017 conference call.

Like always with me here on the call is Thorsten Boeckers, our CFO, Jörg Bettenhausen, Head of Corporate Finance and Accounting, and Lutz Grüten, our Head of Investor Relations. After a brief presentation we'll be happy to take all your questions.

Now let's get started with the comparison of our financial targets and our achievements on slide 3. This slide compares our actual results with our financial targets. Despite the fact that 2017 was a transitional year, we achieved our financial targets and can present results which are in line with the latest market expectations.

Operating profit, EBITDA and EBIT 1 were up 11% and 18% on last year's achievements. They only came out of the lower end of the guided range due to the €43m negative impact caused by the Sigmundshall closure. Adjusted for this burden, operating profits would have been above the midpoint of our guidance.

Furthermore we improved the adjusted free cash flow as a result of our operational performance and a disciplined capex spending.

Our dividend proposals of €0.35 per share is in line with our policy to cash out 40 to 50% of the adjusted net income. The proposed increase of €0.05 also reflects our optimism for 2018.

Now let's have a closer look at the most important topics on slide 4. Let's start with Potash, due to our improved wastewater management in the Werra region we reported only 25 outage days. This was not only a huge improvement on 2016, but also better than previously guided.

The product mix in Potash nicely improved, however, we are still facing some challenges at our Werra plant after the turbulent times and the trouble we had with our wastewater back in 2016. As a result the motivation of our workforce was low and illness is still high. In addition, it hasn't been easy to fill vacancies. This has left a mark and we've lost some production in addition to the outage days.

It is our focus to fix our environmental challenges and improve the motivation of our people. On top of this we have implemented a new management team at the Werra and we are once again hiring people to strengthen our workforce.

At the same time the decision to close down Sigmundshall by the end of 2018 was not easy for us, but diminishing volumes and vanishing profitability triggered this.

Last, but not least, we have taken a first important ramp up step at Bethune.

Let's move to the Salt division. Volumes were up by one million tonnes, however overall prices came down as expected on the back of the inventory situation at the end of last year's winter season. Nevertheless we remain on a very good track to deliver on our Salt 2020 target of a normalised EBITDA of at least €400m.
Back to the Group level, there is also an important message we want to mention. Our leverage peaked in 2017 and has started to move down to meet our target in 2020 as our strategy Shaping 2030 is on schedule. We have initiated the bottom up synergy validation and I will give you further details on that at the end of my presentation.

Let’s move to slide 5 to talk about the environmental and regulatory topics. As you already know our environmental challenges and easing environmental tensions are quite close to my heart and I’m personally deeply involved in these matters.

What have we achieved so far and what is yet to come? We have improved our wastewater management and reduced the outage days in 2017 to a level below even our previous guidance. With the KCF commissioning which reduces our wastewater by another 20% we are pretty optimistic that there’s only a very limited risk of further outage days in the Werra region. We are currently working on the tailings pile extension and I’m happy to again confirm that this project remains on time. We have now received the permission to prepare the ground.

Of equal important are the settlements we have reached with Gerstungen and the BUND, long lasting disputes have finally come to an end.

What’s next? Our teams have already started working on measures on how to deal with the situation after 2021, as we have decided not to apply for an extension of our deep well injection.

Now let’s move to operations and start with the Potash trading update on slide 6.
Starting with the well-known chart on the left, you can see that our average selling price has nicely outperformed the MOP price in Brazil and the prices reported by our closest peers for quite some time. This can be explained by our speciality fertilisers which trade at a premium to standard products and contribute about 50% to our product portfolio.

In local currencies our last year's average was slightly up to the back of the MOP price recovery and positive mix effects. However, translated into euros as shown in the chart, the softening US dollar had an adverse effect. Overall markets had a robust start into the year, which is also reflected by the latest price developments.

Despite the strong market in 2017 we still have a positive view on volumes in 2018. The total market should be stable and there is a good chance that overall volumes might be up even further.

The visibility of MOP prices into the first half of 2018 remains fairly good and the outlook remains promising. Furthermore prices in speciality fertilisers have bottomed out in Q3 2017 and are now showing an upward trend. Overall, our portfolio price reported in euro should improve slightly and we expect that our reported cash costs per tonne should have peaked in 2017.

So for what happened in Salt please turn to slide 7. Let’s start with an update on our non-de-icing activities. Volumes in the final quarter were up on last year's achievements, driven by good demand from chemical customers in Europe, as well as higher industrial salt volumes in Latin America. However, the average selling price of €110 per tonne in Q4 was below last year's level, due to adverse currency effects, but also on the back of further improved copper leaching activities, the profit contribution of copper leaching is remarkable, but low pricing has a softening impact on our average portfolio price.
Our de-icing business reported a tangible volume increase in Q4; overall the mild weather in North America was more than compensated by Europe, again, a nice proof of our regional hedge. Prices in de-icing were down as expected. This was mainly due to the inventory situation in North America at the end of last year’s winter season.

So let’s move to our guidance for 2018 on slide 8. What are our first thoughts for 2018? And what are the most important moving parts? As of 2018 the focus of our guidance is becoming EBITDA as this is closer to cash and also more comparable with our historical numbers then EBIT 1 due to higher D&A at Bethune.

First of all we had a reasonably good start to the year, Bethune is running and we do not expect any further outage days in our German production. On top the de-icing business has a better start to the year compared to 2017, therefore volumes in Potash and Magnesium products on the one hand, but also in Salt on the other hand, should be significantly respectively, tangible higher compared to 2017. Furthermore prices in Potash and Magnesium products remain supportive and even reported in euro terms should be up slightly on last year’s achievement.

The decision to shut down Sigmundshäll caused an impact on our earnings which will not occur in 2018.

Our reported production costs in Potash and Magnesium products have peaked in 2017 and the Salt division is on track to deliver on our Salt 2020 strategy. However, based on the current euro/US dollar exchange rate, we expect a negative currency impact on our 2018 Group EBITDA. The bottom line - we expect this year’s EBITDA to be significantly above last year’s achievement, based on realistic price assumptions.

Furthermore the adjusted free cash flow should improve further and we are making good progress to deliver on our targets of becoming free cash flow positive in 2019. I’m fully convinced that we have every reason to be very optimistic about the future. The management is keen to show our shareholders the huge potential we have here at K+S. Shaping 2030 and the transformation towards one company will trigger a new era within the organisation.

Let’s move to slide 9 and an update on our new strategy. What have we achieved so far? And what are the next steps? As of 2018 the Board and our top management have a new incentive scheme and besides operational targets the relative performance of our share price versus the MDAX has also become an important part of our long term incentive programme.

We are currently in the bottom up phase of a synergy validation and can confirm our target to achieve a net figure of at least €150m by the end of 2020. We are well on track with the different projects and the final concepts about our future organisation, included amended KPIs. We will be happy to offer you more details on our Capital Markets Day at the latest and you should have already received our save the date in January.

We know Bethune is not a regular station on one of your frequent trips to North America, however, we, the entire Board of K+S would be happy to host you for 24 hours at our Capital Markets Day on September 5th.
Now I would like to thank you for your attention and as always we are happy to answer your questions.

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 the question.

The first question comes from the line of Michael Schäfer, Commerzbank. Please go ahead.

Michael Schäfer, Commerzbank
Thanks for taking my questions; I'll start with the first one. On the P&M business segment, looking into the fourth quarter cash unit costs and stripping out the €43m provision, I calculate the cash unit costs of production of something like €190 per tonne in the fourth quarter. I wonder whether you can shed some light on how do you see this item developing into 2018? And also maybe an update on where Bethune sales volume has been in the fourth quarter? That would be my first question.

Thorsten Boeckers. Chief Financial Officer
Michael, it's Thorsten, morning. When we look out into 2018 and in order to clarify the metrics, so revenues minus EBITDA and all in we expect unit costs per tonne in Potash of a little bit below €200.

Michael Schäfer, Commerzbank
And Bethune sales volumes in Q4?

Thorsten Boeckers. Chief Financial Officer
Yes, you know that we had almost 500,000 tonnes of production and we're not going to release quarterly sales volumes for Bethune.

Michael Schäfer, Commerzbank
My second question would be on the Salt segment, you've shown a rather strong performance in the fourth quarter with EBITDA up one third year over year. With the indication you've provided on the first quarter with a promising start you mentioned compared to last year, is it fair to assume that the growth rate you have shown in
EBITDA in the fourth quarter is at least a good indicator for what we should expect also heading into the first quarter year over year?

Dr. Burkhard Lohr, Chief Executive Officer
It's always difficult to predict something which we have seen in one quarter for the future, because our Salt business is so volatile. I would rather like to elaborate a little bit on how we started into the New Year. And we have seen several nice events, it started very early this year with a nice snow storm at the East Coast and then all over the January was very good in the East Coast and you know this year we have the highest prices currently. February and March so far were very good months for the Mid West, which was very important after we had a lot of mild winters in the Mid West area, this could help us in the next season. Europe is doing well. So altogether this is much better than it was in the first quarter of 2017. And now I would say finally after a couple of years we have seen a normal first quarter again.

Michael Schäfer, Commerzbank
Okay, thank you.

Dr. Burkhard Lohr, Chief Executive Officer
You're welcome.

Telephone Operator
The next question comes from the line of Christian Faitz, Kepler Cheuvreux. Please go ahead.

Christian Faitz, Kepler Cheuvreux
Good morning gentlemen, two questions please, I'll start with the first one. On Bethune, basically back to back with Michael's question, can you discuss current operating rates in Bethune?

Dr. Burkhard Lohr, Chief Executive Officer
Maybe I should start with one general remark. Last year was the last year where Bethune was split in the production phase and in a ramp up phase, from this year one Bethune is a mine - a site - like Zielitz, like Werra, like Neuhof and we are not going to report production numbers, D&A, whatever we have reported in the past to better understand the production phase.

But I can confirm that we are happy with the ramp up, that of course the price development also is supportive for what's going on in Bethune and that we still believe that we will have a positive EBITDA contribution in this year and the breakeven on the EBIT 1 level in 2019.
Christian Faitz, Kepler Cheuvreux
Okay, great, then the second question and then I'll go back in line. Can you please comment on the around about 10% price decline in industrial and consumer salt, what caused those rather wide swings we have seen over the past few quarters? I mean I reckon and I do realise it's up sequentially the price, but why the 10% decline Q4 over Q4 2016?

Thorsten Boeckers. Chief Financial Officer
Yeah Christian, this was - there is from an underlying market trends point of view nothing to worry about, but you remember that we had this disastrous Hurricane Irma last year and this affected, especially also these segments. You know in this area which was widely affected people do no longer buy pool salt, or water softening products. And on the other hand - so this was a volume effect - and on the other hand because of the emergency agency teams taking away most of the trucks we need for logistics in order to deal with the disaster we had also a shortage in logistics and also rising costs, what we call non-standard sourcing costs.

Christian Faitz, Kepler Cheuvreux
But then why the 10% price decline, I asked for price?

Thorsten Boeckers. Chief Financial Officer
Yeah there is also FX in there.

Christian Faitz, Kepler Cheuvreux
So it's mostly FX in there?

Thorsten Boeckers. Chief Financial Officer
Yeah.

Christian Faitz, Kepler Cheuvreux
Okay, thank you.

Telephone Operator
The next question comes from the line of Paul Walsh, Morgan Stanley. Please go ahead.
Paul Walsh, Morgan Stanley
Thanks a lot, morning guys, one question from me. Can you talk about cash flow moving through 2018 and what it would take for you guys to be able to organically deleverage this year with the step up in EBITDA, is it possible we get to a situation where you are deleveraging organically at a net level? Thank you.

Thorsten Boeckers. Chief Financial Officer
Yes Paul, when you see that we made already significant progress from 2016 to 2017 we see another significant improvement on the free cash flow level also in 2018 and we do our utmost in order to become more efficient and to preserve cash. We also will see a significantly reduced capex again over 2017. Burkhard confirmed that Bethune is turning positively on an EBITDA level. But our guidance remains that we see a positive free cash flow in 2019. This means from a net debt point of view the deleveraging will start in 2019; however, we expect a significant increase in the EBITDA for 2018, having a positive impact on the leverage.

Paul Walsh, Morgan Stanley
That’s very clear. And just maybe a second quick one, in terms of the EBITDA guidance for 2018, looking at that bridge we’re coming to somewhere above €800m is that a reasonable assessment?

Dr. Burkhard Lohr, Chief Executive Officer
I know that I have answered that question already last year, but understand that it’s a middle of March now and there are so many moving parts that have to be taken into account to confirm a number or not confirm a number. We are happy to confirm that we see a significant improvement again and we will be more precise in the course of the year.

Paul Walsh, Morgan Stanley
Understood, thanks very much guys.

Telephone Operator
The next question comes from the line of Neil Tyler, Redburn. Please go ahead.

Neil Tyler, Redburn
Good morning a couple from me as well please. Sort of minor details really, but can you confirm that - or reconfirm that the Sigmundshall site really contributed minimal EBIT in 2017 and therefore that the closure during the year will have little EBIT impact, outside of the provisions, in either 2018 or 2019? That’s the first question.
Let's do one by one please, Mr Tyler, yeah I think we have indicated in the past that of course the reason for closing Sigmundshall is that we have reached a point where we are seeing not only the risk of slightly negative earning contributions, but also slightly negative cash flow contributions. That was the case in 2017 and that will be - I'm talking about slightly - and that will be the case in the course of this year as well. And as you know we close by the end of this year so there will be no impact any longer in 2019.

Great, thank you. Secondly, whether you can talk a little bit about the impact on your overseas realised price in 2018 of the Bethune product, you know, whether you can help us understand whether there will be a noticeable impact on the realised price? So that's the next one and then I've got another short one after that.

What do you mean what impact?

Well, in terms of the relative realised price that you achieve in your overseas product versus the market prices that we see for instance in Brazil in the chart that you show, should we anticipate any meaningful change in that relationship?

As we are talking about MOP standard for China or for Asia with the first volume from Bethune and granular pink into Brazil there is, as you know, no specialities so in average it has a negative impact on our average selling price.

Okay, but you still expect the average selling price year on year to improve in euro terms, despite that negative impact?

Yes.
Okay, and the third question, you talk about the tailings pile management in Germany, should we anticipate anything meaningful in terms of either capex or opex in '18, '19 versus the 2017 baseline?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah, that is already incorporated in our capex guidance or in our capex expectation or forecast. I think the rule of thumb one could say for the next three years we're going to have roughly €100m capex for these kinds of developments, it's not only the extension in Hartoff, it's Wintershall the following year and Zielitz the following year. It's by chance that we have to enlarge all these in such a short period of time, so we have to - yeah the burden is roughly €100m for the next three years, that's incorporated in our expectations when I talk about '18 now in the €600m expectation for 2018.

Neil Tyler, Redburn
Great and then nothing material in terms of the operating cost?

Dr. Burkhard Lohr, Chief Executive Officer
No, that is - the operating cost will be reflected in the cost per tonne and we expected here we have peaked in '19.

Neil Tyler, Redburn
That's very helpful, thank you.

Dr. Burkhard Lohr, Chief Executive Officer
You're welcome.

Telephone Operator
The next question comes from the line of Stephanie Bothwell, Bank of America. Please go ahead.

Stephanie Bothwell, Bank of America
Thank you, thanks very much for taking my one question. Just really a point of clarification on the EBITDA bridge for 2018. I just wanted to confirm that I have all of the moving parts right, so you had the one off this year with regards to Sigmundshall, which we will add back, in addition to that there was the Werra outage and then clearly FX is a headwind this year if you take the year to date spot, I think it's around €40m based on your guidance. Are those sort of the three moving parts ex the forecast that we take on volumes, pricing and Bethune, is there anything else with regards to one offs that we need to be aware of in the bridge?
Dr. Burkhard Lohr, Chief Executive Officer
I think you have mentioned the important drivers of our business, so I can confirm that everything is covered.

Stephanie Bothwell, Bank of America
Okay, that's perfect thank you very much.

Dr. Burkhard Lohr, Chief Executive Officer
You're welcome.

Telephone Operator
The next question comes from the line of Oliver Schwarz, Warburg Research. Please go ahead.

Oliver Schwarz, Warburg Research
Thank you for taking my questions. Firstly, perhaps back to Sigmundshall, I do understand that the earnings contribution of Sigmundshall to EBIT 1 is negligible, but as you're increasing guiding on EBITDA could you flash out how much, or how severe the impact on EBITDA might be in 2018 and beyond, when the mine is shut down? And secondly how do we - can we expect this process to go ahead, is there, let's say a cut-off of production by the end of this year and full production until the end of the year, or is production petering down throughout the year to come to a complete standstill by the end of the year, just for modelling purposes? Thank you, that would be my first question.

Dr. Burkhard Lohr, Chief Executive Officer
Let's start with the second part of your question. There will be full production until the end of the year and no further production after the end of the year. So it's a real hard cut.

And there will be no impact on the EBITDA in 2019 and onwards because we have covered all works that we have to do with our provisions. Maybe your question was referring to cash flow, that will be small numbers because our obligations are running very, very long and the annual impact is small.

Oliver Schwarz, Warburg Research
I was thinking about in terms of the EBITDA contribution of Sigmundshall, I know that you said that EBIT 1 contribution is close to zero, I just wondered whether EBITDA contribution is close to zero as well, or whether it’s a tangible number?

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**Dr. Burkhard Lohr, Chief Executive Officer**
It’s close to zero as well.

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**Oliver Schwarz, Warburg Research**
Okay, cool and my second question would be the problems you currently have at the Werra site, or had at the Werra site regarding personnel, are you able to shift personnel from Sigmundshall to the Werra site to get rid of these problems within 2018, or is that a problem that is likely to stick with you for let’s say a quarter, or two quarters until you’re able to hire experienced personnel, or personnel that can gain experience via a three or a six month period in time to come up to the full production level as a well.

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**Dr. Burkhard Lohr, Chief Executive Officer**
Yeah good question. Exactly this we are working on. We want to convince as many people as possible to move from Sigmundshall to Werra and I am quite hopeful that we will be able to do so. Of course in parallel we have already started hiring people from the market.

I think the most important is you need to understand that we had tracked 220 outage days in ’16. We didn’t know what the near future would look like. We had some outage days in ’17. Now we have solved all environmental topics and we can offer them a future, a long lasting future, and I am convinced that in the course of this year we will settle all problems at Werra.

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**Oliver Schwarz, Warburg Research**
Very clear, thank you.

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**Telephone Operator**
The next question comes from the line of Thomas Swoboda from Société Générale. Please go ahead.

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**Thomas Swoboda, Société Générale**
Good morning gentlemen. I still have three questions. The first one is on Sigmundshall and the cash outflow, the €43m you booked in your P&L last year. How much of this will go out as cash in 2018 please?
Thorsten Boeckers, Chief Financial Officer

Thomas in ’18 we will not see an outflow at all. The production stops by the end of this year and if we have severance payments this will happen then in 2019. And the fraction regarding to an increase of the provisions for tailings piles and whatever, I mean this is a cash outflow which happens over the next decade actually.

Thomas Swoboda, Société Générale

So if I may follow up, so what would you expect for 2019 then?

Dr. Burkhard Lohr, Chief Executive Officer

For ’19 we expect that a good part of the provision that we have built will be cash flow, roughly half of that.

Thomas Swoboda, Société Générale

Half of it, okay.

Dr. Burkhard Lohr, Chief Executive Officer

Roughly. Roughly. And the rest again as we said will last over many, many years.

Thomas Swoboda, Société Générale

That’s perfect.

Dr. Burkhard Lohr, Chief Executive Officer

This effect is already incorporated in our guidance that we will see a positive free cash flow in 2019.

Thomas Swoboda, Société Générale

Right. My second question is on Salt. We haven’t seen normalised de-icing salt levels for quite some time so could you remind us what do you think the current normalised Q1 level should be? I am not asking for what you’re seeing in Q1, I’m just asking about normalised levels?

Dr. Burkhard Lohr, Chief Executive Officer

Can you wait until the Q1 call?

Laughter
You need to leave us some food for this Q1 call please.

**Thomas Swoboda, Société Générale**
Okay. Then I will try a third question and this is on your debt profile. The market has started to price in increasing interest rates. The question is how comfortable do you feel with the maturity of your debt? And if there is any safety measures you can take to push out due dates?

**Thorsten Boeckers, Chief Financial Officer**
This is not a pitch by you right to help us move the product?

**Thomas Swoboda, Société Générale**
We don’t do that.

*Laughter*

**Thorsten Boeckers, Chief Financial Officer**
We feel comfortable with the debt levels; I mean that’s pretty clear that we’re going to deleverage the Group. But it’s also clear that when you see the path that we are there’s a lot of work to do but we are on a good way.

We also need to refinance ourselves in the next couple of quarters as we see for example one bond needed to be paid back in December which is half a billion. And it was always our strategy to see that we get the refinancing done early enough in order not to become under pressure. And we certainly also look at things like how can we secure interest rates if we really see a further movement there.

**Thomas Swoboda, Société Générale**
That’s perfect thank you.

**Telephone Operator**
The next question comes from the line of Patrick Rafaisz from UBS. Please go ahead.

**Patrick Rafaisz, UBS**
Thank you and good morning everyone. Three questions please. Actually the first two are around Bethune volumes. I realise you’re not going to give us a guidance per plant but assuming from the 500,000 tonnes of production you built up 300,000 of inventories. Do you think these additional inventories will have to be moved in 2018 or
is that a level of inventories you think you keep going forward so that the 1.7 to 1.8 million tonnes of production will be pretty much equal to sales volumes as well in 2018?

Dr. Burkhard Lohr, Chief Executive Officer
So as you know we have storage facilities in Bethune and in Vancouver and the current inventory is pretty much what normal fill of these storage facilities will be in the future. Yeah so there is no further increase and no significant decrease of that volume to be expected.

Patrick Rafaisz, UBS
Okay very helpful, thanks. And the second question also relates to the ramp of Bethune, last year I believe a lot of the volumes were targeted for Southeast Asia. How do you see the additional volumes coming out of Bethune from a geographical mix? How much will go into Brazil? Will you already start up the business with Koch Industries for the North American market? Can you shed some light on that please?

Dr. Burkhard Lohr, Chief Executive Officer
During the course of this year we will cover Asia, South America and we will start most probably in the second half of this year the US business supported by Koch.

Patrick Rafaisz, UBS
Okay thanks. And the last question on Salt. Now with a more normal winter season for de-icing where do you see inventory levels and can you already make some statements around the price implications for the next season? Are inventory levels low enough that you would expect some positive price actions?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah of course inventory levels came down a bit and that is always a good implication for the bidding season of the following - the next bidding season. But it’s by far too early to be more precise on that and the winter is not over yet, there is more snow to come at the East Coast and we are expecting at least a couple more wintry days here in Europe. So let’s wait for what the final outcome of this season will be.

Patrick Rafaisz, UBS
Okay thank you very much.

Telephone Operator
The next question comes from the line of Markus Mayer from Baadus Helvier. Please go ahead.
Markus Mayer, Baadus Helvier
Good morning gentlemen. First question would be an update on your forex hedging. I see that the assumed rate is 120 maybe you can shed some light on the effect for 2018 if you stay on average on this rate? And then also the effect we might see on 2019 if the forex rate would stay there? Thank you.

Thorsten Boeckers, Chief Financial Officer
Hi Markus. Yes our planning basis 120 that’s right. And when we move, when the dollar weakens to 130 this would cost us approximately €40m on an operating profit level. On the other hand when it strengthens to 110 we would see an increase which is a little bit above that number even. And for 2019 I beg your pardon but that’s a little bit too early to say because we are not even halfway through with hedging the currencies so it’s a little bit too early to give you an indication for ’19.

Markus Mayer, Baadus Helvier
Okay very good. And the second question is then on capex. So have I understood rightly that basically the maximum capex number for ’18 is around about €600m but most likely be a lot less. Already €100m you said is basically for the tilling piles. Could you split up the remaining capex portioned, what kind of large projects the capex is going to?

Dr. Burkhard Lohr, Chief Executive Officer
Now after we have ramped up our - have a lot of progress in Bethune with the ramp up the new run rate for the Group is closer to €500m. And in addition we have this €100m I mentioned earlier, that is what we expect for 2018.

Markus Mayer, Baadus Helvier
Okay perfect, thank you.

Telefon Operator
The next question comes from the line of Andreas Heine from MainFirst. Please go ahead.

Andreas Heine, MainFirst
Basically only two very small ones left. The first is on the Salt result in Q4. If you take what you have here as unit costs which were considerably down to what we have seen before, is that a good guidance for what we can assume going forward or were there some special effects? That’s the first question.
Thorsten Boeckers, Chief Financial Officer
Andreas it’s always tough to elaborate on unit cost in Salt especially when it comes to de-icing because you have significant movements there based on the sales volumes. When we break it down overall we make good progress, and when I look at the non-de-icing business it is certainly rather stable and slightly going down. And structurally also the de-icing costs, and they are interlinked as you know because we have mines where we produce both products, it’s also tending south. But I’m a little bit reluctant to say Q4 is a good proxy because that can be very volatile when the volumes move.

Andreas Heine, MainFirst
And then the last, we always refer to the US dollar euro exchange rate as being very important. All of the - Bethune mine is probably sold under US dollar prices, how is it with the cost base, how much of the total costs are based in US dollar and how much in Can dollar?

Dr. Burkhard Lohr, Chief Executive Officer
90% Can dollar, 10% US dollar. And the sales you are right, it is 100% US dollar based.

Andreas Heine, MainFirst
And do you by any means hedge these Can and US dollar as well or is it still mainly US dollar euro you hedge?

Thorsten Boeckers, Chief Financial Officer
No we are hedging the Can dollar versus the US dollar because this is the relation - we are not hedging translation, we are hedging transaction and this is why we are hedging US dollar versus Can dollar.

Andreas Heine, MainFirst
It’s not moving that much against the euro and against the US dollar but is there any sensitivity after - or is it not that important?

Dr. Burkhard Lohr, Chief Executive Officer
There’s volatility, in the past it went to the parallel but the volatility between Can dollar and US dollar has significantly picked up. Currently it’s moving in our favour, weak Canadian dollar compared to the US dollar. That’s good for us but we will and should have a look on that.
Telephone Operator
The next question comes from the line of Knud Hinkel from Equinet Bank. Please go ahead.

Knud Hinkel, Equinet Bank
Good morning gentlemen, thank you for taking my three questions actually. Firstly just to clarify your cost guidance for Potash, you said that you expect the cost below €200 per tonne. Does that include Bethune? That would be my first question.

Thorsten Boeckers, Chief Financial Officer
That’s all in, yes.

Knud Hinkel, Equinet Bank
All in it, great. Secondly the quality issues that you had at Bethune during the ramp up phase, are these under control in the meantime?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah we have solved that problem. And again we are talking about a huge site in the ramp up phase, you will never see any site where from the first day on everything runs as expected. So even what you are focusing towards compared to the size of the project, a minor problem.

Knud Hinkel, Equinet Bank
Very clear, thank you very much. And last question, could you provide a kind of outlook for the pricing for specialty industrial applications in Potash? Do we have already some visibility? You said that the trend was good in Q4; have you already some visibility for 2018 as well?

Thorsten Boeckers, Chief Financial Officer
We see basically there in parts a relation to the MOP prices. So if we have a positive movement in the MOP price we also see industrial prices going up. When you are referring to specialties, this is why I’m currently a bit confused, when you refer to specialties you mean probably SOP right?
Knud Hinkel, Equinet Bank  
Right, yeah.

Thorsten Boeckers, Chief Financial Officer  
The SOP price is indeed developing better than we have expected last year. So we have pretty good demand dynamics there. And there is no disruption on the supply side. So it’s developing better than we have even expected.

Knud Hinkel, Equinet Bank  
Thanks a lot.

Telephone Operator  
The next question comes from the line of ..... from JP Morgan. Please go ahead.

Analyst, JP Morgan  
Hi, thanks for allowing me to ask questions. One question was maybe just clarification; you know you have said the capex for 2017 was 811 approximately. If I look at your cash flow statement the capex there is more like 750 so why is there a difference between the two, can you please explain to us?

Thorsten Boeckers, Chief Financial Officer  
The cash outflow, you see in the cash flow it’s a cash number obviously which means you also have some parts from the previous year in there which were in the capex for the year 2016 but actual payout was then in 2017. So you never have a one to one coverage of those two numbers.

Analyst, JP Morgan  
So the question is - the other way to ask this is will you have higher cash outflow again in 2018 even though the headline accrued capex might be lower?

Thorsten Boeckers, Chief Financial Officer  
Every year we do have these differences between cash out and capex and you can expect also to see this effect in 2018 and 2019.

Analyst, JP Morgan
Okay that’s clear, thank you. The second question I had was just if you had any view on how is the Potash inventory in some of the key regions of the world, if you have any view on whether the inventory is at normal level or there could be some sort of a build up over the last six, nine months when the prices were in a rising mode as such because we have seen more recently some softening in demand in Brazil?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah but that was only for quite a short period and you know how strong demand was in 2017 and there is no reason to believe that there is a real change of that to see in 2018. And due to the strong demand the inventory level is on a healthy - inventories are on a healthy level, healthy meaning not too many inventories available and that’s why we believe we should see demand comparable to what we’ve seen in ’17, maybe even slightly higher.

Analyst, JP Morgan
Understood. And do you have any view on of course there have been some planned new capacity additions out of Russia, have you seen them on the market yet, at least in terms of offers or being talked about in the market in terms of availability at all? Thank you.

Dr. Burkhard Lohr, Chief Executive Officer
The only new capacity which entered the market is Bethune, and we have seen in the period where we have delivered into the market with our new volumes, prices went up. So obviously the environment is very healthy currently.

Analyst, JP Morgan
Thank you.

Telephone Operator
The next question comes from the line of Joel Jackson from BMO Capital Markets. Please go ahead.

Joel Jackson, BMO Capital Markets
Hi, good morning. Could you elaborate a little bit on the guidance that you won’t be selling tonnes to Koch from Bethune until the second half of the year? I could be wrong but I think maybe the prior expectation was you would have been selling some tonnes around now. Is this about maybe some of the granulation capacity? Just wanted to get a bit of an update, thanks.
Dr. Burkhard Lohr, Chief Executive Officer
Yeah I wouldn’t like to elaborate too detailed on that because it touches individual arrangements. But I personally met the guy from Koch only a couple of weeks ago. We are both very happy with the relationship and we are both agreed that we will start with meaningful volumes; there are some small shipments but meaningful volumes into our contractual arrangement in the second half of this year. And until then we will continue our shipments into - when we talk about granular product into Brazil.

Joel Jackson, BMO Capital Markets
Okay. And is it reasonable for 2018 that you would sell more than 8 million tonnes in the Potash and magnesium segment this year?

Dr. Burkhard Lohr, Chief Executive Officer
I would like to answer the question with the following. I think we have mentioned in our annual report that our nameplate capacity is 9 million tonnes. Of course that takes into account that theoretically we could do 2 million in Bethune but we are still in the ramp up. There will be more maintenance breaks than in a normal year, so we are still a couple of years away from having the normal development in Bethune. And incorporated here also are 600,000 tonnes from Sigmundshall which will only be in our nameplate capacity for the rest of this year. And if you take all these moving parts you have close to what we are able to do in 2018.

Joel Jackson, BMO Capital Markets
Okay thank you very much.

Telephone Operator
The next question comes from the line of Marc Gabriel from Bankhaus Lampe. Please go ahead.

Marc Gabriel, Bankhaus Lampe
Good morning everybody. Three questions if I may. First could you elaborate a little bit on your assumptions for higher average selling prices given your higher share of MOP in 2018? Where should that come from? That higher price is also reflecting the weaker euro. That’s the first question.

Dr. Burkhard Lohr, Chief Executive Officer
Yeah we have seen pricing picking up almost everywhere and almost on all kinds of products. Thorsten Boeckers already mentioned that I think we have to say were surprised that SOP prices picked up earlier and as expected, and this all together leads to our expectation that we will see, including the Bethune effect, slightly higher average prices in euro terms in our statistics.
Marc Gabriel, Bankhaus Lampe
And the total cost of the outage days in fiscal year 2017, what was it finally?

Dr. Burkhard Lohr, Chief Executive Officer
It was roughly €40m.

Marc Gabriel, Bankhaus Lampe
And once again on Salt, if I remember that was in 2013/14 the winter was a normal winter, what you would call a normal winter for the de-icing salt, then you had some volumes of 13.1 million tonnes over the two winter quarters and afterwards prices rose by 20%. Now we haven’t seen that strong volume compared to Q4 2013 but is that something which you would expect as a normal winter, this 13 million tonnes?

Dr. Burkhard Lohr, Chief Executive Officer
I would expect the 13 million tonnes as a normal winter, and the most important quarter is the first quarter and this first quarter was very close to a normal winter. So yeah we are optimistic.

Marc Gabriel, Bankhaus Lampe
Okay thank you very much.

Telephone Operator
Just a reminder, if you would like to ask a question please press *1 on your telephone keypad now.

Thank you. This was the last question. I will now hand back to Dr. Burkhard Lohr for the conclusion of the call. Please go ahead.

Dr. Burkhard Lohr, Chief Executive Officer
Yeah I would like to thank everybody for joining the call and asking so many good questions. And you see a management team here that is optimistic for the future. We’re seeing significantly rising earnings.

And we would love to welcome you at our Capital Markets Day in September but in between we will see you on road shows and on other calls. Thank you very much and have a good day.
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