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K+S

Half Year 2019 Conference Call
15th August 2019

K+S

Dr. Burkhard Lohr, Chief Executive Officer

Thorsten Boeckers, Chief Financial Officer

Questions From

Andreas Heine, MainFirst

Christian Faitz, Kepler Cheuvreux

Thomas Swoboda, Société Générale

Thomas Wrigglesworth, Citi

Patrick Rafaisz, UBS

Michael Shafer, Commerzbank

Markus Mayer, Baader Helvea

David Simmons, JP Morgan

Chris Ryan, Bank of America

Key Highlights

Dr. Burkhard Lohr, Chief Executive Officer

Thank you. Good morning ladies and gentlemen, welcome to our Q2 Conference Call. Let's start right away on slide 3 with the highlights of this quarter.

Our EBITDA showed a nice improvement again, up at plus 14% in Q1, we accelerated the momentum and achieved an increase of 24% in the second quarter over last year.

The unchanged favourable pricing environment, but also higher sales volumes in agriculture supported this success.

The EBITDA of our operating unit Europe + increased by 29%, while our EBITDA in the Americas came out below last year's results, mainly on the back of higher logistics and maintenance costs.

Even more important is in the current transformation phase of our strategy that we again improved our cash flow. Compared to last year our free cash flow increased by €150m to more than €100m in Q2, with this we report the best second quarter free cash flow since 2011. In the first half of 2019 we have given cash in more than €330m.

Now please turn to slide four to have a closer look at our deleveraging process.

At the end of June and calculated on the last 12 months base our financial leverage came out at 4.4 times, compared to 5.3 times at the end of 2018.

Adjusted for last year weather related outage days this multiple would have only been at 3.7 times. With these excellent results, after the first half of 2019, we are well on track to achieving our deleveraging targets.

Please have a look on slide five to see the development in the different customer segments. And let's start with agriculture.

Mainly due to better pricing and higher volumes, revenues and EBITDA increased significantly. The EBITDA contribution from Bethune was clearly positive and up against last year. However, the latest Chinese statement, to temporarily suspend MOP imports makes us a bit more cautious on the outlook for short term demand.

Our customer segment industry is generating sound and relatively stable margins. Sales and EBITDA are equally spread over the quarters.

While sales were up slightly, higher costs for freight and maintenance had a negative impact on the quarterly EBITDA.

Both revenues and profit increased in our consumer business. The more favourable pricing environment, especially for water softening products, helped us to compensate for slightly lower sales volumes.

No surprise that based on the seasonally low quarter, our de-icing business in communities reported a negative EBITDA. However, based on the first half of this year profitability is comparable with last year's achievement, due to a jump start at the beginning of the year.

The biddings for the upcoming winter season started promisingly, especially in the Mid West and Canada.

Now let's move to slide six and have a closer look at the wastewater situation. Ladies and gentlemen I'm sure all of you remember the challenging weather conditions in 2018. Due to the drought in Germany we had to stop production at our Werra plant which burdened our full year EBITDA by almost €110m.

But we made sure to be better prepared in the future. We boosted our basin capacities for saline wastewater from 500,000 to 600,000 cubic metres. We increased our logistics capacity transporting the brine to old mines. And at the beginning of August we received approval for an additional temporary underground storage facility of up to 400,000 cubic metres, on time and as promised.

Thanks to that we feel comfortable to state that even in the case of an extended drought there is now a high probability to have no weather related standstills in 2019.

On slide 7 I would like to give you an update on the current situation at Bethune. As already released some weeks ago, we will enter into the next phase to improve the quality of our Bethune product.

After we have installed grinder pumps in July we will prepare to install, cooling, sieving and crushing equipment in September, which will be fully up and running in the fourth quarter.

The longer maintenance period will have an impact on our full year production, which is now anticipated to be around 1.7 million tonnes.

The expected quality improvement should show up in 2019 and can be recognised by our customers in 2020.

Now please turn to the next slide to talk about the full year guidance. First of all we are narrowing our 2019 EBITDA guidance from a range of €700m to €850m to now €730m to €830m. This means a significant increase compared to 2018 and a small increase of our formally guided midpoint by €5m.

To reflect current spot rates which changed our euro / dollar exchange rate assumption from 1.20 to 1.15. The positive effect from this should overcompensate the extended maintenance period in Bethune and our temporarily more cautious assessment due to the Chinese import stop.

Furthermore we increased our free cash flow expectation. We now expect and adjusted free cash flow of at least €100m when reaching the midpoint of our EBITDA guidance.

Ladies and gentlemen this concludes my presentation and we are now happy to take your questions. Operator please open the line for the question and answer session.

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Questions and Answers

Telephone Operator

Thank you. 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 onto your next question. You will be advised when to ask your question.

The first question comes from the line of Andreas Heine, from MainFirst. Please go ahead.

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Andreas Heine, MainFirst

Yes two questions, so I'll ask them in a row. First I'd like to understand a little bit more the unit cost progression in the agriculture division. I was expecting this to come a little bit lower than the outcome was, maybe you can elucidate a little bit more on that, what has happened in the second quarter and an update of what we should expect on the full year basis? The last thing I know it was said that it should be slightly above €200 per tonne; maybe you can provide and give an update?

And there is one more, but I'll stop here with that one.

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Thorsten Boeckers, Chief Financial Officer

Hello Andreas it's Thorsten. The guidance still sticks. So we've said that we're going to see a number this year above 200, mid-term we want to go below the 200. I wouldn't over evaluate the effect in the second quarter, what you see here is based on a phased volume number. We have produced more, so we have on a production based number the number looks much better.

What we want to do in the future is - we don't have the number yet, but we want to give you a different number in the future to really reflect what were production costs by tonne not affected by freight, etc, etc, so we are working on that.

But I can confirm that the goal of below 200 still stands, but not for this year.

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Andreas Heine, MainFirst

But nothing specific in the second quarter which explain ... ?

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Dr. Burkhard Lohr, Chief Executive Officer

No.

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Andreas Heine, MainFirst

Okay good. The second question is on cash flow, indeed a very pleasing outcome. Looking into the cash flow statement in detail, the progress was to quite a high degree on these receivables and other short term assets. That's very good that the net working capital management did improve that much, but how sustainable is it, if you look into 2020 I got the feeling that there is obviously good progress in the operating performance, but most of the free cash increase is more on the net working capital side, rather than driven by the earnings?

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Thorsten Boeckers. Chief Financial Officer

Yes I would say it's earnings as well, so I mean the EBITDA, I'm looking at the half year, year over year. So what I can confirm is there are no extraordinaries in this number.

We had an earnings improvement, also Bethune contributed to this. When you look at the receivables side, I mean what we are now realising are the cash flows from the good potash business in the fourth quarter 2018, the strong American salt business in the first quarter of 2019, these numbers come in.

And besides that - yeah a couple of things. I mean if we look - we talk about more active working capital management, we look better at receivables right now, so there is a strong interaction between our finance department and our sales department to see how we can realise our receivables. We have - we also look better into what is coming in the rest of the months, so we believe we have a more accurate forecast, that's why we get to say we want to realise that income this year.

On the payable side as well, you don't see that in the numbers that much, but there is a strong focus from procurement on managing price, cash discounts, payment terms. So we always told you we want to manage it more actively and better.

We have now taken a step down, I wouldn't expect that we do such a step every year, but we do of course our utmost that we can at least keep this level.

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Andreas Heine, MainFirst

So maybe repeating what you said in my words, so what you see in the net working capital trend in this year is more normal than what we have seen last year, so that if you go to 2020 and then there should not be a big distortion from that slide?

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Thorsten Boeckers. Chief Financial Officer

Yes that's a good summary.

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Andreas Heine, MainFirst

Okay thanks.

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Telephone Operator

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

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Christian Faitz, Kepler Cheuvreux

Good morning, Burkhard and Thorsten, and Lutz I guess. I have one question and then I'll go back in line. Can you share with us your production plans for Bethune in 2020 already - then when basically all of the measures should be place which you are taking now? Thank you.

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah, thank you for the question and good morning. First of all we have to deliver 2019 and we feel quite fine with the 1.7 million tonnes. And we have achieved exactly half of that in the first half. And we should do more in the second half, but there is a maintenance break that we have elaborated on, that's why we see the same volume in the second half of this year.

We will see a higher volume in 2020, but it is too early to give a precise number, because that is mostly driven now out of secondary mining. And here we are still learning and have to look into the outcome of how it runs, secondary mining, harvesting in this year. And then by the end of the year we will be able to give you more of a precise outlook for next year. But again of course there will be a step up.

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Christian Faitz, Kepler Cheuvreux

Thank you very much.

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Dr. Burkhard Lohr, Chief Executive Officer

You're welcome.

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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 actually do have three questions - I will take them one by one.

The first question is on your cautiousness regarding China, I think this is understandable. However, my question is you're cautious in 2019 - isn't this a reason to be cautious on 2020 as well? How do you think this will pan out please?

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Dr. Burkhard Lohr, Chief Executive Officer

I think this is a temporary situation and I remember that some of my colleagues are already very optimistic for 2020. As you know they are disclosing their numbers before us that's why I heard them saying that. And I am in line with them because we have seen that situation earlier. I think the last time it was four years ago when we had too high volumes in China harbours for several reasons. And then there was a stop of imports for two, or three, max four months. And we expect to see the same this time. The market is prepared for that and it will have an impact on this year and that is why we are a bit more cautious for this year.

It might have an impact on the new price, which is difficult to say what that means. That will have an impact on 2020, but I'm not - in total I'm optimistic for 2020. And even with this hiccup in China we expect worldwide demand on the level of last year and last year was a good year. So we shouldn't forget that we are discussing on a very high level.

Thomas Swoboda, Société Générale

If may follow up, are we talking of your expectation on the contract price to be down year over year in 2020, is this the conclusion?

Dr. Burkhard Lohr, Chief Executive Officer

That would be guessing and at the beginning of this year people expected that there might be pressure on the price negotiations. And then in April / May we have seen some positive tenders in this area, so people thought the price could even go up.

Now this import stop is of course a negative circumstance for these negotiations, but that could change more. And I'm not expecting to have a new contract soon in China. The situation is different in India; here we should see a new contract in the next couple of weeks.

Thomas Swoboda, Société Générale

That's fair enough. My second question is for the CFO probably, regarding your guidance on financial results, if I look at the run rate in H1 and what you guide for the full year that would mean that our financial expenses will worsen very significantly in H2. What is the driver for this please?

Thorsten Boeckers, Chief Financial Officer

The guidance we have given is for - I mean we always have a clear - like you have also seen in the second quarter we have a positive contribution from the FX, which comes in as it has to do with in house financing and we do see here a benefit. So I wouldn't exclude frankly that this would also be seen in the second half of the year. So maybe the 120 is a little bit too high.

So why it took time for me to answer was to realise that - so I think we are a bit too negative on the guidance for the financial results.

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Thomas Swoboda, Société Générale

Okay thank you. The third question is on the statement you made Mr Lohr, in the facts recently, if I understand correctly you said the target to lower the sodium chloride level in the Werra River by 2021 which was agreed a while ago is not feasible. So my question is what does it mean for K+S especially production wise and financially, is this is a cost attached to that if you don't manage to lower the salt concentration as agreed?

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Dr. Burkhard Lohr, Chief Executive Officer

No that is added in a long story, but I'll try to keep it as short as possible here in this call. As you know the deep well injection will end by the end of 2021 and by chance today the Environmental Minister Conference of Werra Has a meeting today and here in Kassel by the way and they will decide on what is the measure after 2021 to discharge our production waters.

So far we have discussed about the pipeline, but I don't expect that the pipeline will be the measure which they decide on. By the way we would have talked about €300m of additional capex or investment, the decision will most probably be discharging the waters, not temporarily as we do it now, but continuously in the underground, or in the old mines in the Werra area, which means it is the best solution for the environment and it's the best solution economically. We don't have to transport the water, etc.

And I have clarified that we are fine and that we confirm the target for 2008 when it comes to chloride content in the Werra. But I'm also open to the discussion - we have to talk about how do we get there until 2028. And that is everything that I meant in this interview, that I want to have an open discussion with the current target and are we able to meet them by 2022 already. And yeah not more and not less - it's part of this interview. And that does not necessarily and directly transfer in operational costs or whatever you would like to read out of this.

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Thomas Swoboda, Société Générale

Perfect, thank you.

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Dr. Burkhard Lohr, Chief Executive Officer

You're welcome.

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Telephone Operator

The next question comes from the line of Thomas Wrigglesworth, from Citi. Please go ahead.

Thomas Wrigglesworth, Citi

Morning gentlemen. I'll take my questions in order. The first question is if you had the quality that you aim to achieve at Bethune today, how much higher would you think the realised price would be from Bethune, are we talking like five bucks a tonne, or it is more like a \$20 plus dollar a tonne improvement - as the quality rises?

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Dr. Burkhard Lohr, Chief Executive Officer

Well the price is not the issue; we are achieving market prices with our Bethune product. Of course from time to time we are compensating additional logistics costs to our customers. The problem is the production volume. If we would have the targeted quality already we might have up to 200,000 tonnes more in 2019. And that is what we are aiming for.

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Thomas Wrigglesworth, Citi

Thank you. The second question on the German assets, could you just refresh up on the roof stability at Neuhof when you're expecting that to - if you could remind me when that's going to return to normal, together with K20 which I think was going through a low grade zone - a transition zone. If you can give us an update on when you expect those two assets to kind of return to normal levels of production?

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah let's start with the Braunschweig (?) with it's slightly week K20 content we will still work in this area until the end of this year and then we can expect and we know that because we have done some geological research that we can then expect higher K20 content again for 2020.

And with Neuhof we have a solution, we have temporarily given up this area where we had these roof stability problems and are working in another area, the setup is done and by August we are back to normal production, almost normal production in Neuhof. But we can hope that we can go back, maybe with a new technology in the old area because it has nice K20 content.

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Thomas Wrigglesworth, Citi

Okay thank you very much.

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Dr. Burkhard Lohr, Chief Executive Officer

You're welcome.

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Telephone Operator

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

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Patrick Rafaisz, UBS

Thank you I have three quick questions please. The first one is on agriculture where volumes were up but specialty fertiliser volumes were down, is that related to Sigmundshall or was there any other effect we should know about?

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Dr. Burkhard Lohr, Chief Executive Officer

Yes, it's related to Sigmundshall.

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Patrick Rafaisz, UBS

Okay good that's easy. And then on cash flow and your cash taxes in the first half of the year and also Q2, lower than the P&L tax, is that just a temporary issue as happens often and we should expect an increase in cash tax in the second half, or is there a one off that we should be aware of?

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Thorsten Boeckers, Chief Financial Officer

Normally second half cash flow - sorry I'll start again, normally the second half cash taxes are higher than in the first half, but I would expect a cash tax number which is well below last year and which was about €100m because we had last year a tax audit where we paid in the first half - yeah we had to pay back taxes. So I would expect a number lower than last year, but it will ramp up in the second half.

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Patrick Rafaisz, UBS

Okay thanks. And the third one is on the commercial segment, I understand the mix effect that impacted earnings and you also mentioned higher maintenance and logistics costs, is that something that you can quantify and is that something that will continue in the second half, because you sounded quite upbeat about the pricing outlook into the upcoming season, so you think we can still see higher EBITDA here versus last year, or are these costs just too high and we will see a flat or slightly lower EBITDA for the year?

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Dr. Burkhard Lohr, Chief Executive Officer

So when we talk about maintenance costs they occur in Q2 and Q3 and as you know these are more or less a little bit weaker, seemingly weaker quarters, so they have an impact. But that is done then in Q4. And we expect in total an increase in EBITDA.

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Patrick Rafaisz, UBS

Okay thank you, very clear on all these questions. Thanks a lot.

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Dr. Burkhard Lohr, Chief Executive Officer

Thank you, bye-bye.

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Telephone Operator

The next question comes from the line of Michael Shafer, from Commerzbank. Please go ahead.

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Michael Shafer, Commerzbank

Good morning gentlemen, three questions from my side as well. The first one starting with communities, i.e. de-icing - so you mentioned that you have seen a rather promising negotiation period over the past couple of weeks. So I wonder whether you can quantify or help us a bit with what we should expect basically in terms of pricing. One of your competitors indicated something like an 8% increase in de-icing ASPs, heading into the new season?

And maybe related to this one your competitor also talked about extra logistics costs due to flooding in his Mid West area, so anything you are experiencing as well as a headwind from this one, this would be my first question?

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Dr. Burkhard Lohr, Chief Executive Officer

Thank you, when we talk about the outcome of the bidding processes I think we need to talk about the different areas because - the starting point is completely different. Let's start with the strongest area where we had two beautiful winters in a row, in the Mid West we have really seen - and now comparing season to season, we have really seen a double digit price increases, which is very promising when the volumes come next season we will be very happy about this.

Canada is slightly up, only a low single digit number. We were positively surprised with the US East Coast, the season was not that good but the prices are still stable. And even in Europe the prices are slightly up. So in total it's a good starting point for the next season.

And to the freight cost that is true it's definitely North America - we had higher freight costs in the last year already, for different reasons this year it's the river system that is the problem which we use heavily for our salt transportation that has been impacted as well, a negative impact on us.

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Michael Shafer, Commerzbank

And you quantify the level, what does that mean basically in terms of extra logistics costs you are facing?

Dr. Burkhard Lohr, Chief Executive Officer

We're talking about for the full year a low double digit number and half of it is already in our numbers.

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Michael Shafer, Commerzbank

Okay. The second question would be coming back to Bethune and what you have done there in terms of accelerating and taking an extended one week maintenance period on top of what you have already planned.

So what does this do to your mix effect basically heading into 2020 also with the other measures you mentioned in the fourth quarter? So how should we think about granular mix heading into 2020 in comparison to 2019 in Bethune?

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Dr. Burkhard Lohr, Chief Executive Officer

Oh that's a good question and at the same time difficult to answer because the mix is not only driven by production capabilities and we believe we have from next year on all capabilities to granular favourable mix, but also driven by market conditions. For example we have now - as we still can deliver into China we have increased our standard volumes in Bethune to deliver as much standard into China as possible. And that will have an impact on the full year standard granular mix.

And the next year could look completely different. I would say it's too early to give you a number for the 2020 product mix.

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Michael Shafer, Commerzbank

Okay, so leave it there. The third question is a follow up on your working capital outlook heading into the second half. So last year typically obviously you report a net working capital drain in the second half, so last year we had something like €230m outflows in the second half 2018 due to the build-up of production and inventory ahead of the season in the Northern Hemisphere. So I wonder how should we think about the working capital flows in the second half 2019, given that you are still ramping up production. So any kind of indication of what you have baked in there after the very strong contribution in the first half?

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Thorsten Boeckers, Chief Financial Officer

Yeah I can only repeat that we do see of course an increase of working capital because of the winter season, so we're building up an inventory for that. We are building up inventories on the fresh sites, so we would expect an increase from both of those. On the other hand we still actually need to optimise where we can and I don't want to give you a very concrete number of what we are expecting.

We also see a ramp up in the capex, so when we think about cash flow, don't forget that our capex is back end loaded and that's the best answer I can give you for now.

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Michael Shafer, Commerzbank

Okay, we'll leave it there. Thank you.

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Telephone Operator

The next question comes from the line of Markus Mayer, from Baader Helvea. Please go ahead.

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Markus Mayer, Baader Helvea

Good morning gentlemen, two questions from my side. Firstly, again coming back to the logistic costs, if you would strip out the flooding effect on the logistic costs in the year would you already see that the inflationary effects are coming down because that was highlighted by several other companies for the years, that would be my first question?

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Dr. Burkhard Lohr, Chief Executive Officer

It's rather flat without this extraordinary effect.

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Markus Mayer, Baader Helvea

Okay. And the second question is then on currencies, if you would take the current ratios, the run rate going into 2020 could you remind us what would be the positive effect on EBITDA from this currency effect next year?

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Thorsten Boeckers, Chief Financial Officer

So we are still at 2019 Markus, on the full year, we have now in our focus basically 1.15 instead of 1.20 which we said. And even if the dollar goes to 1.10 we wouldn't expect a significant contribution from that because we know that most of our FX is hedged and because of the higher FX rate last year at this time we hedged at higher rates. So there is not another positive effect to expect if the dollar goes to 1.10 for example.

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Markus Mayer, Baader Helvea

Okay, perfect thank you.

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Telephone Operator

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

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David Simmons, JP Morgan

Morning guys, thanks for taking my questions. So firstly to come back to the specialty volumes in agriculture, you mentioned that Sigmundshall had an effect, but the Q2 volumes were down more than you might expect versus the Q1 volumes. So just on that were there any other smaller effects that were in that or was there maybe some inventory left over from Sigmundshall to ship - to sell in the mix in the first quarter?

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Dr. Burkhard Lohr, Chief Executive Officer

When you look into the single quarters there are many effects. First of all for years we have been sitting on very low inventories and as Thorsten already indicated we have produced more in the second quarter than we have sold, but it is partially part of our strategy to slightly creep up our inventories.

And of course if a ship hits the harbour on the 30th of June or on the 1st of July that is not much different for us in total but it differs of course the view in Q2 and in Q3 and that happened with two ships by the way this quarter.

So that definitely was not market driven.

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David Simmons, JP Morgan

Okay, understood thank you. Just on the plans post 2020 for the Werra River secondly, obviously options are being discussed can you get maybe a range of the potential capex and opex impacts from whatever the solution is? I mean are you expecting an increase in opex versus the deep well injection solution and whether there will be much capex associated with if you did the basin fill for example?

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Dr. Burkhard Lohr, Chief Executive Officer

First of all we are talking about a time after 2021 so the first year with the new solution is 2022. And we start with a small solution, the volumes that we so far have injected - were the same amount that will run out of the KKF into the old mines. Why is this? Because the KKF saline waters have the magnesium chloride context that we need to avoid any sinking of the surface. So therefore we do not have to spend a lot of capex.

If we then later on - and then we are talking about the late 20s, increase the saline water that we want to discharge in the old mining areas at the Werra there might occur some additional capex. But it's too early to give numbers.

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David Simmons, JP Morgan

Sure that makes sense. And then lastly from me, this might be one that you can't answer particularly specifically, but you mentioned that there may be some price impact in China by the delay of imports. So if you assume lower prices in China, less of a working capital tailwind next year, I mean potentially slightly higher capex next year just given that you're below your guidance so far this year.

Do you think you can increase your free cash flow year on year in 2020 and are there - I mean I'm not really expecting an answer to that but are there bridge items that I've missed out that you expect to boost your free cash flow next year? Thanks.

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Dr. Burkhard Lohr, Chief Executive Officer

First of all we have not indicated that the capex goes up in 2020. So we are expecting a level - a capex level on the level that we will see this year as well.

Secondly, if you there might be a lower price in China that is only one of many indicators. And don't forget we will have higher volume available and it's actually volume - from Bethune secondary mining with a very low cost base.

And 2020 is a year where we want to deliver a big portion of our synergies, remember that we have a target of €150m at least in 2021, so there will be a good portion and a positive impact.

So in total without guiding 2020 now there is a good reason to believe in a further positive free cash flow development.

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David Simmons, JP Morgan

Okay that's very helpful. Thanks very much guys.

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Dr. Burkhard Lohr, Chief Executive Officer

You're welcome, bye.

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Telephone Operator

The next question comes from the line of Chris Ryan from Bank of America. Please go ahead.

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Chris Ryan, Bank of America

Hi good morning thank you for taking my questions. Just to try to delve into the working capital one more. On your receivables outstanding is there any target that you have for like a day's receivable outstanding that you look to get to?

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Thorsten Boeckers, Chief Financial Officer

Frankly neither on this DSO nor the DPO side do we look into hard targets. Of course we measure that internally. Let me answer it on the payables side for example, if we would give procurement a target to go down to DPO number of X we would ignore the debt lever to improve this number is to negotiate the best price, secondly to go for cash discounts, and then to think about how can we negotiate payment terms.

And so when we talk about working capital management we are measuring those KPIs, but we have not identified hard targets. And yeah that's the way we do it internally.

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Chris Ryan, Bank of America

Got it. Sorry I just had two questions on salt. On customer inventories, especially in the US, are there any hard numbers that you're able to give and how they compare currently versus last year?

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Dr. Burkhard Lohr, Chief Executive Officer

No, so far we are not planning to give inventories by customer segment.

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Chris Ryan, Bank of America

Got it. And then in the de-icing salt business how much of your volumes are shipped versus ground transportation? Sorry, how much are shipped via the river versus ground transportation?

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Dr. Burkhard Lohr, Chief Executive Officer

Oh, I'm sorry I cannot give you the number by heart, but we will make sure that Investor Relations is able to answer that question on the phone later on.

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Chris Ryan, Bank of America

Sure. And if I could just follow up quickly on that, on the ground transportation how have you seen costs throughout the year and what is the extra trajectory from Q2?

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Thorsten Boeckers, Chief Financial Officer

We will get into that and give you the answer later.

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Chris Ryan, Bank of America

Understood, thank you that's all my questions.

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Dr. Burkhard Lohr, Chief Executive Officer

Thank you.

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Telephone Operator

We have a further question from the line of Andreas Heine, from MainFirst. Please go ahead.

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Andreas Heine, MainFirst

Yeah coming to the region Americas - as far as I knew the guidance is that this is flat year on year, but the indication you've given on the price side looks a bit better. As far as I know the Americas basically reflects - or to a high degree the de-icing business in the Americas, of course there are other things as well, but they don't move that much from one year to the other. Could you elucidate and put into context the guidance for the Americas for this year with what you've said about pricing in de-icing please?

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah, of course there is a good reason to believe that with the higher prices we have a nice contribution. But you know that the bigger part of the season is the first quarter. So we only expect some weather in December - of course if we see weather in November we take it, but that is not part of our forecast. So the impact is higher in the first quarter 2020.

On the other hand we have already elaborated on extraordinary cost trends, some maintenance and normal inflation, that's why we see the total outcome for this year as guided.

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Andreas Heine, MainFirst

Okay, thanks.

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Telephone Operator

We have a further question from the line of Christian Faitz, from Kepler Cheuvreux. Please go ahead.

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Christian Faitz, Kepler Cheuvreux

Yes thanks, just quickly on Brazil, can you tell us what your sales people are telling you about the demand going into the season there? Thank you.

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah thanks for that question because here we talk about the market which runs from one record to the other. We have seen so much improvement in demand from Brazil and we will see a year with higher demand again this year. In a way it looks like they are winners of the tariff fights which are ongoing between the US and China. And that is why everybody who is delivering into Brazil is very happy about the situation.

What we also see is of course as you know we are not present with the standard product in the US, the US was very weak due to the extraordinary weather situation and of course there are some volumes which usually run into the US markets were relocated into Brazil. That's why we have seen some pressure on pricing, but that is - we are talking about \$5, \$10, nothing which really frightens us, but the demand - the underlying demand is strong and we are seeing that for the future as well.

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Christian Faitz, Kepler Cheuvreux

Thanks.

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Dr. Burkhard Lohr, Chief Executive Officer

You're welcome.

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Telephone Operator

We have a further question from the line of David Simmons from JP Morgan. Please go ahead.

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David Simmons, JP Morgan

Thanks guys, just following up on that last question, do you have any sense of your share in the Brazilian market versus some of the North American players, so I'm thinking Nutrien and the reason I ask is you've obviously maintained your outlook for volumes for this year, for the full market, whereas Nutrien decreased their outlook for volumes. So I'm just curious on what the sort of difference you're seeing there is?

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah we have grown with the market in Brazil, that means we are keeping our share and we wouldn't have been able to deliver from Germany more volumes into Brazil, but as you know with Bethune Brazil is the market for our granular product. And as we ramp up we grow with the market and keep our market share.

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David Simmons, JP Morgan

Yeah it was more a question of whether you're even gaining share?

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Dr. Burkhard Lohr, Chief Executive Officer

Currently not.

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David Simmons, JP Morgan
Cool, thank you.

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Telephone Operator

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

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Dr. Burkhard Lohr, Chief Executive Officer

Thank you everybody for joining us today on the call, we were very happy to report these good numbers, especially free cash flow and we told you last year already that 2019 will be the year with the first positive free cash flow. And with the new guidance of more than €100m we even will reduce in total our net financial debt slightly.

And we will now be of the road and see one or the other of you and we're happy to discuss further. And thanks for your time and all the best, bye-bye.

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