Questions From
Michael Shafer, Commerzbank
Christian Faitz, Kepler
Neil Tyler, Redburn
Patrick Rafaisz, UBS
Thomas Wrigglesworth, Citi
Thomas Swoboda, Société Générale
Markus Mayer, Baader Helvea
Analyst, Pareto Securities
Chetan Udeshi, JP Morgan
Chris Ryan, Bank of America
Philippe (?)
Markus Schmitt, ODDO BHF
Introduction

Dr. Burkhard Lohr, Chief Executive Officer

Ladies and gentlemen welcome to our full year 2018 conference call. Let me start with some general thoughts on last year’s performance. 2018 was a demanding year for us. We had to face extraordinary factors like the extreme drought in Germany. As a result we were forced to temporarily stop production at our Werra potash plant in September and again at the end of the year.

Just a few years ago these interruptions would have caused earnings to slump dramatically. Today however K+S is stable enough that despite all headwinds, a slightly improved EBITDA can be reported.

We made progress with our German production and met our Bethune related profitability targets. We added additional buffer capacities at our Werra sites, and without our improved water management we would have had to report shutdowns in June already instead of September.

However we are working hard in becoming even more robust against weather related disruptions and to deliver on our Shaping 2030 related promises. We are making progress and are on a very good track to achieving our targets.

And now please open slide number one.

We have increased our Group revenues by 11% and our EBITDA by 5%. A positive pricing environment mainly in potash but also increased volumes across all segments were quite supportive.

In Salt we shipped more than 3 million additional tonnes as a result of the harsh winter at the start of 2018. Furthermore we increased our Canadian potash production and achieved 1.4 million tonnes which is almost half of the total capacity.

Due to the drought we had to stop production at our three Werra sites which resulted in 64 outage days. Moreover we were forced to use additional shipments of saline waste water for offsite disposal. On top of this the unusually low water levels had a negative impact on trade rates which increased substantially.

Keeping in mind that already back in 2017 the Potash division had to carry a weather related EBITDA impact of about €40m; the burden year on year was therefore additional €70m. In absolute terms the effect amounted to €110m in ’18.

Due to a significantly lower capex our adjusted free cash flow improved by almost 50%. Adjusted for our outage days net debt to EBITDA would have resulted in a multiple of 6.2. Our dividend proposal of 25 euro cents per share implies a payout ratio of 56% which is slightly ahead of our guided range, but also reflects our optimism for 2019.

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

Overall last year’s potash market was quite supportive. Global demand increased to a good 71 million tonnes from under 70 million tonnes in 2017. At yearend most producers were sold out into Q1 ’19 which also led to robust MOP pricing, especially in our overseas business. Please keep in mind that more than half of our revenues were generated in Europe, and with Specialty products having a more resilient price development and have recently also started to pick up. Our average selling price for our potash and magnesium product portfolio of €264 per tonne is therefore still lagging behind the described market environment.
So let's move to slide five to give you an update on our potash production. In 2018 we worked very hard to tackle our production challenges. However adjusted for outage days in December we missed our target by almost 100,000 tonnes in Q4. In total we achieved an annual production of 7.5 million tonnes.

At our Werra mines we had addressed all issues which caused last year's headwinds, and overall product availability has already improved.

Unfortunately at our Neuhof plant the low roof stability reoccurred despite countermeasures installed in Q3. For safety reasons we stopped mining in that sector which is one of the three fields we are active. We are working on solutions to continue in that area. In the meantime our production is moved to the other mining sectors which takes time and effort.

As a result last year's production fell short of our initial planning by the above mentioned 100,000 tonnes, and we'll also be burdened by additional 100,000 tonnes in 2019 year on year.

Looking at Bethune, production is continuously increasing. To further increase product quality we are going to install a grinder pump in the first half of 2019, and some cooling equipment in the second half of the year as discussed.

On slide six we would like to talk about the weather impact. I have already mentioned our outage days with a negative EBITDA effect of €110m. To improve the situation we expanded our basin capacities by more than 10% to about 600,000 cubic metres last year already and also expanded our logistics for offsite disposal.

In early summer 2019 we intend to further expand our capacities to store saline waste water underground onsite by up to 400,000 cubic metres. This will make us even more robust this year. The good message is there is a high probability to have no weather related standstills in 2019.

Let me give you an update on our potash production target for 2019 on slide seven. This slide is already quite familiar to you. As you can see we will get back the volumes lost by the weather related outage days and from our production issues at the Werra site which are now resolved. However the performance of our Neuhof site also has an impact on this year’s production. Nevertheless we will regain about 500,000 tonnes of production in total.

At Bethune we are making good progress to meet our 2019 guidance of 1.7 to 1.9 million tonnes as described, an increase of 300 to 500,000 tonnes. The closure of Sigmundshall will reduce our production in Germany by 600,000 tonnes which however will have a small positive impact on our profits. All in all we expect 7.7 to 7.9 million tonnes of production in 2019.

Cost of production should come down tangibly as we replaced high cost production by more profitable volumes from Bethune. Cash unit costs will stay above €200 due to overall cost inflation, as already indicated last year.

So let's move to the Salt trading update on slide eight.

In Salt we saw a mixed picture. In the fourth quarter the strong pre stocking in North America continued in October. The de-icing business in November was at a normal level but December was below average.
Demand for de-icing salt in Europe was a bit low in the fourth quarter. In total we saw a slight increase in de-icing salt volumes year on year. Prices in the current season for de-icing salt were up in Canada and the US Midwest as well as in Europe. We continue to see a highly competitive environment in the US East Coast.

While in Europe the wintry weather conditions at the beginning of 2019 caused a slightly above average demand for de-icing salt, the business in North America was still a bit below our expectations, but caught up in the last weeks. However in total we are on schedule so far this year. Demand for our non-de-icing products is solid with increasing sales volumes.

Now let’s come to our outlook for 2019 based on our new external reporting structure on slide nine.

Based on what we have discussed when introducing our Group shaping 2030 strategy, we are working hard to break down silos and build one company. The implementation of our Shaping 2030 strategy is advancing with visible results. In 2018 we started to make our administrative functions more efficient and focus on delivering customer value. Initial synergy effects have already been achieved in procurement, production, as well as sales and marketing.

The reorganisation is progressing well. From Q1 onwards this improvement will also be reflected in our external reporting. With our four customer segments agriculture, consumer, industries and communities we will provide further more customer oriented information. The two new operating units, Europe+ and Americas, are our reporting segments under IFRS.

Let’s discuss our outlook for 2019 in the following slide.

We want to give you a better guidance already at this stage of the year. Therefore we provide you with a range for our EBITDA today and not only in August like we did in the past.

EBITDA is expected to improve significantly to between €700m and €850m. This forecast is based on an average euro US dollar spot rate of 1.20. We see a good market environment for fertilisers. After the robust demand we experienced in 2018, we expect global potash demand to remain at least stable. The positive environment of 2018 should therefore also favourably reach into 2019.

We see a further increase of our Canadian production and there is a high probability that we have no weather related standstills in 2019.

Rising cost inflation is likely to soften some positive effects from potash pricing. The adjusted free cash flow will improve significantly and turn positive in this year. This is the most important target for all of us in the quarters to come.

I am fully convinced that we have every reason to be optimistic about our future. The management is keen to show our shareholders the huge potential we have here at K+S.

Ladies and gentlemen thank you very much for your attention. We are now happy to answer your questions and, like always, please one at a time.
Questions and Answers

Telephone Operator
Okay so 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. As a reminder if you would like to ask more than one question please only submit one question at a time. Once answered we will then move to your next question and you will be advised when to ask your question.

Okay so our first question comes in from the line of Michael Schafer calling from Commerzbank. Please go ahead.

Michael Schafer, Commerzbank
Good morning gentlemen. Thanks for taking my two questions. I’ll start with the first one. Coming back to your outlook statement for 2019, a rather broad range. Maybe you can walk us through the sensitivity on the US dollar side, I mean 1.20 if you were to put this into mark to market and relate it to this one? Maybe also some hints what you have baked in and the upper and the lower end of your guidance range? That would be my first question.

Thorsten Boeckers, Chief Financial Officer
We have against this expectation the FX at - or when you take the FX rate at 1.15 this could mean positive variance of about 40 million. Then we have baked in, in the mid-point, the expectation of what we call a normalised winter. So if we see in the pre demand and also in pricing here stronger or weaker numbers which we cannot forecast yet for the fourth quarter, this would be one variance.

We don’t know yet the start of the fertiliser season neither in Europe, nor in Brazil, hasn’t started yet really. And what we also have baked in and this is what you see in one of the charts Burkhard presented, a range for production we are expecting. And here we said especially for Bethune we could see 1.7 to 1.9 million. And one determines - it’s part of the determination of the lower end of the range and the other one of the upper obviously.

Michael Schafer, Commerzbank
My second question would be on your free cash flow. You are targeting positive free cash flow so a turnaround there. I still see something like 600 million capex as an outlook for 2019 compared to something like north of 500. I recall obviously last year you started with 600 million into 2018 basically was the kind of guidance, so maybe the changing, moving bits and pieces here for the free cash turnaround and how conservative is your capex outlook?

Thorsten Boeckers, Chief Financial Officer
I would first of all call our expectation of capex of 600 million realistic because this is what we expect from our bottom up planning. We have this year tailing piles expansions in Hattorf going on and also in Zielitz starting, in Wintershall as well. So this is where the improvement comes from.
And then what we have shown last year where we also expected 600 million of capex we have shown that if necessary we can reduce the capex. This is of course nothing you would do from the beginning on because you want to invest in order to maintain either your sites or expand them, but there is certainly some flexibility. And what we should keep in mind is we always look at the capex on the balance sheet. When you look into the cash capex, the cash capex was above 500, I think 513 or so, so the difference is not that big when you just look into the cash flow statement.

Michael Shafer, Commerzbank
Okay thank you.

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

Christian Faitz, Kepler
Good morning gentlemen. A couple of questions. So first question surrounding your ongoing production issues. Can you put a bit of meat to the bone on what’s going on in Neuhof and also the lower K2O content in Unterbreizbach? And related to that potash wise why do you still have caking issues in Bethune?

Dr. Burkhard Lohr, Chief Executive Officer
Okay let’s start with the German sites that we are running through an area with lower K2O content as previously expected, that we have reported in Unterbreizbach we have reported last year and we have already indicated that we will see effects of that in 2019 as well. We should be through that area and we know that we get a higher K2O content after we are done so in ’20 we are hopeful to see a positive turnaround of the situation.

The last remaining bigger issue is the Neuhof plant where we have still not fixed the situation with our roof stability. We thought we could fix it with another anchor situation, stronger, longer, but that didn’t work. We have really an extraordinary geologic here in this area and now we believe the solution will be to narrow the space between the piles - the pillars and that requires a lot of pre work and adjustments. And that’s why we believe we will be able to do so and go back into that area, which by the way has a higher K2O content, that’s why we want to desperately find a solution for it, but that will be most probably not done before the end of this year. That’s why we have decided to take out the additional 200,000 tonnes. So if you take ’18 and ’19 we will lose 200,000 tonnes compared to our original plans for Neuhof. But that is all baked into our guidance.

Christian Faitz, Kepler
And on that if I may on that one, more narrow mining also means higher costs right?

Dr. Burkhard Lohr, Chief Executive Officer
Once we have prepared that the cost is not significantly higher. But we will take out less out of this area, that is the higher consequence. That means we cannot mine all the
volumes that we would have liked to mine in this area, but that has no immediate effect and the higher cost is not meaningful.

Coming back to Bethune, that was the last part of your first question. There is no surprise. We indicated to have the perfect quality we need to install these grinder pumps, that will happen pretty soon. And at the end of the day we need to have these cooling facilities and that will be installed by the end of the year. And we see now in the cold period it worked better, but there will be the summer of course to come without this cooling facility and that’s why we have modelled these effects that we most probably will see into the volume expectation for 2019.

Christian Faitz, Kepler
Okay thank you. Then second question, Thorsten mentioned it’s too early to touch fertiliser demand in Europe. I mean walking the dog I saw with my own eyes fertiliser being nicely applied in Europe already, in the region here. So I mean what are the early indications of demand in Europe? Do you have any feedback from your salespeople?

Dr. Burkhard Lohr, Chief Executive Officer
The same that you have seen obviously, Europe is picking up nicely, earlier than last year. You might remember we had a very long winter last year and we made our de-icing volumes in March in last year. So no reason to be concerned. But of course Thorsten is right, we need to see the development of the whole year and of course in all areas, that’s why we are - it’s only March and that’s why we have a range of €150m. You know we have so many moving parts but we are quite confident to stay in this range for the remainder of the year.

Christian Faitz, Kepler
Okay, thank you very much.

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

Neil Tyler, Redburn
A couple from me please. I’d like to touch again on the potash production in Germany. The 200,000 tonnes that you have effectively removed from the 2019 guidance, is it sensible to assume that that volume recovery should materialise in full in 2020 or sort of phased over 2021? I’d really like your thoughts on the longer term volume outlook for Germany. Is 6 million tonnes the right number to think about long term or do you see that on an either increasing or declining trajectory?

Dr. Burkhard Lohr, Chief Executive Officer
First of all yes if everything works out fine we should see additional 200,000 tonnes in 2020 already. But I have to remark caveat, maybe it’s only 150, 120 or whatever
because there is still a plan to tackle the problems in Neuhof and it remains to be seen whether we are able to do it, but we are quite hopeful.

And there is another project running which will have a positive impact that is our operational excellence project. That’s one of our synergy projects. You know that we indicated we want to improve our EBITDA by at least €150m by the end of 2020, and the biggest portion comes from operational excellence. We have around 1,000 measures to improve our work onsite and some of them are cost cutting measures and some of them are some meaningful measures to increase the throughput. So we might see that it’s too early to raise numbers but we might see a positive impact on the German production out of operational excellence. But we will report more on that in the course of this year.

Neil Tyler, Redburn
Okay thank you. Second question on capex again. The two investments that you mentioned in Bethune, can you perhaps offer some scope for magnitude of those? And am I just interpreting the message from Thorsten there on capex that the low end of the EBITDA guidance range you’d probably crank back the capex in order to be able to hit the free cash flow target, is that the way to sort of think about the various moving parts?

Dr. Burkhard Lohr, Chief Executive Officer
First of all we have the measures that we take in Bethune fully baked into the €600m, and we are not talking about meaningful volumes, midsized double digit Canadian dollar amount for both together. And some of that is compensated by the budget Bethune has anyway for their capex requirements.

Second part of your question, we have shown some flexibility without having negative impact, that is important, on our running business to steer our capex. And if needed we would also do that in 2019. But our guidance, we will have a slight positive free cash flow even at the lower end, it’s assuming €600m capex.

Neil Tyler, Redburn
Okay, that’s clear, thank you.

Telephone Operator
The next question comes in from the line of Patrick Rafaisz who’s calling from UBS. Please go ahead.

Patrick Rafaisz, UBS
Good morning. Thank you for taking my questions. The first one would be on Bethune and the secondary mining that should start at one point during 2019. You said in the past that you’d expect something between 100 and 200,000 tonnes to be added in 2019. Is that still a valid guidance and can you already say when exactly the start-up will be?

Dr. Burkhard Lohr, Chief Executive Officer
Thanks for that question. We have started last year already. No big volumes but we have started the process and we have seen it works and that’s why we are very sure to
be able to deliver the 100 to 200,000 tonnes secondary mining. And as you know that is very low cost production and we are very happy to see that ramping up now.

Patrick Rafaisz, UBS
And following up on this your cash on net cost guidance for over 200 due to cost inflation, could that change if the secondary mining comes in at the upper end, so at 200,000 tonnes? Or is that independent of this?

Dr. Burkhard Lohr, Chief Executive Officer
Now first of all I would like to use the opportunity to indicate that Bethune with only 50% of the capacity has a cost per tonne number which is below our German number. So it has already a positive impact. So it indicates what is ahead of us in the future.

But if we talk about the upper end, the 100,000 tonne secondary mining at the upper end is not big enough to really turn the needle.

Patrick Rafaisz, UBS
Okay thanks. And then another question on the Salt business, and I realise it’s very early days and March is still in full swing, but do you have already any view on how channel inventories might evolve into the next contract season later this year?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah here we always have to differentiate between the different areas and we talk about Canada, Midwest, East Coast and Europe. In total we can say already that we will be very close to our expectations for the first quarter - in total. Canadian business is always stable and that was stable this year as well and we go out of the season with normal to low inventories, so we are quite positive for the next bidding season.

East Coast was above our expectations, so here we will see competition in the next bidding season. But Midwest has changed significantly. We have sold our entire stock, so we are out of inventories and we believe that will be the same for the rest of our competitors and for our customers. So that should show a nice development in the bidding season.

And Europe was on average. So in total we are happy with the first quarter and we are positive for the bidding season to come.

Patrick Rafaisz, UBS
Okay thanks, very clear. Then one last question on your new reporting structure with Europe+. Will you still be showing Potash numbers separately within that segment or will it all be mixed up with the Europe Salt business?

Dr. Burkhard Lohr, Chief Executive Officer
We will show agriculture potash numbers. So it’s even more transparent for you because we show what is the development of potash which goes into our customer segment or is sold in our customer segment agriculture and the rest is industries. So in
the past we have always blended these numbers although we have completely different customers and partially the dynamics are different. That is good news for you.

Patrick Rafaisz, UBS
Okay good, thank you.

Telephone Operator
The next question comes in from the line of Thomas Wrigglesworth calling from Citi. Please go ahead.

Thomas Wrigglesworth, Citi
Good morning gentlemen, thank you very much. My first question is you’ve said that ASPs will be moderately up for 2019 in your guidance. Could you help me understand how you’re thinking about the Specialty component within those ASPs versus the kind of commodity component outlook that you see for 2019?

Dr. Burkhard Lohr, Chief Executive Officer
Usually the Specialties are following with a time lag and that is the case this time as well. When we have seen strong increased MOP prices in Brazil for example the SOP prices still were flat. But at the end of last year we have seen some recovery and we believe this is a sustainable development.

Thorsten Boeckers, Chief Financial Officer
I may add something here. We hear a lot about reduced or reduced to zero China export tax. I think we should think in this context this is not going in our core markets. Our core markets are Europe, a little bit of Middle East and America. And some of these markets we certainly meet Chinese potash, in Middle East for example, but our salespeople don’t believe that there are major disruptions on the pricing to expect because the volumes overall are not really big at this time.

Thomas Wrigglesworth, Citi
Thank you Thorsten, that actually anticipated my second question.

Laughter
So just as a follow up, just a kind of housekeeping one, exceptional costs that we should be expecting for 2019, can you give any guidance on those?

Thorsten Boeckers, Chief Financial Officer
You mean overall cost per tonne or...?
**Thomas Wrigglesworth, Citi**

No, no just exceptional kind of - in terms of obviously you've got the 2030 plan cost savings; you've got maybe other costs that might become exceptional through the course of the year. I'm not looking obviously weather related, I'm not talking about the Werra River, I'm just talking about other exceptional costs that we should be factoring in.

**Dr. Burkhard Lohr, Chief Executive Officer**

Of course together with our Shaping 2030 initiative I mentioned one positive effect, but there are of course extraordinary effects. We indicated last year already that we will cut our workforce in administrative areas by 10% and it will not work without any measures like that in the production areas so we will have some redundancy costs. But in total we expect higher savings out of these measures in this year already than costs. It's not a big delta but it's a slight positive impact. Besides that we have no extraordinary burdens.

**Thomas Wrigglesworth, Citi**

Okay is that going to be a low double digit number then for these costs?

**Dr. Burkhard Lohr, Chief Executive Officer**

The costs, no we would rather like to talk about the net effect and that is a low double digit number.

**Thomas Wrigglesworth, Citi**

Okay brilliant. Thank you both very much.

**Telephone Operator**

The next question comes in from the line of Thomas Swoboda calling from Société Générale. Please go ahead.

**Thomas Swoboda, Société Générale**

Yes good morning gentlemen. I think I still have three if I may. Firstly on free cash flow you have provided us quite detailed guidance on EBITDA. Would you mind providing us a range on free cash flow if you can? And should we expect a normalised cash flow or do you see any funnies either to the positive or to the negative side in 2019?

**Thorsten Boeckers, Chief Financial Officer**

Thomas we don't want to give more ranges out than that for the EBITDA but I mean we gave you already the hint that even with an EBITDA at around the 700, we still see a slight positive free cash flow. We're not going to be more precise on this.

With regard to any funnies in this year's numbers, I wouldn't expect those. I mean we had last year slightly higher cash taxes. We had tax audits where we paid taxes afterwards so we expect cash taxes to go down. We see a normal tax rate. We certainly
see slightly higher financial results but this is all the impact we see so it’s net positive. So also the cash flow improves with the EBITDA.

Dr. Burkhard Lohr, Chief Executive Officer
If I may add, slightly positive means not much more than breakeven.

Thomas Swoboda, Société Générale
That’s fine, thank you. My second question is on Bethune. I think in the past you were saying that Bethune should turn EBIT positive in 2019. I haven’t seen a confirmation of that in your written statements today. Am I mistaken or is there any change? Should there be profitability at Bethune in 2019 versus previous expectations?

Dr. Burkhard Lohr, Chief Executive Officer
Then you get the confirmation now, we expect EBIT positive for this year. It’s a change in the setup because we are behind our original ramp up curve for the reasons we have discussed, so lower volumes but higher prices and that ends in the same EBIT number so we are positive.

Thomas Swoboda, Société Générale
Right, perfect. And my last question is on the IFRS fixing effect. Could you give us a hint what is it on EBITDA and on free cash flow for 2019 please?

Thorsten Boeckers, Chief Financial Officer
We see a positive impact on both metrics of a low double digit number.

Thomas Swoboda, Société Générale
Low double digit, perfect thank you.

Thorsten Boeckers, Chief Financial Officer
And Thomas if I may add that we’re now talking about it but investor relations started to talk about this certainly half a year ago. So I would assume that most people have anticipated this.

Thomas Swoboda, Société Générale
No worries, thanks.

Telephone Operator
The next question comes in from the line of Markus Mayer calling from Baader Helvea. Please go ahead.
Markus Mayer, Baader Helvea
Good morning gentlemen. I have several questions on the ...

Thorsten Boeckers, Chief Financial Officer
Markus you’re very hard to understand.

Markus Mayer, Baader Helvea
Firstly on the alternative sensitivities. I’m a little bit puzzled on the 40 million impact ..... US dollar - the percent change because normally this was higher. Could you update us on the hedges you have and what would be the sensitivity if the exchange rate would go to 1.25 or down to 1.10? That would be my first question.

Thorsten Boeckers, Chief Financial Officer
Yeah Markus the sensitivity didn’t change much I would say. It was higher because in the past we were always talking about the difference of ten cents. I think this is maybe what you have in mind.

Secondly so what we also need to see is we had a time where the dollar was above 1.20, close to 1.25 or even above that, and we have a rolling hedging policy which means we have also bought at times with a higher US dollar our hedges. And we have this in the backup of our compendium. You see that the best case for 2019 is 1.16, so this limits a little bit compared to the unhedged components. And yeah we have hedged up to 85% of the 2019 exposure, so this explains it I guess.

Markus Mayer, Baader Helvea
My second question is on the production stops due to the low Werra river. You had 110 million effect last year, should we this year expect basically no effect or previously I think you said we should expect a return of roughly 70 million? What is now a good number to take into account?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah there will definitely be transport of waters. And we’ve said we had costs up to €30 per cubic metres. And that is a tricky situation every year, even with empty basins. Do we start shipping volumes to make very sure that get along without standstills over the summer or don’t we start? The solution will maybe be in the middle, to start with low volumes. But to make a long story short we will have transportation costs which could end up in the number of last year's number, that would be the high end, 40 million. So you would then have a net effect of 70.

Markus Mayer, Baader Helvea
Okay good, makes sense. Second question then on this is then the logistic costs. Should we assume then also for the 2018, 2019 additional logistics cost in the same magnitude, i.e. 18 million higher logistic costs in 2019?
Dr. Burkhard Lohr, Chief Executive Officer
When we talked about freight costs we always differentiated between the special situation in Germany due to the drought. That was not only affecting us but other companies with higher freight costs for freight over the rivers due to the low river levels. That is something which most probably will not occur one more time. But the freight costs in America, and here we are shipping the big volumes, that is the new normal. We cannot even rule out that we will see higher costs than last year in 2019.

Markus Mayer, Baader Helvea
Okay understood. And this one off effect with the Werra, can you give the magnitude for this effect you had in 2018?

Dr. Burkhard Lohr, Chief Executive Officer
In terms of freight?

Markus Mayer, Baader Helvea
Yeah in terms of freight, or is it included in this 110 million effect?

Dr. Burkhard Lohr, Chief Executive Officer
That is included in the 110. So the 110 is a lower production, it is transportation and higher freight costs.

Markus Mayer, Baader Helvea
Okay I see. And then you had 10 million roughly closure costs for Sigmundshall in 2010. I think there will not be any more costs relating to Sigmundshall in 2019 so I assume that this is if I build the bridge or something I can add basically to 2019, is this correct?

Dr. Burkhard Lohr, Chief Executive Officer
Yeah we have of course built provisions for everything we have to do now and maybe we will find out we have cost overruns of a million or whatever but nothing meaningful.

Markus Mayer, Baader Helvea
And then regarding the net cost savings. You had last time a range of charges in there less the costs ahead of the efficiency measures. Is this a low single digit number we should bake in from the net cost savings in 2019 or is this already a double digit number here?

Dr. Burkhard Lohr, Chief Executive Officer
A low double digit is the difference between the savings and the costs. So low double digit number as a net effect all of these measures.
Markus Mayer, Baader Helvea

And the last question, thank you for this many questions, what is a fair assumption in terms of higher personnel costs? Should we take them for the Group 3% or is it more in the 5% range?

Dr. Burkhard Lohr, Chief Executive Officer

More in the 3% range. But this shifts to our social partners.

Markus Mayer, Baader Helvea

Okay thank you.

Telephone Operator

The next question comes in from the line of ..... calling from Pareto Securities. Please go ahead.

Analyst, Pareto Securities

Thank you for taking my question. And I'm coming back to the FX issue. So just in order to make clear that I understand it correctly you already hedged 85% of your US dollar exposure at 1.20, is that correct?

Thorsten Boeckers, Chief Financial Officer

So our policy is always to have in autumn of the previous year, so in this case in autumn of 2018, to be hedged up to 80% of our net US dollar exposure we’re expecting for the following year. This means for the year 2019 - and we are talking about potash only here right, so we do not hedge our Salt business because it’s translation only. So from the potash net exposure to the US dollar we are hedging 85%. And we do this in a collar structure which limits our best case based on this 85% to 1.16.

Analyst, Pareto Securities

Okay understood, thank you.

Telephone Operator

The next question comes in from the line of David Simmons calling from JP Morgan. Please go ahead.

Chetan Udeshi, JP Morgan

Hi it’s Chetan Udeshi actually on the call. Just first question was on clarification. Did you say IFRS 16 will also help the free cash flow? Because I thought you would have
taken into account the move from cash flow from operations into financing. So when you say slight positive that includes the IFRS benefit as well? That’s the first question.

**Thorsten Boeckers, Chief Financial Officer**
The low double digit million positive effect has also an effect on the cash flow.

**Chetan Udeshi, JP Morgan**
Okay fine. And that’s just because some of the cost or cash out is now probably moved into cash flow from financing lines so that’s how the cash flow -

**Thorsten Boeckers, Chief Financial Officer**
Yeah more or less.

**Chetan Udeshi, JP Morgan**
Okay and the second question was looking into mid to long term can you give us some colour on how you think the capex requirement for the business looks like? And the crux of the question again to put it simply is the leverage is still pretty high at this point, even if you take your 2019 guidance which assumes no outages. The potash prices have already improved quite materially over the last couple of years. So the question is where do you see yourself comfortable in terms of the leverage of the business going forward and how should we think about the trajectory from say a year on, assuming no unexpected outages?

**Dr. Burkhard Lohr, Chief Executive Officer**
Okay let’s start with the first part of your question. So the normal run rate for the business capex number would be 500 million. But we have now for a couple of years additional 100 million for environmentals. Thorsten mentioned already with one of his answers that we have the heap expansions we started last year with Hattorf, now we are running into Zielitz, into Wintershall. It’s bad luck that we have three expansions in a row and they are very expensive, but then we are done for many, many years in terms of heap expansions.

And the second part of your question we have indicated leverage we want to be. We want to halve it by 2020 coming from 8.1 times in the middle of '17 when we gave that guidance, and we want to be back to be an investment grade rated company by 2023. And that is one of our most important indicators the management is taking into account with all its decisions.

**Chetan Udeshi, JP Morgan**
Thank you.
Telephone Operator
The next question comes in from the line of Chris Ryan calling from Bank of America. Please go ahead.

Chris Ryan, Bank of America
Thank you for taking my questions. Just on the first one, and apologies my phone dropped out for a minute so if I missed it, what was driving the increase in the non-de-icing volumes in Q4? It seems like a fairly steady business and this quarter was kind of an uptick so if you could give more colour on what geography or end market that was going into?

Thorsten Boeckers, Chief Financial Officer
What we have seen was a strong demand in North American markets for I would almost call it Specialty, so it’s in the consumer business. If you think about pink Himalayan, think about kosher salt, so that’s what our specialties are for us, it’s not the commodity like the round can you know. We have also seen a pretty good - we talk about small volumes but that’s driving it and with good margins. We have also seen for example in the copper leaching business, and as we always told the markets, an increase in demand. We are selling salt into copper leaching processes and this is a business which is growing nicely actually.

Chris Ryan, Bank of America
Thank you. And then just on the taking issues at Bethune. Does this pose a downside risk to volumes? And in that I mean if all goes to plan putting in the grinder pump and the cooling equipment in 2019, does that mean that there would be upside to the Bethune volumes or what is the guidance kind of assuming for the caking issues?

Dr. Burkhard Lohr, Chief Executive Officer
Well the guidance is that we will see, including our issues which will be more intense in summer this year; we expect 1.7 to 1.9 million tonnes to produce. And everything is modelled in and once we are done and that should be the case by the end of this year, that will have of course a positive impact on the ramp up in 2020. But we should not expect anything extraordinary which could lead to higher production than 1.9 and we are not expecting to fall short to the 1.7.

Chris Ryan, Bank of America
Okay got it. And then just a question on the promissory notes for 2019, there are some that are maturing. What’s the expectation there? Will those be refinanced or is debt repayment going to be a priority?

Thorsten Boeckers, Chief Financial Officer
First of all we’re going to pay them back. And secondly yeah we’re going to refinance those somehow because the free cash flow would not be enough in order to refinance them. So we have also room to manoeuvre in our credit line. So we haven’t yet made
Chris Ryan, Bank of America
Okay great thank you. That’s all my questions.

Philippe (?)
Good morning. Could you walk us towards your potential production in 2020? I understand that 2019 will still be a year of kind of ramp up and I’d like to get a feeling about where you’re heading. So if I understand well Germany should be back to 6.1 million and how should we kind of envision Bethune and especially the ramp up of the secondary mining in 2020?

Dr. Burkhard Lohr, Chief Executive Officer
This is a 2018 full year call and we give guidance for 2019. It’s too early to give you more precise guidance on production for 2020. All we can tell you is we will see a higher volume in the German potash production and the ramp up will continue in Bethune with higher volumes there. But no numbers, sorry for that.

Philippe (?)
Okay. Could you maybe remind us what’s your expectation of total capacity for Bethune and what’s the timeframe maybe to reach that?

Dr. Burkhard Lohr, Chief Executive Officer
The total capacity and the time when we want to reach it is unchanged, it’s 2.86 million tonnes. And we should achieve that by the end of 2023.

Philippe (?)
Should we imagine that it could be linear ramp up until then? Is that a good assumption?

Dr. Burkhard Lohr, Chief Executive Officer
At least it’s not wrong.

Laughter

up our mind how to refinance them so with which instrument, but that’s what will happen.
Philippe (?)
Okay. And then I'm a bit confused on the hedging. You said you're 85% hedged at 1.16. If I assume the kind of spot price for the remaining 15% you're probably closer to 1.15 for the full year which means the 40 million you mention has an impact for potential dollar at 1.15 versus the 1.20. You have here in your guidance should actually be in the back? Am I wrong?

Thorsten Boeckers, Chief Financial Officer
Frankly I don’t know what you mean with being in back, but the hedging policy I elaborated on, this is why I made it clear when I answered Markus' question, is valid for our Potash business so it’s about half of our business right. The 40 million also includes our Salt business which has a translation effect but which we do not hedge.

Dr. Burkhard Lohr, Chief Executive Officer
I think I got to what you mean in the back, you mean it’s a high probability that we can gain the 40 million. I would agree for the first quarter because it’s almost done, but we have seen so many tremendous changes. Let something be solved with Brexit or between China and the US that can have a significant impact in both ways, that’s why we - and when we put the plan together it was October last year, we had a different environment and we took a number for three years because our midterm planning is ‘19, 20, 21. So it’s good advice for us to stick with the 1.20 for the time being.

Philippe (?)
I understand. We can do our own calculations then.

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

Markus Schmitt, ODDO BHF
Yes good morning, thanks for taking my question. I have just one. Could you maybe just comment on new volumes coming from competitors in the medium term? I think you referred already to Chinese competitors but I think EuroChem was a topic in the last call and BHP commented recently on the Jansen plan and the long term plans there, just to mention some names here. So maybe - my question is actually how you assess possible negative price impacts in the next few years from new volumes coming to market?

Dr. Burkhard Lohr, Chief Executive Officer
It’s always difficult to comment on the extension plans of competitors but I would like to give you an indication. I’m pretty relaxed about this topic. Yes there are two projects being ramped up from EuroChem. We have seen the first volumes after many delays. Last year it was about 400,000 tonnes. We don’t expect that there is very much to come from the one mine. I always mix up the names so I only talk about the one and
the other mine. And the other mine will not deliver into the world markets, at least this year.

Jansen it's if ever so far away then we are talking about completely different world demand. What is important to take into account we have seen a huge increase in demand over the last years. And everybody was arguing once you come on stream with Bethune that will nail the prices. Exactly the opposite was true. We started producing and the prices started rocketing.

So the market can easily cover meaning additional volumes if they are not too big, and I'm not seeing any high volumes and new volumes entering the market. And you also have to take into account if you see a list of projects; a lot of them are substitutes for lost capacities. By the way this is the case in our case as well. Yes we have higher volumes with Bethune but we have closed Sigmundshall and net there is only additional when we have fully ramped it up additional two point something million from Bethune. And that was over a time period of ten years.

So all in all I'm quite relaxed.

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Markus Schmitt, ODDO BHF
Okay very clear, thank you very much.

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Dr. Burkhard Lohr, Chief Executive Officer
So I hear that this was the last question now and I would like to take the opportunity to thank you very much for your interesting questions. We are looking forward to seeing you again and Thorsten and I will be on the road next couple of days, Frankfurt and London, and maybe we’ll see one or the other of you. Thank you for listening and goodbye.

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