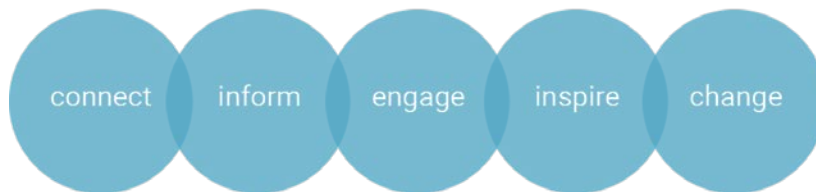


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**K+S Group**  
Results Conference Call  
9th May 2017

**K+S**

**Norbert Steiner, Group Chief Executive**

**Thorsten Boeckers, Head of Investor Relations**

**Jörg Bettenhausen, Head of Finance and Accounting**

**QUESTIONS FROM**

**Christian Faitz, Kepler Cheuvreux**

**Lisa De Neve, Liberum**

**Markus Mayer, Baader Helvea**

**Paul Walsh, Morgan Stanley**

**Stephanie Bothwell, Bank of America Merrill Lynch**

**Neil Tyler, Redburn**

**Andreas Heine, MainFirst**

**Patrick Rafaisz, UBS**

**Oliver Schwarz, Warburg & Co**



## Presentation

### Norbert Steiner, Group Chief Executive

Good morning ladies and gentlemen, welcome to our Q1 2017 conference call.

It has been a while since I hosted this kind of call, as you know I will hand over to my successor Burkhard Lohr, who will be in charge as CEO from this Friday onwards. Thus it was important to me to host this call one last time. I am joined by our Head of Finance and Accounting Jörg Bettenhausen, Thorsten Boeckers, our future CFO and - the new Head of Investor Relations.

So let's start on page 2 please. We are very proud to announce that we have celebrated the grand opening of our Legacy Project. Together with around 700 guests, including the Prime Minister of Saskatchewan, we have handed over the site to our operations team. This finally concludes successfully the five year construction period within the budget of €2.3bn that we had projected in 2013.

As it is common in Saskatchewan and as an appreciation to the province and its people the mine has been renamed to Bethune Mine. Bethune is the closest community to the site.

We expect to have the first tonne of MOP available by the end of June. By the end of this year the site will reach its 2 million tonnes capacity and then ramp up further to about 2 million, 2.9 million tonnes by 2023. Bethune will contribute positively to the EBITDA in 2018 already.

Ladies and gentlemen when I look back to the multiyear construction period of Legacy I must say the road was from time to time bumpy. However, to face hiccups is certainly not unusual in the case of such a big undertaking like building up the potash mine. Eventually we can say - we made it and we are looking into the future of Bethune with great optimism and it will begin to serve our customers very soon. Globally, we will do this with our own network capability in the US, our marketing agreement with Koch Fertiliser will grant us access to customers and the storage space we need to serve them. We do not see any shortage of storage capacity for us like we have seen most recently.

Please turn to slide number 3. As we have already guided production in 2017 cannot run at full capacity yet, as the permit we have been granted in December last year include a couple of restrictions including a maximum limit for the daily injection volumes. This will continue to impact in particular production at our Hattorf plant when the Werra River water levels are low. We experienced this already happening during the first weeks of the year unfortunately.

On the other hand we made good progress to evaluate and implement alternatives for the disposal of wastewater. This adds existing measures for temporary or permanent storage in parts of our production plant. We have also again increased basin capacity on site. This increases our flexibility, but this will not be sufficient for full production in dry period. However, it ensures that the run plan should be above last year. Now for example the Werra levels are not sufficient, but we expect production until the end of May at least.

There was also good progress on the new KCF facility, which is an important element to reduce dependency on the weather and the water levels. The KCF will reduce also salt water residues by around 20% from 2018 onwards. It will help us to secure production to a larger extent and will make us more, much more independent from the water levels. And the KCF will extract further marketable and profitable products of around 250,000 tonnes.

Slide 4 please, our Salt 2020 strategy is fully on track to achieve the stated target of a normalised EBIT level above €250m by the end of the decade. We have normalised our annual Salt business earnings to account for unusually strong de-icing volume as we saw in 2015, or unusually weak de-icing volumes as we saw in 2016. This internal measure enables us to track the development of our business without the impact of uncontrollable factors.



Our normalised earnings are developing steadily and positively as a result of the numerous earnings growth initiatives we have been implementing. Focusing on further efficiency measures, new market opportunities like the copper leaching business in South America and of course the strength of our highly valued customer brands will enable us to meet our goal. And I would like to repeat that there will be good chances that we will be even better off.

We firmly believe in the de-icing business and we are confident that it will deliver attractive margins over time. However, as we continue to strengthen other elements of the business the earnings coming from the more stable non-de-icing segments will contribute more than 50%, which will reduce volatility in the Salt business further.

Slide 5, Q1 of 2017 has again proven that our diversification in Salt works well. Higher revenues from our products that are not applied for road safety increase by 17% (?) versus Q1 2016. On top of that we saw a stronger business in Europe and in Canada that was able to offset lower volumes in the US.

Please turn to slide 6. The sentiment in Potash markets remains sound, demand especially for speciality products was strong, both in Europe and in Asia. In Germany for example in particular Korn Kali was strong as customer inventory were on low numbers.

We also saw continued good demand for our SOP products, especially granulated on healthy price levels. The average selling price continued to increase quarter over quarter. We are now 9% away from the low in Q3 last year and this is despite we faced again an unfavourable production due to the production standstill in Hattorf.

Please turn to slide number 7. All in all we achieved a 3% revenue increase in both business units, however the bottom line chased various headwinds that led to an EBIT 1 of €137m, about 40% below last year. Our Potash business improved from the very depressed second half in 2016. But again suffers from the production standstills of 25 days in Q1 hurting us by about €40m. On top of that there is still lower year over year potash prices and the one-time payment to our employees as a result of a wage tariff review burdened the EBIT by around €30m each. With regards to the one off payment we agreed to do this in this way instead of increasing monthly wages which entered into the P&L over time.

With regard to the business unit Salt, the non-de-icing business and higher volumes in de-icing were offset by lower prices for road salt in North America after a mild winter in the season 2015/2016.

Please turn to slide number 8. We hereby confirm our outlook provided a few weeks ago when we released our Q4 numbers. EBIT 1 for 2017 is expected to increase tangibly versus the €229m reported for 2016. Slight tailwind from Potash prices and from higher volumes in both business units is projected. We will continue with our initiatives to reduce costs across the Group and execute our Salt 2020 strategy.

On the other hand mainly the production site in Canada will burden our EBIT significantly, more than the €90m (?) we've seen in 2016. This is because D&A kicks in at the amount exceeding the first profits from Potash there. We anticipate a negative EBIT contribution from that seen of about €150m as per now.

On top of that as visibility in the German Potash environment remains low, the permit we have been granted, along with our additional measures will give us some relief, but it might not be sufficient for all production year round during the dry periods. This means, depending on the water levels of the Werra River, our Hattorf plant will continue to operate on an on and off basis. Extraordinary dry periods will still have a significant negative impact once again on our German production which could impact profitability heavily and the summer is still ahead of us.



Now from 2018 onwards the new KCF facility will help us to reduce the volume of saline wastewater production by 20%. This means that we will reduce the risk of production standstills significantly and our Bethune Mine is expected to deliver a positive EBITDA by then and our progress will continue on its path of consistently improved earnings.

The Group's capex will drop and this will result in a positive free cash flow from 2018 onwards. The Group will then make the first big step towards deleveraging. Last, but not least, our mid term outlook on slide number 9.

Our Salt 2020 strategy is well on track to deliver an EBIT of more than €200m by 2020. Our business unit Potash aims to achieve an EBITDA contribution of €1.2bn from 2020 onwards, with the help of its new market strategy. Bethune of course is an important component in this respect.

We are aware that today's Potash prices make the target very ambitious. However, we still believe the prevailing low price environment is not sustainable and the mid and long term trends remain intact. Additionally everybody within the K+S Group is deeply committed to delivering the €1.6bn by 2020. And we will keep this momentum.

So ladies and gentlemen thank you for listening so far and we now look forward to your questions. As always we are going to answer the questions one after the other. Thank you very much so far.

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## Questions and Answers

### Telephone Operator

Thank you, so ladies and gentlemen if you would like to ask a question please press \*1 on your telephone keypad. If you would like to withdraw your question please press \*2. You will be advised when to ask your question. And the first question comes from the line of Christian Faitz, from Kepler Cheuvreux. Please go ahead.

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### Christian Faitz, Kepler Cheuvreux

Good morning gentlemen, thanks for taking my few questions. First of all how do you see the inventory situation for de-icing products at present in both continents heading into the Q3/Q4 demand season?

Second of all on the Potash side, in terms of demand trends for Potash in Europe, how has this developed so far in the crop season compared to last year?

Then my final question and then I will get back in line, can you please sure with us some details about the Hattorf expansion, i.e. the tailings pile capacity? Thank you.

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### Norbert Steiner, Group Chief Executive

Thank, the first question pertaining to the de-icing inventory, of course the question is to be answered quite simply, we will have a relatively normal situation in Europe and this is an issue that is also not to be answered maybe in general. There have been areas in Europe where we are strong, where the winter was below normal and therefore also areas where the inventories are above normality, that means that the early procurement for the winter season 2017, '18 will be also reduced. In other areas winter was good and long and therefore the inventories are low. That means that there of course the request for shipping in the rest of the year will be higher and in these areas I would see that we at least stop the trends towards lower prices and maybe have the chance to add one or the other euro on top of that.



Canada was following the same line, attractive, and also there as we were not significantly above normality in the first quarter 2017 it will be normal business there as well. And as you might remember in that area we have long term contracts with an embedded price formula that grants us small additional, let's say revenues on that and this will continue to happen in 2017 and '18 as well.

On the other hand of course North America was not really successful when it comes to de-icing and we know the answer of that, inventories are high, the price trends will turn downwards even more than in the last year already. We don't have any indication of where it could go to because it's much too early to talk about early procurement and the price formula for 2017, '18, but there is not a very strong tailwind for price increases in that area.

The second question, European demand for our fertilisers, as I've mentioned the first quarter was rather strong and this means that our customers had to fill up their warehouses first because the early procurement in 2016 was on a relatively low level. But what the means is that also much material has been shipped into the market already.

It is premature today on the 9th of May to say something for the rest of the second quarter, but it is an old experience that after a strong first quarter the second one is not that strong any more, so this should indicate a trend exactly, but once again I am absolutely shy to give you an outlook on what we will have achieved at the end of the second quarter. But all in all I have the impression that our - business unit Potash and Magnesium products is rather content with the business so far and also optimistic for the rest of the spring season and also for the year 2017.

The third question the expansion of heaps, I think when you follow K+S as you do over a long period of time, you have seen that nothing within the conduct of mining activities goes without a permit and that's the requirement to get the permits - has been significantly, the work to do has increased very, very much.

We need to have an expansion, or additional land that we can use for the tailings pile in the Hattorf plant, like other tailings plants as well in the future from 2018 onwards. But in order to prepare the underground for the storage of that salty residue we need to start earlier, and this is what we want to achieve in the next couple of weeks.

As it has proven in the past that we cannot exclude some kind of delay, we wanted to give that hint also a little bit more specifically in our Q1 report of 2017, like we have done in other cases as well in the past. So from that perspective I'm not shivering right now, but on the other hand we cannot exclude that our expectation to have it done by the June can be postponed for a couple of days, or weeks, or so and this means then for us that we need to adjust our preparation operations for that. But this something once again where K+S needs to say that we are meanwhile accustomed to that.

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**Christian Faitz, Kepler Cheuvreux**

Thank you very much and all the best for your next step in life Mr Steiner.

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**Norbert Steiner, Group Chief Executive**

Thank you very much.

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**Telephone Operator**

The next question comes from the line of Jeremy Redenius, from Bernstein. Please go ahead.

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**Thorsten Boeckers, Head of Investor Relations**

Jeremy it's Thorsten here, let us answer the question one after the other please.

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**Telephone Operator**

Jeremy your line is now live please go ahead with your question. Could you please check if you line is muted? Okay would you like us to come onto the next question?

.....

**Norbert Steiner, Group Chief Executive**

Maybe he'll come later again.

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**Telephone Operator**

So the next question comes from Lisa De Neve, from Liberum. Please go ahead.

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**Lisa De Neve, Liberum**

Good morning, you delivered strong sales volume in specialties, I believe it was 15% higher year on year, could you provide some colour on the dynamics we're seeing in the first quarter, how much of that would be related towards restocking. And would it also be possible to provide some colour for the rest of the year? That's my first question, thank you.

.....

**Thorsten Boeckers, Head of Investor Relations**

Lisa it's Thorsten here, we have indeed seen a good demand for specialties, both in Europe and overseas and it's time to remind you that specialties is not only SOP, we have sold a lot of Korn Kali into all regions and it was really because of a favourable weather situation. So it was applied to the soils and we don't have the feeling that there was a lot of inventory up-filling. On the other hand we may not see the same demand in the second quarter right, where there was a lot of usage of favourable usage of favourable weather situations in the first quarter and this will not continue into the second quarter.

.....

**Lisa De Neve, Liberum**

Okay thank you. Then on the weather Werra disruptions you had, €36m of Werra disruptions in the first quarter where I believe €1m and 25 days gives you €25m related to the Hattorf interruptions, I just want a bit of colour for the rest of the year. What is your base case assumption, do we still assume €55m of Hattorf disruptions for the full year? Thank you.

.....

**Norbert Steiner, Group Chief Executive**

It's a good question, Norbert Steiner again. So what we have indeed seen in the past is that we have had 25 days of standstill and when we look down the road of course we have a certain idea about the situation at the Werra. Please take into consideration that compared to the last year we have made a lot of progress with a view to the protection of also the entire normal production of the Werra plant, particularly Hattorf.





First of all we have increased the size of our basins where we can store salty waters, that enables us for a longer period of time to continue this work ,even if the water levels of the Werra River are low. That means that of course we need to stop that utilisation of the basins when we do not see the possibility any more to discharge the salty residues into the river system or into the underground. But from today's perspective we are of the opinion that at least up to maybe the end of May and I would also say the middle of June this is the visibility we have and we continue to operate.

Secondly we have opened the door to ship away salty waters into one of our mines in Lower Saxony, where so far we have the ability to discharge salty water from the piles, but yesterday we sought a permit also to use it for the discharge of production waters. So this will also hold a good volume. Of course this will require transportation costs, but this is certainly always more beneficial for the plant compared to the standstill. When we use ..... in the neighbourhoods we are filling an end of lifetime gas storage facility in Bernburg and therefore this is a multitude of opportunity to get away from that.

So we want to show, or we want to say that we cannot exclude that with all these additional means it might happen that Hattorf will see a standstill again, but the likelihood that it occurs compared to the year 2016 has significantly been reduced. And therefore I do not want to speculate about any day, or any days, or any time where the standstill in Hattorf can occur. Nevertheless it is something that we want to make sure for the financial markets that it cannot be excluded in the let's say more remote situation when we compare it to 2016.

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**Lisa De Neve, Liberum**

Okay thank you very much.

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**Norbert Steiner, Group Chief Executive**

I want to make one remark, this €40m that you were referring to includes two elements, it is of course the element of the lost day costs, or non-revenue of the lost days and of course a certain portion to ship and to ship material to other areas in Germany. So I would prefer for the future, but I'm not there any more, to have it separated, but it is then more transparent to us and also to you.

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**Lisa De Neve, Liberum**

Okay 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**

Again, a question on Hattorf, an add on, so this potential delay of this permission basically, this is only as you just said you only expect for a few days or maybe one to two weeks, so it's nothing where you expect that this might even be delayed longer? That's my first question.

.....

**Norbert Steiner, Group Chief Executive**

We can only be transparent and so far transparent to you that we say there is an upcoming necessity for further permit. And as the past years have shown it might be that our expectation to get it in time might not be fulfilled by the respective authorities. And it is absolutely impossible for me to speculate





if a delay occurs, whether this is a delay of days or weeks also. For us and personally from the Board of Executive Directors we felt it is necessary to make you aware of that that there is a risk, but not to speculate about days, or weeks, or months of delays and therefore I would also not be sitting here and speculating on that.

.....

**Markus Mayer, Baader Helvea**

Okay, and then with these longer and more complicated approval processes is there any chance for you then for this permissions for 2019 and beyond to start this permissions earlier, so has this no effect on the timing and if there's a delay or not of the permissions, when you get them?

.....

**Norbert Steiner, Group Chief Executive**

We are accustomed to long permit processes, but obviously we are seeing that also the requests for data and explanations from the authorities also is increasing more or less within every - such procedure, right, you would not swear that the time I mention right now is correct. But I think we have started with the approval process for the expansion of the Hattorf Mine already three years ago also, in 2011 already and you see where it is, at the beginning and it's always slowly - because we can see from the authorities there is much time. But then the momentum starts and then we need to see with a view to their own positioning they ask for more and more and more what we cannot foresee at the beginning of such a process.

So I think we've never started too late and it cannot be our future to say I need an expansion - I'm now putting a figure into the air - in 2027 and we start right now, nobody can foresee that, yeah. But it is reality in Germany and therefore we need to do the utmost, I can only assure you that we have increased the number of personnel that is dealing with that kind of request significantly and we are having external consultants also onboard in order to come to that timely permit. But once again you are always surprised and then you are running after the questions and the deliveries of the authorities. This is from time to time I admit also frustrating, but we work on hard on that.

To give you a complete different colour on that how it can be done, we achieved the permit for the tailings pile in our Bethune Mine was in 32 days after the request for approval. So this is something which you also see from time to time that Canada facilitates the matter.

.....

**Markus Mayer, Baader Helvea**

Then the last question regarding the news which popped up I think a few weeks ago on again the German legislation looking on the recently given permission for deep well injection. Can you shed some light on this kind of process here as well please?

.....

**Norbert Steiner, Group Chief Executive**

Yes, you might remember that a couple of people within K+S and also the Mining Authorities in Thuringia were prosecuted, including me. The Court from Meiningen has rejected the request for the legal treatment or legal procedure last September as we expect to have this decision, the final decision of the Superior Court in N.... are within the next couple of weeks or months. It is not possible for me to indicate the right timing.

And in that context the state attorney has also extended his view not only into Thuringia but also into Hessen, he collecting material with the same background. And as he has obviously been able, or has been given a lot of material from the Hessen authorities he has to do a lot in order to review that by himself and by his report. And this means quite simply that this procedure will continue most likely also beyond the final decision of that Court in N....



The legal background from our perspective is not different, we have been granted permits in Thuringia as well as in Hessen according to law and therefore we are not, let's say amused, about the procedures that this state attorney put forward. But we are also not afraid of the situation. But no real let's say indication about any end of these procedures.

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**Markus Mayer, Baader Helvea**

Thank you much and all the best for the future Mr Steiner.

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**Norbert Steiner, Group Chief Executive**

Thank you very much.

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**Telephone Operator**

The next question comes from the line of Paul Walsh from Morgan Stanley. Please go ahead.

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**Paul Walsh, Morgan Stanley**

Thanks very much and good morning guys. My first question how many days of disruption have you suffered in Q2 so far? And in terms of the €10m in costs that you guided towards in terms of transportation ion Potash and Magnesium products is that a good run rate from Q2 to Q4 please? That's my first question.

.....

**Norbert Steiner, Group Chief Executive**

So far we had no standstill days in Q2, this is the answer to the question.

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**Thorsten Boeckers, Head of Investor Relations**

And you were referring to the costs to bring the brine away or ...?

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**Paul Walsh, Morgan Stanley**

Yes exactly.

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**Thorsten Boeckers, Head of Investor Relations**

We once said that we have now the ability to bring brines into old mines and all the measures Norbert was referring to earlier in the amount of a good million cubic metres. And some has to be transported by truck, some by train but our best guidance is that every cubic metre costs us between €25 and €30.

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**Paul Walsh, Morgan Stanley**

Thank you. My second question, really just a clarification, I think you pointed Mr Steiner to Legacy costs of about €150m EBIT burden this year, is that correct?



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**Norbert Steiner, Group Chief Executive**

Correct.

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**Paul Walsh, Morgan Stanley**

Okay and EBITDA positive next year, any rough idea on EBIT?

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**Norbert Steiner, Group Chief Executive**

The year after.

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**Paul Walsh, Morgan Stanley**

Thank you. And my final question, any insights into the China India contract settlement? What might come first, how you think the negotiations are going according to what you guys are hearing?

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**Norbert Steiner, Group Chief Executive**

No as we are not yet part of that discussion and therefore no insight, unfortunately not. That China will be prior to India but it's a gut feeling.

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**Paul Walsh, Morgan Stanley**

Okay that's very clear and best of luck with everything in the future Mr Steiner. Thank you.

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**Norbert Steiner, Group Chief Executive**

Thank you, for you as well, thank you.

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**Telephone Operator**

The next question comes from the line of Georgina Iwamoto from Bank of America. Please go ahead.

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**Stephanie Bothwell, Bank of America Merrill Lynch**

Good morning it's Steph Bothwell from Bank of America Merrill Lynch. Thank you very much for the presentation and for the opportunity to ask my questions. I'll start first of all on the SOP. You comment in the release on the solid demand environment for SOP over the course of a quarter. If we go back to the early part of the year we saw some price hikes on SOP. Can you just comment in terms of what you've seen in Q2, whether or not you've been able to push through additional price hikes there?

And the second part of the question again on SOP is you have a long term supply agreement which is rolling off this year on SOP. Can you just confirm when exactly in 2017 that rolls off? And perhaps if you could remind us what the contracted volumes under that contract are? Thank you.



.....

**Norbert Steiner, Group Chief Executive**

I will start with the second part. I assume that you are referring to the contract that we have with EuroChem again and this contract indeed expired at the end of the year. I need to say that I do not have in mind the volume that is under contract but we certainly foresee that there will be negotiations between us and EuroChem in order to continue this contract also for the time after because they might have the opportunity to source SOP from us for their unserved operations and this is the most convenient thing for them.

So this is an extraordinary contract as it is so long, has been established for a long time, but it will continue like other contracts for the SOP delivery to the NPK industry. They are of course only quarterly or half year contracts but this will have a longer duration. But hopefully and I'm quite optimistic of the favourable conditions for us.

.....

**Thorsten Boeckers, Head of Investor Relations**

Yeah Georgina and with regard to demand we highlighted our speciality but please keep in mind speciality business is not only SOP now okay. On an annual basis about a quarter of volumes - it's a quarter of the speciality volumes refers to SOP. We also produce a bunch of other specialities, we keep the likes of Korn Kali and here the Korn Kali demand was also pretty strong in the first quarter. We talked about prices for SOP because it's always in the discussion on the markets and we're still experiencing high prices. We said already in the last quarter that we are away from the peak but the prices are still on a pretty healthy level.

.....

**Stephanie Bothwell, Bank of America Merrill Lynch**

Okay thank you so just so to go back on the EuroChem contract then. So the existing contract doesn't expire until the end of the year so if you do perhaps get an increase in price on that particular contract it wouldn't come until 2018. Is that reasonable?

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**Norbert Steiner, Group Chief Executive**

Yes.

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**Stephanie Bothwell, Bank of America Merrill Lynch**

Okay perfect. And my second question was just going back on Legacy again. Can you just confirm what you do expect to sell into the market and during H2 2017 and in 2018 please? Thanks.

.....

**Norbert Steiner, Group Chief Executive**

We have a plan to sell around 600,000 tonnes to the market in 2017 in the second half of the year. And in 2018 I would say we have been a little bit prudent in the past. Not to say that the entire 2 million tonnes that potentially we can produce will also be produced and sold to the market so I would say maybe 10% below. The capacity means that we are in the neighbourhood of 1.7, 1.8 million tonnes for the entire year 2018.

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**Stephanie Bothwell, Bank of America Merrill Lynch**

Okay so 2018 will be around 1.7 to 1.8 in terms of sellable volume?



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**Norbert Steiner, Group Chief Executive**

Because as we started later. You might remember that our initial plan to start the operations was in the end of 2016 so we needed to shorten and steepen the ramp up in 2017 significantly and therefore we do not want to frustrate the markets by saying we were not able to do 2 million tonnes therefore this may be an issue of - to be cautious. If we are able to do more then we will but you should calculate with 1.7, 1.8.

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**Stephanie Bothwell, Bank of America Merrill Lynch**

Okay great, very, very helpful. Thank you very much and all the best for the future. Thanks.

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**Norbert Steiner, Group Chief Executive**

Thank you.

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**Telephone Operator**

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

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**Neil Tyler, Redburn**

Good morning. A couple from me as well please, mainly concerning the Bethune project. Following on from Stephanie's question bearing in mind the ore grade available how should we think about the impact of those 600,000 tonnes and again in next year on the overseas realised price that you expect to - in comparison to what you sell currently? That's the first question.

.....

**Norbert Steiner, Group Chief Executive**

As I have mentioned in my speech to the grand opening last week I mentioned that we will enter into the market with our Legacy products as an experienced, long time party and supplier in the Potash market. That means, and this is obviously the background of your question, that we will not undermine our price levels by the volumes that we will get out of Bethune. Please remember that we always have indicated and this is still also the truth, that our customers have asked us to deliver more, to ship more than we were able to do from our German operations and this is now the time where we can sell more to them.

With a view to that I will only refer to that what the business unit has said and I'm deeply convince that it is also the real truth from the markets, we will be able to sell in that combination of MOP and specialities the entire production that we will be able to do in 2018 and the years beyond. Once again this will not be pushed into the market with let's say brutality because we want to maintain decent price levels and so far we never have undercut price levels in the past and we'll continue to do so, to act in this way. And we will find also the areas and the room to place our materials without maybe negative impact to the entire market. This is what I have learned and as I have been following the sales policy of our Potash and Magnesium position for more than 20 years I can only say that's what we have always been doing and we will continue with that.

.....

**Neil Tyler, Redburn**



Thank you. Switching away from Bethune specifically but if I sort of tease out the various one off costs in the Potash business in the first quarter relating to the interruption to those start-up costs, it looks like the cost per tonne came in at something close to €190, just above, so a little step down from last year which I think you quoted at 201. Can you help us with your estimate of what this ought to be on a clean basis again in 2017 and also in 2018 if you're able to once the additional operating costs relating to the KCF plant and any other measures have stabilised?

.....

**Thorsten Boeckers, Head of Investor Relations**

You can strip out a lot. When we just strip out - when we take our usual method, revenues, mines, EBIT over volumes and then strip out the Legacy, the negative contribution from Legacy to the EBIT, I don't want to call it opex because it turns from some run up costs to real opex in the future, the end of this year should be approximately on the end of 2016. And we said that we go ahead, that we first of all see the effects from Fit for the Future becoming effective still in the coming years, and we also go ahead with our cost discipline. So I'm not going to lay out the number now for 2018 but we shouldn't expect a jump in costs.

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**Neil Tyler, Redburn**

Very good, thank you. And just to be perfectly clear, the end of '16 number that you're referring to is what in terms of cost per tonne?

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**Thorsten Boeckers, Head of Investor Relations**

I think it was 232 when you strip out Legacy.

.....

**Neil Tyler, Redburn**

Right okay, thank you. And then on volumes finally if we think about 2018 and again excluding Canada, including the 250,000 tonnes from the KCF plant as well should we now be thinking about something between 7.2 and 7.3 million tonnes from the German operations? Is that the right way to think about it?

.....

**Norbert Steiner, Group Chief Executive**

[Laughs] I'm talking about a time when I'm not in the office anymore. I think we should be a little bit more cautious and think about rather seven than higher. And we need to see that the KCF will be operative from the 1st of January onwards but in the first quarter if I'm not completely wrong it was dealing with the matter to reduce the salty waters but the production starts later. So the year 2018 would also not see yet the entire positivity of the 250,000 tonnes. So rather I would recommend to go to seven rather than above.

.....

**Neil Tyler, Redburn**

Okay that's very helpful, thank you. And thank you for all your help over the years Mr Steiner and all the very best.

.....

**Norbert Steiner, Group Chief Executive**

Thank you very much.





.....

**Telephone Operator**

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

.....

**Andreas Heine, MainFirst**

Two questions I have left. Starting with the first, just to remind myself is the capex for Legacy completely done with Q1 or is there still something coming in Q2?

.....

**Norbert Steiner, Group Chief Executive**

Let's say in effect it's done. It's built in but the invoices come later and therefore of course it will run I would also say over the entire year with reducing volumes quarter on quarter.

.....

**Andreas Heine, MainFirst**

And it is booked and accounted for accordingly, so it's not that if you have reached a milestone and when you are obliged to pay you wait for the invoice until you book it as capex, is that right?

.....

**Norbert Steiner, Group Chief Executive**

Jörg Bettenhausen is answering. I hope - he is a little bit away from the phone.

.....

**Jörg Bettenhausen, Head of Finance and Accounting**

When the new construction is finished then we book the asset accordingly in the balance sheet. Not only if the invoice is coming in. Invoices only be points that we have to pay but for the calculations it is necessary to have the construction done.

.....

**Andreas Heine, MainFirst**

Okay so in the cash flow it is an issue for the full year still but declining quarter by quarter, but in the balance sheet it's basically done?

.....

**Norbert Steiner, Group Chief Executive**

Correct.

.....

**Andreas Heine, MainFirst**

And then coming to the trends going forward in the second quarter on prices, the market prices were slightly going up over the recent months and you should have with the Hattorf Plant fully in operation also a better mix effect. Is it fair to assume that the upward trend you have seen in the last two quarters on the average price will continue in the second and third quarter based on these assumptions?

.....



**Norbert Steiner, Group Chief Executive**

I would say that is correct to assume that indeed. We had the first standstill of Hattorf in 2016 from the second quarter onwards. Of course we were there in a situation that we could make use of our own inventories that it was not feasible so immediately, but in the first quarter inventories particularly with a view to SOP were reduced significantly. So that at least from the Q3 onwards you would be assuming that Hattorf plant will run smoothly and continuously which would have a positive effect from that mixture situation. And of course we still are looking to those people that are negotiating in China and in India and I think everyone in the world holds some foreseeing for them that they increase the price to some extent and I'm optimistic on that as well. So altogether we should perform in that direction where your question goes to.

**Andreas Heine, MainFirst**

Okay thanks a lot, they were my questions. And also all the best to you.

**Norbert Steiner, Group Chief Executive**

Thank you Andreas, thank you very much.

**Telephone Operator**

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

**Patrick Rafaisz, UBS**

Thank you and good morning. Two or maybe three questions. The first is on the one off payment for employees. I understand you had a similar payment a couple of years ago so how should we think about this going forward? Is that something you'd expect to reoccur on a two or three year basis regularly going forward or will there be at one point an increase in wages and a sustainable increase in costs or how should we think about this?

**Norbert Steiner, Group Chief Executive**

You never know. It depends on the situation in which the company is and then the two parties, that means the workforce and the union sits together and discusses what is the best for the particular situation. There are also numerous reasons why in the one year we say we paid - we make a onetime payment or we come to the general procedure that the wages are increased by a certain percentage. The difference is that these onetime payments do not really increase the level of the wages. That means that that is - the money is there but the level of a personal wage continues over the year and is not increased in that percentage. So this is from time to time also an advantage for the company compared to a situation where we do that annually rather than on a certain percentage basis.

So it depends on the situation of the company, on the view that the two parties of that carried contract have, and also on maybe situations like elections of the works council etc. etc. So the general rule will continue to be the percentage increase but from the perspective of the company also these onetime payments are rather effective but we cannot come to that really on a year to year basis. Unfortunately no rule to be established on that.



**Patrick Rafaisz, UBS**

Okay thank you. And then a follow up on the tailing pile expansion. I realise you don't want to give us too many details but by when would you need the permit the latest so that given the lead time for the expansion you would be ready for a seamless transition in 2018? And let's assume worst case that you don't receive the permits until yearend, how much production could you actually lose in a worst case scenario 2018?

.....

**Norbert Steiner, Group Chief Executive**

Sorry I will not make comment on that. You will not get an answer on any tonnage that we might lose. Once again I can say that we were - that we are in a position to move staff for the preparatory works during the summer. This also has something to do with seasonality, that you cannot do everything in Mother Nature that you would like to do at any point in time. So maybe you can shorten that or you could postpone it until maybe one month or two months or a quarter later. So there are various elements that are to be taken under consideration in order to come to a solution. But of course at one point in time, and by the way the final permit is expected only for the next year, we are talking about permits for the preparatory work here. And when we are able to split that from normally three months to two months also we gain time.

Our main purpose was to make you aware of that situation because the only reference to the explanations that we have put into our Annual Report, when we see the necessity are from our perspective not let's say clear enough or transparent enough we are working on that and therefore I will obviously not publicly and this is a public call somewhere will not speculate about any worst case scenario. Please accept that.

.....

**Patrick Rafaisz, UBS**

Okay thank you. And the last question a follow up on SOP. Would you say - you already sounded quite confident on SOP at the last call, would you think sequentially has the market in SOP improved structurally for the rest of the year as well? Or would you say we just maintained the good levels we already saw earlier in the year?

.....

**Thorsten Boeckers, Head of Investor Relations**

Neither bad nor better. So it's stable in demand and it's still healthy in terms of pricing.

.....

**Patrick Rafaisz, UBS**

Okay, very good, thank you. And also from my side all the best Mr Steiner.

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**Norbert Steiner, Group Chief Executive**

Thank you.

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**Telephone Operator**

The next question comes from the line of Oliver Schwarz from Warburg. Please go ahead.

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**Oliver Schwarz, Warburg & Co**


Thank you for taking my questions. One by one as we said. Depreciation in Bethune for the rest of 2017, could you give me a number for that please?

.....

**Thorsten Boeckers, Head of Investor Relations**

Yeah Oliver we always said we expect between 10 and 15 million per month as we expected today.

.....

**Oliver Schwarz, Warburg & Co**

Okay great. Secondly depreciation in the Salt business in Q1 was a tad higher than it was last year. Is that a trend or is that just let's say a blip on the radar screen that can be disregarded?

.....

**Norbert Steiner, Group Chief Executive**

Who wants to answer that question here?

.....

**Thorsten Boeckers, Head of Investor Relations**

Nobody.

Laughter

.....

**Oliver Schwarz, Warburg & Co**

So it must be very important.

Laughter

.....

**Thorsten Boeckers, Head of Investor Relations**

Listen we'll look it up and come back to you, is that okay?

.....

**Oliver Schwarz, Warburg & Co**

Okay great.

.....

**Thorsten Boeckers, Head of Investor Relations**

And if anybody else is interested in that question of course please come back to us as normal.

.....

**Oliver Schwarz, Warburg & Co**

There won't be any I guess. Lastly coming back to what you - perhaps not lastly but regards to Hattorf, sorry for labouring that again, in regards to the product that you are expecting to get, can you confirm that you are only let's say a bit worried about the possible timing but not worried about any questions relating to the size of the expansion process or programme that you have for that tip? Obviously that's related to the permit you got for the waste water discharge where you didn't get what you applied for.

.....

**Norbert Steiner, Group Chief Executive**

I think we are talking about a permit that contains several steps and areas. And therefore we need to start with that one preparation of the area number one, then we use that area and put it up and then we take area number two and three and four and so on. I have no idea that we could be limited to a view to that what we have asked for, for the entirety but this is something that we will need - I do not know the exact year, 2020 to '30 something. So there I do not have any doubts. It's a question of the time, of the permit for the first steps and once we are there then the final big permit so to say should be there in 2018 and this will then allow us to go to these timeframes of 2030, let's say 203X, I do not remember the year exactly but this should be then.

The permit that we have requested for, and of course this is something that has always taken longer timeframes into consideration, then all permits that we got for the salty water discharge. So 20, 30 years in the past have been customary and therefore we should be in that area as well for the Hattorf and also for the other expansions of the pipes in Bittersalz or in other areas where we are continuing production.

.....

**Oliver Schwarz, Warburg & Co**

Very clear thank you. I'd like to sneak one last one in if I may. Alluding to what you said Mr Steiner in regards to the sales team and the Potash business and that they are able or that they are supposed to be able to push in additional 1.8 million tonnes in 2018 when compared to the numbers you have in the German mines. In the past your sales team was in the position that they had to manage let's say declining volumes. That will be the first case that they can deal or have to deal with a huge increase in volumes and still you are very confident that you can do that without having to put pressure on prices. Why is that?

.....

**Norbert Steiner, Group Chief Executive**

As we are capable.

.....

**Oliver Schwarz, Warburg & Co**

[Laughter] okay.

.....

**Norbert Steiner, Group Chief Executive**

At least don't forget we are also maybe in the sunset of our Sigmundshall plant. So we are talking about something before 2020 that we will then reduce our exposure by that I think 600,000 tonnes of MOP and speciality and therefore our team always has been able to sell more. We were from time to time more included in discussions why can't you deliver more than on the one hand and keep our customers satisfied. So I think it will not be an easy task but I'm full of confidence that the team will manage that without let's say turning big price levels into the south.

.....

**Oliver Schwarz, Warburg & Co**

Very clear. Thank you very much and all the best for your future.

.....



**Norbert Steiner, Group Chief Executive**

At least one remark from Thorsten. Thank you very much by the way.

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**Thorsten Boeckers, Head of Investor Relations**

Increase in D&A is mainly FX related in the Salt business.

.....

**Oliver Schwarz, Warburg & Co**

Okay thank you.

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**Telephone Operator**

We have no further questions coming through so I will hand you back to Norbert Steiner for any concluding remarks. Thank you.

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**Norbert Steiner, Group Chief Executive**

Thank you very much. It was once again and finally a nice hour to spend with you and I would like to thank all of you that I have met in the past on a regular basis. And also to you as representatives of the financial market I can only say that generally I have been treated kindly and in all fairness, when it was not fair we were biting against it but it's on the rare occasion only.

But coming now to an end of my duty and service for K+S I ask myself for kind of a magic formula. I was very much engaged to bring Legacy obviously to life and we were talking about 100 years then. On the other hand we are confronted with a financial market that might have a time limit of 100 days and I would like to have the magic formula to bring 100 years and 100 days together, this would be very helpful for the future. But on the other hand it will not be any challenge anymore so we should leave something behind for our successors. Thank you very much and all the best for you. Thank you.

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