K+S Group
Dr. Burkhard Lohr, Chief Executive Officer
Thorsten Boeckers, Chief Financial Officer

Questions From
Michael Schäfer, Commerzbank
Jergo Silver, A.....
Christian Faitz, Kepler Cheuvreux
Thomas Swoboda, Société Générale
Andreas Heine, MainFirst
Patrick Rafaisz, UBS
Philipp Currle, DZ Bank
Neil Tyler, Redburn
Chetan Udeshi, JP Morgan
Markus Schmitt, Oddo BHF
Introduction & Key Highlights

Dr. Burkhard Lohr, CEO

Ladies and gentlemen welcome to our third quarter conference call.

Q3 was a challenging quarter for us; although the market environment remains supportive and our production in Bethune is nicely improving we were hit by the extreme drought. Nevertheless the performance in Germany, we discussed last time, is shown first signs of improvement.

Let’s have a closer look on this and the implications for the remaining months in 2018. After a brief presentation the team here in Kassel will be happy to take your questions.

Let’s start with the highlights of the third quarter on slide 3. And let me start with some positive highlights. Our revenues rose again year over year and quarter over quarter. In Potash this was due to higher pricing, mainly in overseas MOP markets and the future increase of our Canadian production. The ramp up of Bethune is making good process and quality as well as quantity has again improved.

In Salt the North American de-icing business benefited from a strong pre-stocking. Compared to last year we increased the volume of de-icing salt by more than 500,000 tonnes.

However, this overall positive development was overshadowed by the severe and ongoing drought in Germany. We stopped production of two of our three Werra sites which resulted in more than 50 outage days.

Moreover we were forced to use additional shipments of tailings wastewaters for offsite disposal. And the unusual low water levels increased freight rates substantially.

All in all the Potash division had to absorb the weather related burden of about €80m.

Furthermore Salt earnings showed a €15m freight cost headwind. As a result Group EBITDA decreased to €36m. Nevertheless on the back of significantly lower capex our adjusted free cash flow showed encouraging improvement.

Let us have a closer look at the market conditions in our Potash and Salt business on slide 4.

Overall the potash market remains supportive, demand is solid and many producers are already committed into 2019, which is also reflected in current pricing. This is especially relevant for our overseas MOP markets. But please remember two thirds of our revenues were generated in Europe and with Specialty products. Here prices are more stable and lagging behind the positive price momentum in overseas MOP markets.

In Salt we do see a mixed picture, even though positive in total. After the bidding season in the de-icing business has come to an end demand seems to be strong in the US Midwest region, demand in Europe and Canada looks slightly improved ahead of the upcoming winter. However, after a mild winter in the US East Coast, pre-stocking in this region is shy and competition remains tough. Overall market conditions for our non-de-icing businesses are intact.
The bottom line, after the first nine months Potash prices have moved into the right direction, but overall rising cost inflation needs our attention, for example freight costs increased price related by more than 5% in the first nine months compared to last year. And even on a Group level we expect an increasing trend for the quarters to come.

Let us move to slide 5 to give you an update on our production performance.

In our last call we provided you with a lot of insight into the German production. As expected the performance at our Werra mines has started to improve in the last quarter. The lack of employees and our illness rate improved. And our machinery and equipment was partially replaced.

At our Neuhof plant the loss of production was similar to the second quarter. Nevertheless the issues are under control now as we have installed most of the new production technologies by the end of Q3 2018.

Looking at Bethune we are able to increase production quarter over quarter and this positive trend continued in the third quarter as we reached in October a new production record. On top of that the seasonally lower temperatures helped to cool down our product easier. In addition in Q4 we are going to install a temporary grinder pump, both efforts should first further increase our output.

All in all we took very high efforts to tackle our production issues.

On slide 6 we’d like to talk about the very unusual weather situation here in Germany. Due to the severe drought in Germany we had to stop our Werra production at Wintershall and Hattorf in September.

To improve the situation we have further expanded our basin capacity by more than 10% to about 600,000 cubic metres and also stretched our logistics for offsite disposal to a new limit. Therefore we were able to restart the production by the end of September.

Just as a reminder without the additional measures we had implemented already last year we would have to have stopped production back in June. And very important is the look into 2019. In 2019 we will further significantly expand our capacity to store tailings wastewater on site. That will make us even more robust next summer.

Nevertheless water levels in Germany remained extraordinarily low. The rainfall that has been seen so far in the final quarters is clearly below the five year average. Due to all our counter measures we have now secured production to the beginning of December. Nevertheless we cannot exclude additional outage days until the end of 2018. In any case we do expect further expensive shipments of tailings wastewater for offsite disposal in Q4.

On top of that inland shipping is increasingly impacted by low water levels and causing overall higher logistic costs across the Group.

What does that all mean to our full year 2018 guidance and therefore please turn to slide 7. Overall demand in Potash remains robust and we expect a positive impact on pricing on our full year EBITDA. Increasing profitability of our Bethune mine and tangibly higher salt volumes will also help the situation. However, the production issues at our Germany mines, FX development and Shaping 2030 related costs will negatively affect our full year results.
The outage days in Q3, expensive offsite disposal on the back of the ongoing droughts and inflated logistics costs will reduce this year’s EBITDA. We expect additional wastewater volumes and related freight rates having an impact of up to €20m in Q4.

The bottom line, we are reducing our EBITDA guidance to €570m to €630m. This year’s cash unit cost in potash is now expected to be around €215 per tonne, excluding the weather related outages in Q3, we would have been well in line with our previous guided range of €205 to €210 per tonne.

Potential additional outage days in December are not part of our full year EBITDA guidance. The upper and lower end of our guided EBITDA range is mainly determined by the weather situation in Q4, both for the de-icing business as well as for river water levels and the implied logistics costs.

The adjusted free cash flow should improve significantly compared to 2017, mainly on the back of lower capex.

Finally let me give you a first rough idea for 2019 and therefore please move to slide 8. We have done our homework with respect to our several production issues. From next year on our Operations Excellence programme will further increase our productivity to stop the impact of declining K2O content in Germany beyond 2019.

In Bethune we are making good progress to meet our 2019 guidance of 1.7 to 1.9 million tonnes an increase of 300 to 500,000 tonnes. Altogether 2019 should show a much better operational performance. Nevertheless this year’s outage days had a negative impact on our Werra volume of about 200,000 tonnes.

Including the operational improvement we expect an increase of our Werra and Neuhof production, by more than 500,000 tonnes in 2019.

The closure of Sigmundshall will reduce our next year’s production in Germany by 600,000 tonnes, which however will have a positive impact on our profit. Cost of production should come down tangibly. Still cash unit costs will stay above €200 due to overall cost inflation.

And all in all we confirm our target of being free cash flow positive in 2019 on the back of improving operations, capex discipline and our working capital management.

Ladies and gentlemen thank you very much for your attention. We are now happy to answer your questions and as usual please one by one.

Questions and Answers

Telephone Operator
Thank you. So if you would like to ask a question please press *1 on your telephone keypads. 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 onto your next question. You will be advised when to go ahead.
And the first question comes from the line of Michael Schäfer, Commerzbank. Please go ahead.

Michael Schäfer, Commerzbank
Good morning gentlemen, thanks for taking my two questions. The first one is on logistics costs, you talked a lot about this one also in the second quarter, so also with the outlook you provided for the fourth quarter I wonder whether you can provide us some quantification on the overall logistics bill increase you are facing in 2018? And maybe a bit of split into P&M and Salt? This would be my first question.

Dr. Burkhard Lohr, Chief Executive Officer
Thank you Mr Schäfer for that question, I think I mentioned that we had additional costs in Q3 alone of €15m. And the year started with higher logistics costs in the US in the Salt business. I remember that we were talking about 15 odd percent compared to the previous year - I think that was the number in Q4, that has also slightly increased further in the following quarters, in the second and the third quarter.

Now we have this extraordinary situation here in Germany, as you are located in Germany as well you should be well aware about that, so the ships can only load a quarter of the normal load that needs - freight costs concerning the river transportation partially is four times the bill it was in the past. That is not sustainable I think once we have normal river levels again, that should come back. But we have taken into account with our guidance a significant higher freight cost number in Q4 than what we have seen in the year before.

Michael Schäfer, Commerzbank
And this is basically evenly split between P&M and Salt, how should I think about this one?

Thorsten Boeckers, Chief Financial Officer
Michael on the hand the Rhine transportation in the Germany, which mostly affects potash, the lower river levels when we want to bring the salt product to the customers, plus we have still the issue with the truck driver shortage in the US. So my gut feeling is that it’s a 50/50 split of the higher logistics costs.

Michael Schäfer, Commerzbank
Okay thanks. My second question is somewhat related to this one, you talked about 2019 that you significantly have increased your onsite storage capacity. So I wonder from this logistics bill you’re facing in 2018 with all the outages, etc, so what should we think about the relief potential from having all those measures on a kind of normal precipitation and water flow levels at Werra, so stripping out all this outage related costs, which part basically is recoverable from this perspective heading into 2019?
Dr. Burkhard Lohr, Chief Executive Officer
I talked about a significant increase of storage capacity for tailings wastewaters in the Werra area. The 600,000 cubic metres I mentioned for the basin capacity we have in hand already, although it's quite full. But we will have an additional 400,000 cubic metres temporary storage capacity in old mines in the Werra area. And that means that we in total have one million cubic metres.

So assuming that we get these basins empty again, we have one million cubic metres and that should be good for a very, very dry summer. So we are a little bit more relaxed for the future concerning the risk having standstills and the impact you know. So when we come up with guidance for 2019 we have rather have not the assumption that we have further standstills, but transportation costs for water.

Is that what you were asking for?

Michael Schäfer, Commerzbank
Yes, at least that's a fair assumption that those kind of additional transportation costs to get rid of the wastewater that these type of costs are gone basically by 2019?

Dr. Burkhard Lohr, Chief Executive Officer
Not totally because there is some obligation for to bring water to the offshore mines like Bergmannssegen-Hugo most probably next year - for water that are available for us in this extraordinary situation and we cannot just not bring any water into these mines if we don't need it, so there will be some transportation costs, but of course on a much lower level than we have seen in 2018.

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 Jergo Silver, A..... Please go ahead. Jergo your line is now open; please go ahead with your question.

Could you please check if your line is muted? Please go ahead.

Jergo Silver, A.....
Can you hear me?
Jergo Silver, A.....
Thanks so much for taking the time to answer my questions. I guess I have three main ones, but let's do them one by one. The first one is more related with the current situation of your potash production in Germany. You had mentioned when you reopened the site in Werra that you didn't expect any more production outages in 2018, now in this presentation because the water volumes remain very well, you have kind of opened the possibility that there may be more production outages.

And even though I understand it's completely a non-controllable factor I would just welcome a bit more transparency, which in terms of if the precipitation level remains at the current volume my understanding is you're not able to put enough water into the river comparing with what you produce. And so how much longer will it take, or how long can you withstand it without having a production outage. That's just basically my first question?

Dr. Burkhard Lohr, Chief Executive Officer
Well first of all I hope that everybody understands that to predict weather effects on our production is a very, very difficult thing, so we always have to work with assumptions. And as I mentioned earlier we have now 600,000 cubic metres of storage - pond capacity available. And as we had no heavy rainfall and the Werra is showing roughly 6, 7 cubic metres a second river flow but we need 30 in a normal situation that means that we have to bring a lot of our production tailings waters into this pond. And once the ponds are full and the river still has a low level we have to shut down production.

So assuming that we have no change in the current situation we are able to continue with our current available pond volumes until the beginning of December. And then it depends on will it rain in December, will we have only a couple of days standstill or a longer period? I easily cannot tell you, that's why we have to exclude that from our guidance.

Jergo Silver, A.....
No I appreciate that but that's exactly the kind of information that I was looking for. The second question I have is just kind of a more long term view on this mine and again just for me to understand a bit better how the company is thinking about it. My understanding is that from 2021, so I mean roughly every year now you're having smaller or bigger problems and so it just feels to me that there is not a lot of buffer. I understand that weather conditions were dramatic, but there’s not a buffer.

So my understanding as well is that from 2021 you have to stop doing the deep well injection and that also from 2021 your current agreement with the government, with the regional government is that you have to drop the tailings content of the water by about 33%. So in my numbers, which may be wrong, this is about - you basically can put 50% less wastewater through both ways combined.
And so my question here is what is the solution? And I’ve heard you guys talking in the past of a pipeline, but you've always admitted that that's quite a hard political solution to implement. You've been talking in the past as well of using your processes. But it just feels very non-concrete and 2021 is fast approaching. And my understanding as well is that you will have to at some point do one million less deep well injections over the next three years because of this settlement you’ve done. And so it just feels like the time is running short and there is not a concrete solution and I just wanted to know if there is any update on this?

Dr. Burkhard Lohr, Chief Executive Officer
You have mentioned a lot of aspects of our environmental strategy there for the Werra area. But the short message is we're getting more and more robust, more and more robust. First of all in the short term and may I also add this situation is so outstanding that not only K+S has problems. Much bigger companies which are dependent on the River Rhine and other rivers are facing the same situation.

And I also mentioned in my speech that we have already prepared a lot of measures otherwise we would have had standstills of a larger amount. Next year we will be more robust with this 400,000 cubic metres additional storage capacity. But you’re right; our deep well injection permit runs off in 2021. And by the way out of the one million that we promised to use to the BUND that we mentioned already half is done. It has been done this year.

We are currently negotiating with the authorities the solutions, the most probable outcome will be that we discharge our waters not only temporary but sustainably in the oil mine areas at the Werra. That means no transportation costs, that means it’s up to us how much we discharge daily. And currently we have a daily limit of 5,000 cubic metres for the deep well injection and that is a problem. And once we do this discharge in the old mines we are talking about huge volumes and the possibility to run the mines until the end of the lifetime in the '60s and still discharges there. And then we are almost totally independent from situations that we have been facing this year.

Jergo Silver, A.....
Great that's very clear. And regarding the - am I correct; I just read this on the plan that you have done with the authorities. Is it correct that the tailings content of what you’re putting into the river also drops a lot in 2021 or not?

Dr. Burkhard Lohr, Chief Executive Officer
As I just explained to you this is a completely new concept and therefore we would not need a pipeline any more. We also talk about this - it's very short - but it's too early to give any results.

Jergo Silver, A.....
Understood. And my last question if I may which is a bit shorter is just in terms of the logistic costs. If I understood correctly what you said before you said that the impact on Q3 alone was about €15m, and there was roughly an even split between potash and salt.
Could you give us a sense on the potash side how much of it is due to the wastewater which you know it should be a non-recurring element and how much of it is due just to higher shipping costs worldwide and are just the reality?

That's the first part. And the second part is can you give us a sense of how much of these two things you're passing to consumers or not?

Dr. Burkhard Lohr, Chief Executive Officer
I'm not sure if I can give you heart all the numbers you are asking for, but the €15m I mentioned, 15, that is only salt and that has nothing to do with our tailing water transport. Another number I can give, you the tailing water transport and with all the freight cost increase effect that we have on that transport as well will be roughly €20m in Q4 and that is all incorporated in our guidance.

Jergo Silver, A.....
Got it. And so the €15m of transport cost is only on the Salt business. Do you also have increased logistic costs on the Potash business? I mean shipping rates have been going higher and you also have to ship the product in Germany and so do you also have a number, a higher number on there, or there is no problem?

Dr. Burkhard Lohr, Chief Executive Officer
Yes and if I remember correctly it's close to €10m.

Jergo Silver, A.....
Understood, so it's €25m total both businesses combined, is that correct?

Dr. Burkhard Lohr, Chief Executive Officer
Yes.

Jergo Silver, A.....
Thank you very much for your time.

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, thanks for taking my two questions. The first question would be you are cutting capex spend by a good €100m compared to your last guidance, which projects so late in the year have been capped, can you elucidate this a bit? That's my first one.

Dr. Burkhard Lohr, Chief Executive Officer
Thanks for that question. We have started in this quarter to be very, very strict with all cost items. We knew that we were running into a difficult year, it started with operational performance which has tremendously increased, and then we had the drought situation and we have been working on saving capex and saving costs, but not in the magnitude that we have of course now or in the future a negative impact.

And the roughly €100m is the result of a lot of small items, some postponements into next year, but that will not drive our capex over the guided to €600m next year, because we will continue to be cautious. So I cannot name one or two projects, but it's the sum of a long list of small items. And again a smaller number out of the €100m is postponed into next year.

Christian Faitz, Kepler Cheuvreux
Okay great, thanks. Then the second question you already mentioned the good performance of Bethune already also in October, record rates. What is your current annualised run rate for Bethune?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah we stick to the number that we gave. First of all I'm really happy and proud on that development, we were facing the problems that you know and we have solved them in a tremendous way. And we know there is more steps that we will implement, the final grinder pump, now we are working with a temporary and once the cooling facility is installed we have reached the quality that we are looking for and the production process and the flow that we are looking for. Currently we are able still load the rail cars with free flowing material, it's really good. And we have one week after the other a new production record.

So it took us a little bit of time in Q3 to get to that performance, that's why we are ending more at the lower end of the guidance that we gave of 1.4 million to 1.5 million, but we are pretty sure that we will achieve the range 1.7 million to 1.9 million for 2019.

Christian Faitz, Kepler Cheuvreux
Okay great. Thank you very much.

Dr. Burkhard Lohr, Chief Executive Officer
Thank you.
Thomas Swoboda, Société Générale
Yes good morning gentlemen, I will limit myself to two questions. On potash prices in Europe the gap to the other markets, big spot markets is a little bit bigger than usual. I'm just wondering what kind of feedback are you getting from your European customers? Is there a good chance that this gap will narrow going into 2019, or is there any bigger than usual resistance to higher prices in Europe?

Thorsten Boeckers. Chief Financial Officer
No Thomas demand is strong in Europe. The thing why European prices are recovering a little bit less fast as for example as Brazil is because they haven't fallen that strongly when we look into the last decline of the prices between 2016 and 2017. And so we do see a strong recovery there.

I mean it all depends on the demand, pre-demand for the next spring season, but we haven't heard anything that would hinder us from seeing a good season there at this point in time.

Thomas Swoboda, Société Générale
Perfect, the second question is kind of a follow up on the cost inflation discussion. I mean thank you very much for giving us indication on the logistic costs, but you probably have already good visibility on wages and energy as well, would you like to give us some guidance on the cost inflation here going into 2019?

Thorsten Boeckers. Chief Financial Officer
I don't want to dig too much into details there. To some extent we are limited to strong increases for example in gas prices, because we have hedged ourselves into - beyond 2020 even and the biggest consumer here for gas is certainly Bethune. We would still see oil price increases via our suppliers for logistics certainly. When I take everything together I would say on our cost basis - cost inflation of 3 to 4% is not - wouldn't be unusual?

Thomas Swoboda, Société Générale
That would be including logistics, all in?
Thorsten Boeckers. Chief Financial Officer
That's all in, that's all in yeah.

Thomas Swoboda, Société Générale
That's perfect, thank you very much for this.

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

Andreas Heine, MainFirst
Yes, two questions from my side. The first is on the unit cost guidance you have given for next year being above €200, can you elucidate a little bit on how you get to this bridge from this €205 to €210 you would have without the water issues?

So looking at that Sigmundshall is closed which has above average costs and that the increase at the Werra with things which have not to do with the water flow should have reduced the cost quite significantly. And in addition of course the increase in the production of Bethune as that is running smoothly. So I had expected, I have to say, a number slightly below €200. That's my first question.

Thorsten Boeckers. Chief Financial Officer
Yeah Andreas you’re right, but we said already in the last call and it's correct - that we expect in the midterm certainly we expect a number below €200 per tonne, but not for 2019. We are not yet back where we want to be with our German production book despite our progress we are making there. On the other hand some things like machinery availability and lower K20 content will also follow us in 2019 and will limit our ability to produce.

On the other hand we see a good contribution from Bethune, so on average Bethune is already today lowering our average production cost, but we do not see a number below €200 for 2019 yet.

And I also talked about the cost inflation that we're going to see, this was the question from Thomas right before you.

Andreas Heine, MainFirst
Okay, good that helped me on that. And then maybe still an update on Bethune, so the target was to achieve - to be EBITDA plus this year, can you confirm that that is the case?
Dr. Burkhard Lohr, Chief Executive Officer
Yes I can confirm and it will be a midsized double digit amount - the EBIT number - sorry EBITDA number of course for this year and I also confirm that we want to achieve EBIT breakeven next year and that is doable with the production range that I gave you.

Andreas Heine, MainFirst
Thanks.

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

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

Patrick Rafaisz, UBS
Thanks there are two questions from me as well. The first would be on the bridge into 2019, is there any reason why we should assume that the €80m impact you flagged for the outage days, is there any reason why we should assume that that doesn't reverse 100% next year?

Dr. Burkhard Lohr, Chief Executive Officer
Now then it’s again a question taking into account the weather situation. So if we have in the next couple of months a situation with heavy rain and we are able to empty our basin, our ponds again 600,000 cubic metres, and we get the approval to what I expect, to store the 400,000 cubic metres in the Werra area temporarily, so we have 1 million cubic litres available storage, then it is very improbable, very improbable. But those are the two requirements, first of all we must have a window where we empty this basin and again the second step has to be approved by the R......, the authority here. I expect they will do it. And then we are very, very robust and then we can skip the 80 million impact where we will not see that again.

Patrick Rafaisz, UBS
Okay thanks. And the second question on Salt, you lowered the guidance a bit here on EBITDA from flat to slightly down. What has changed here in your outlook? I mean the freight or logistics costs you were already aware of during Q3 and we already talked about that for the second quarter, I think it was about a similar amount. So why did you become a bit more cautious here?
Thorsten Boeckers, Chief Financial Officer
Yeah Patrick it’s mainly the logistics costs indeed which are overcompensating the positive benefits from higher volumes and better prices.

Patrick Rafaisz, UBS
But the logistics costs are nothing new right or do they get worse?

Thorsten Boeckers, Chief Financial Officer
Yeah but they do continue to increase and I mean last time we spoke we haven’t expected that Q4 remains as dry as it does for example in Germany, and we talked about fleet surcharges, freight surcharges because of low water levels and this is something which comes on top of what we have known.

Dr. Burkhard Lohr, Chief Executive Officer
To give you one example in the past when we have shipped our salt, and we are talking salt now, to France it was a number slightly below €10 per tonne, now we are talking 40. We could not know this development when we had our last call.

Patrick Rafaisz, UBS
Okay good example, thank you very much.

Dr. Burkhard Lohr, Chief Executive Officer
Okay you’re welcome.

Telephone Operator
The next question comes from the line of Philipp Currle from DZ Bank. Please go ahead.

Philipp Currle, DZ Bank
Good morning and thank you for taking my two questions. The first one is on Sigmundshall. You expect the negative EBITDA effect of €20m in 2018 I think. The result of the plant closure at the end of the year and the resulting significantly lower productivity. Is this value still valid or have your expectations deteriorated further?

Dr. Burkhard Lohr, Chief Executive Officer
The value is still valid and I really have to say respect to everybody engaged. They are doing a tremendous job taking into account that they are closing their mine by the end of the year, there is no extraordinary negative development to see and we are not expecting this until the end of the year.
Philipp Currle, DZ Bank
Okay thank you. And the second question, you started with the realisation of synergies in Q3. I think the synergy target of €150m by 2020. Is there already a first success and how high is the amount realised?

Dr. Burkhard Lohr, Chief Executive Officer
There is good progress. We have started implementing the measures that we have defined for the admin areas and we have identified a lot of measures in our operations, that is even a bigger lever. And we will start implementing them from next year on. We also have started our synergy programme in procurement and in some other areas but as we have guided this year costs for making that happen and the synergies equal more or less the first positive net effect will be next year. And by the way I’ll confirm again the 150, but that is after 2020. So the first year with a net 150 plus X number will be 2021, that was always the plan.

Philipp Currle, DZ Bank
Okay thank you.

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

Neil Tyler, Redburn
Good morning, two questions from me. First of all to clarify on the water issue, in order to be able to empty the basins do you require above average river levels or will things returning to a sort of five year average rainfall level fill rivers sufficiently for you to be able to do that? That’s the first question please.

Dr. Burkhard Lohr, Chief Executive Officer
We would need a normal rainfall for this season, a normal rainfall and a normal river level, but not only for a couple of days, it would be rather a couple of weeks we’d need.

Neil Tyler, Redburn
So literally two weeks of normal rainfall and you could empty the basins that are full currently?

Dr. Burkhard Lohr, Chief Executive Officer
No, more than two weeks. But normal weather situation for this time of year, for the next - I cannot give you a number precisely. But if we would see from now our normal
weather which we normally see in Germany in December, January, February, March we
should be done with this problem. So no extraordinary rainfall or floods needed for that.

Neil Tyler, Redburn
Very good thank you. Second question on the Salt business, does your guidance imply
any Q4 volume caution brought about by early season demand, i.e. do you think your
perhaps customers have bought early in the third quarter and therefore Q4 demand
might not be quite so robust?

Thorsten Boeckers, Chief Financial Officer
We have seen good pre-stocking in the third quarter but it was not in that way that we
say many have bought what they actually would buy in the fourth quarter. So we have
incorporated in the fourth quarter more or less normal quarters. And yeah I mean in the
end this depends on if we see cold and wet weather or not right, this determines in the
end the sales volumes.

Neil Tyler, Redburn
Okay thank you. I might just chance another very quickly. Bethune, do the ongoing
product issues impact the realisable price of the product that you’re selling or is it really
just a volume issue at the moment?

Dr. Burkhard Lohr, Chief Executive Officer
That is only a volume issue. We have no - we are selling to market prices.

Neil Tyler, Redburn
Okay very good, thank you.

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

Chetan Udeshi, JP Morgan
A couple of questions from me. Number one is do you think or is there a way for you to
estimate how much you might have seen benefit in terms of your Salt business from
outage from one of your competitors in the US in Q3 and even in Q4 if you see that
benefit at all?

And the second question is -
Dr. Burkhard Lohr, Chief Executive Officer

Sorry one by one please.

So the bids are done so we know what we have - the orders that we have in hand in terms of volume and price. And if one of our competitors who have won another bids are not able to deliver then they will ask us for more volume, but it’s impossible to predict an impact for us.

Chetan Udeshi, JP Morgan

So you don’t think you had any impact in Q3 at least?

Dr. Burkhard Lohr, Chief Executive Officer

No.

Chetan Udeshi, JP Morgan

Okay. Second question is given the cost guidance on the Potash production for next year it seems all of the delta maybe compared to the expectation earlier this year to now in terms of cost increase seems more in German plants, or do you think there has been a change in terms of cost per tonne production targets even for your new Canadian mine in Bethune?

And can you remind me what is the target cost for Bethune? Thank you.

Dr. Burkhard Lohr, Chief Executive Officer

Yeah the inflation and extraordinary inflation items are more a German topic. As you know we have the biggest cost item - cost of production in Canada is natural gas and as Thorsten earlier said we have hedged this even into 2022, not the whole volume but a good portion of that. So inflation is not a big issue in Bethune. But of course Bethune has a significant positive impact on our average costs of production, not only due to the fact that primary mining is cheaper than here in Germany, but the secondary mining that we start next year, that has a huge impact. But all in all inflation volumes that we expect etc. we will be slightly above €200 still in 2019.

Chetan Udeshi, JP Morgan

And what is the target cost actually for Bethune? Do you guys have an aim to get to some specific costs per tonne in Bethune specifically?

Dr. Burkhard Lohr, Chief Executive Officer

Yeah we still stick to the indicated number years ago of 90 Canadian dollars fully ramped up, only production costs. So you cannot compare this with the 200 because it’s not a setup, but you can find the entire setup in our compendium as well.
Chetan Udeshi, JP Morgan
Understood, thank you.

Telephone Operator
The next question comes from the line of Markus Schmitt from Oddo BHF. Please go ahead.

Markus Schmitt, Oddo BHF
Yes good morning. I have just one question regarding your bond which is due in December. Will you use your RCF to redeem the bond or is there a short term issue plan, for instance a promissory note loan? Because I think in the past you preferred to keep the RCF as a backup line.

Thorsten Boeckers, Chief Financial Officer
We have in July issued a bond of €600m and this was always the plan to refinance the bond in December with this money. And when you look at our balance sheet and taking cash and short term security or any of that together we have the money on the balance sheet. So for debt purposes we have the money.

Markus Schmitt, Oddo BHF
Okay good, thank you very much.

Telephone Operator
We have no further questions coming through so I will now hand you back to Dr. Burkhard Lohr for the conclusion of the call. Please go ahead.

Dr. Burkhard Lohr, Chief Executive Officer
Yeah thank you all for your attention and thank you for being interested in our news. Granted we have a difficult quarter behind us but I think what we’ve discussed shows there is good reason to be optimistic on the short term future of K+S and especially the long term future. And I’m looking forward, and Thorsten as well and the K+S team here in Kassel, to see you in one or another occasion again. Thank you and have a good day. Bye-bye.

END