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**K+S**

Q1 2019 Conference Call  
14th May 2019

**K+S**

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

**Thorsten Boeckers, Chief Financial Officer**

**Questions From**

**Thomas Swoboda, Société Générale**

**Chris Ryan, Bank of America**

**Markus Mayer, Baader Helvea**

**Neil Tyler, Redburn**

**Christian Faitz, Kepler**

**Patrick Rafaisz, UBS**

**Andreas Heine, MainFirst**

**Chetan Udeshi, JP Morgan**

**Marc Gabriel, Bankhaus Lampe KG**

**Markus Schmitt, ODDO BHF**

## **Key Highlights**

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

Ladies and gentlemen, welcome to our Q1 Conference Call. Let's start right away on slide 3 with our highlights of that quarter.

My first message is, ladies and gentlemen we have delivered. EBITDA and cash flow are clearly above last year's achievements. Bethune production increased further and our German mines operated much better as well.

Strong potash pricing and wintery weather in the US and Canada also helped us.

As a result the EBITDA of our operating units, Europe plus and the Americas increased by 14 and 12%.

The adjusted net profit is up almost 30% and the free cash flow of €233m is up even 63% compared to last year.

In fact this is has been the strongest quarterly cash flow in eight years. As a result we started deleveraging our company.

Now please turn to slide 4 to have a closer look at this topic. Ladies and gentlemen we are on the right track to reducing our indebtedness and we confirm our target to half net debt and net financial debt to EBITDA by the end of 2020.

As said before 2018 was negatively affected by Werra outage days. Adjusted for that net financial debt to EBITDA would already have been at 3.9 times by the end of Q1.

Please have a look at slide 5 to see the development in our different customer segments.

This is the first time, ladies and gentlemen, that we are talking about our customer segments with analysts and investors. Let's take one step back, why have we changed the old reporting?

Within the two big potash and salt segments we lost a lot of potential, apart from lost synergies we were too production oriented and at the same time not customer oriented enough. We did not put enough focus on business like Industry or Consumers, for example did you know that our Industry business generated the highest margin across K+S in 2018?

With our new reporting structure we've started to manage the company with a new metrics organisation.

Let's begin with Agriculture, mainly due to better pricing revenues the EBITDA increased notably. Our new mine in Canada made further progress, Bethune EBITDA was clearly positive in the quarter under review and up against last year.

Our Industry Consumer segment - customer segment is comprised of our former potash and salt products. In combination this is a 10 million tonne division which is generating sound and relatively stable margins. Sales and EBITDA are fairly equally spread over the quarters.

In Q1 2019 we reached last year's revenues, although availability of our products was lower due to the closure of our Sigmundshall mine.

In earnings prices for e..... customers improved, whereas freight costs are still weighing on profitability.

Both revenues and margins increased in our Consumer business, a more favourable pricing environment and tailwinds from FX has helped us to recover profitability which was somewhat under pressure due to increased freight rates.

In Europe we are further developing the new salt brand Saldoro, our Saldoro trucks are already driving across the country.

Last but not least the Communities de-icing business benefitted from the severe and long lasting winter conditions in the US and Canada. Volumes were even better than last year and as a result prices rose. Now we are looking positive into the next tender season in the summer, the first price indications are promising.

And now please turn to the next slide to talk about full year guidance. First of all we confirm our 2019 EBITDA guidance of €700m to €850m. We also confirm production levels, expected cost per tonne of our potash production and target sales volumes.

After positive FX development and good winter businesses in Q1, we feel confident with our EBITDA range. Please remember that this assumes that we will not face drought related outage days in the months to come.

For the moment production is running smoothly, above ground ponds are roughly 18% filled and we have already started with the transportation of saline wastewater for offsite disposal.

In summer we additional expect a permit for a temporary underground storage of 400,000 cubic metres. The good news, by obtaining this permit we would be able to handle a summer like last year without outages.

Let's sum up what we've achieved so far on slide 7. We are happy with our Q1 achievements.

Our operating performance improved both in Bethune as well as at the Werra mine. Our wastewater management improved and makes us more robust.

The first quarter also showed that we are on track to reach our main target, becoming free cash flow positive in 2019.

All in all we can confirm our 2019 guidance given in March and the targets we have set so far for year end 2020.

Finally we see further improvement due to our newly reshaped organisation. This will help us generate significant synergies of more than €150m and we can now manage our company much better, customer centric. This will set the foundation for our growth options after 2020.

Ladies and gentlemen we are now happy to take your questions.

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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 and you will be advised when your line is unmuted.

The first question comes from the line of Thomas Swoboda, Société Générale. Please go ahead.

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### Thomas Swoboda, Société Générale

Yes good morning, I have three questions please. Firstly on free cash flow and inventories, obviously it looks like you have sold down quite a significant chunk of your inventories in Q1. My question is how should we expect working capital to develop, especially in the second half of the year when you expect to ramp up your production volumes in Bethune even more?

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### Thorsten Boeckers, Chief Financial Officer

Thomas I would answer it that way, with that the working capital will increase of course, but when you compare it to last year the ramp up is not as steep as in 2018, so we would see across the year a positive working capital effect on the cash flow.

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### Thomas Swoboda, Société Générale

Perfect thank you. My second question is on the logistics costs, you have guided for €40m this year, I'm just wondering if this includes using the additional 400,000 cubic metres of storage, temporary storage facility, or should we expect a higher number in case we should really - we should really get a very dry summer like last year?

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### Dr. Burkhard Lohr, Chief Executive Officer

Thank you for that question. First I think we should clarify that it's a logistic costs for our salt water, our transportation from the Werra to other mines, mostly in Lower Saxony. And we said €40m was the number that we had last year and that would be the worst case for this year as well because we cannot do more for logistical reasons.

We are not expecting the €40m in the mid range, that would be more or less one trigger to bring the EBITDA a little bit down. Currently we are quite optimistic that we would not need the €40m entirely, but of course nobody knows how the weather continues from now on.

But the additional storage facilities, with what we have underground in summer, which gives us another 400,000 cubic metres, does not really affect the water that we have to

transport. That is more or less linked to the real weather conditions because we cannot store heap waters, only production waters underground, therefore we had to continue transporting water, even if we had this additional storage facilities.

So to sum it up it could be up to €40m impact, but with this additional storage facility we will most probably not have outage days.

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**Thomas Swoboda, Société Générale**

Perfect. My last question is on pricing and especially regarding Brazil. I mean we have these trade talks between the US and China becoming hot again, and we have the African Swine Fever in China on top, there was also a slow start to the US - or to the North American Fertilising season. Do we need to fear that the competition, especially in Brazil and in Asia will heat up as, you know, everybody will try to sell there and that we will see some more price pressure during the year, especially compared to last year?

Could you share your thoughts on the current competitive environment and the price development with us please?

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

Yeah absolutely, first of all we are not seeing this yet. And we believe that over the year, and that is what my colleagues have communicated as well, so they see - also we see other producers - that we will at least have stable demand over the year. And there are no meaningful additional capacities coming into the market.

So yes we have the issues that we have mentioned, but we still have a very bullish Brazilian market, we have stable European markets, Asia started weak into the year, but now is picking up.

So all in all we are not changing our view on the market and on the price development which is saying at least stable demand compared to last year and we expect stable pricing compared to the end of 2018 for the full year.

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**Thomas Swoboda, Société Générale**

This is very helpful, thank you.

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

Thank you.

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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**

Thank you, just one question. I'm just trying to obtain a like for like comparison, so for the volume guidance that you gave for 2019 it's slightly different from what was given in the last quarter and due to the re-segmentation. So is there any change to the production volumes for potash versus your expectations at the last quarter's call? And the same question for salt as well?

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

So let's take the total volumes, the total potash volumes, which is of course Agriculture and Industry now. We have no change in the total volumes. So we have the same base for our guidance that we had in March, we're saying 7.7 million to 7.9 million tonnes of production. And the swing factor here is Bethune as we are still in the ramp up, so it could be 1.7 to 1.9 million.

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**Chris Ryan, Bank of America**

Got it. And no change in your expectation for salt volumes?

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

No.

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**Chris Ryan, Bank of America**

Thank you, I'll hop back in the queue.

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

You're welcome, bye-bye.

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**Telephone Operator**

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

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**Markus Mayer, Baader Helvea**

Good morning gentlemen, two questions from my side on these new segments. You had - and in Industry you stated that they had a negative product mix effect, maybe some more words on this would be helpful? And also on the Consumer segment you had here an earnings jump, here some more words to understand this would be highly welcomed as well?

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**Thorsten Boeckers, Chief Financial Officer**

Yeah I think what effects - when I want to summarise the Customer segments, we have seen a good development in consumers, which was pricing related.

The Industry effect, the negative one is less related to a product mix, it's more - here you see especially the higher freight cost impact. It is harder to pass on this to the customers as we also have here longer lasting contracts. And in general this is why the Industry business is going back - it's increasing in terms of revenues, but decreasing in terms of profitability and margin.

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**Markus Mayer, Baader Helvea**

Okay understood, 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. Back to the topic of freight costs, I wonder if you could give us an indication of in absolutely quantity what those comprised over the course of 2018 and specifically within the Communities customer segment, what the absolute number was and how you expect that to change within your budgeting for 2019 please?

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**Thorsten Boeckers. Chief Financial Officer**

Yeah given that Communities is - yeah only consisting of the old salt business, when you look back into 2018 a third of the total cost was related to freight costs and this was already in 2018 elevated because we had the higher costs already and this is what we also see going into the new year.

Overall for us one quarter, when you look at the total Group costs, it's related to freight costs. But this is of course the total freight, this is not related to the salt water, the salt water is the number that Burkhard said earlier.

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**Neil Tyler, Redburn**

Yes I was just really asking about freight exclusive ...

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**Thorsten Boeckers. Chief Financial Officer**

In general.

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**Neil Tyler, Redburn**

... salt water. and year on year if you can give us an indication of how that number moved during the first quarter, in percentage turns or whatever?



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**Thorsten Boeckers, Chief Financial Officer**

It did - it is rather - it only marginally increased. So in terms of costs or a portion of total costs it's a little bit more than a quarter in both quarters.

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**Neil Tyler, Redburn**

Okay, thank you very much.

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**Telephone Operator**

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

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**Christian Faitz, Kepler**

Good morning gentlemen, a couple of questions from my side. First of all can you please elucidate on your capacity planning for Bethune for this year and also for the next few years going forward?

And on that will the Bethune volumes still predominantly be earmarked for non-North American markets?

The second question ...

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

Sorry, Mr Faitz - one by one.

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**Christian Faitz, Kepler**

All right - for Bethune?

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

Okay now I've got it, yeah our guidance for this year is 1.7 to 1.9 million tonnes, which is already 300 to 500,000 tonnes more than last year. And to the end point is still 2023 with 2.9 million tonnes full capacity, precisely 2.86 million tonnes. So the way to this full capacity should be more or less flat line.

The only question mark that we still have is how will the ramp up of the secondary mining continue, because as you know we have only started and this is a new technology for us. So there is a little bit of an unknown in that and we're talking about 900,000 tonnes of secondary mining volumes. So we assume now a flat line, but it could differ a little bit, we'll keep you updated on that.

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**Christian Faitz, Kepler**

Great. Then to my second question, can you please give us an assessment of the de-icing inventory levels at your customers hold in North America as well as in Europe? Thank you.

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

So we have low levels, very low levels in the Mid West, we have seen that even we were - our stores were completely empty and we know that from the competitors and from customers. The East Coast is more or less on a normal level. The same is true for Europe. And as we had a good Canadian summer we are little bit below average in inventories in Canada as well.

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**Christian Faitz, Kepler**

Great, thank you very much.

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**Telephone Operator**

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

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**Patrick Rafaisz, UBS**

Good morning and thanks for taking my three questions. The first is just to follow up on your total production guidance for potash this year. You already mentioned Bethune 300 to 500,000 tonnes, should I assume all the other indications you've given us with Q4 are still valid, so 500,000 tonnes from Werra, excluding Neuhof, then minus 100,000 tonnes from lower K2O compared to Germany, etc, so all of that is still valid?

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

All of that is still 100% valid and we have to look deeper in the last remaining, if you wish we'll call it issue in Neuhof, we are on track here. We have started the mining in other areas and the second half of this year should be back to the original plan, so that we only have this negative impact of 100,000 tonnes.

All the other issues that we have mentioned and explained precisely are still valid.

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**Patrick Rafaisz, UBS**

Okay thanks and the second question is actually a follow up on this and what you've said on the secondary mining in Bethune. We have talked about around 100,000 tonnes from secondary mining this year. That is still valid as well I assume?

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

Yeah, we've said it could even be 200,000 so between 100 and 200,000 tonnes in secondary mining and that is one reason for this variance that we have given you. And granted that is the biggest unknown for us how it really ramps up.

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**Patrick Rafaisz, UBS**

Okay, thanks. And the last question is on the specialties, or specialty fertilisers, in the past we talked about pricing being delayed here due to contract structures. Is pricing catching up now already, or will that just follow in Q2, Q3?

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

Now we see the development that we have seen in the past, if MOP prices pick up we see a timing gap between picking up of the SOP for example and now we have seen continuous nice development here.

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**Patrick Rafaisz, UBS**

You expect it to continue you think in the second quarter?

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

We have seen it and we expect this to be the future, that is for example one reason why we had this rather high average selling price in the first quarter, because in Q1 we always have a positive mix effect, higher specialty portions and with this price development that I have just elaborated on we ended up with this nice number. But that should recover over the year, not due to total price effect, but to mix effect.

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**Patrick Rafaisz, UBS**

Okay I understand. 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 the line of Andreas Heine, MainFirst. Please go ahead.

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**Andreas Heine, MainFirst**

I actually have four, but very small ones. The first, could you elucidate a little bit on how you do the cost allocation between the potash business in Agriculture and Industries. So we see some fluctuation in the unit cost quarter by quarter and year by

year, is that then exactly what we can take as costs in the Industrial business for potash? That's the first one.

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**Thorsten Boeckers, Chief Financial Officer**

Yeah, I mean we look - in where do we sell the products to and this is the way we allocate the costs to the different segments. And we are able to allocate up to 80% of the costs directly and the rest is checked by looking at the sales volumes confirms that. So when you take sales volumes that's a good proxy for that.

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**Andreas Heine, MainFirst**

And then the second one, the FX rates in your guidance is still at 120, so we are now at a more favourable rate. If you take the current rate we have and have your hedges in mind you have for this year, what would be the impact on EBITDA?

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**Thorsten Boeckers, Chief Financial Officer**

Yeah, I can only repeat - one could discuss should we change our assumption now, but I mean usually at this point in time you usually don't even get more concrete guidance from us, so we stick to our guidance range and new also stick to the assumption of the 120 in our planning in our forecasting for this year.

We told you that there is the positive effect when we see an ongoing rate of 115, if we do see this for the remainder of the year there is a €30m benefit to our current assumption.

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**Andreas Heine, MainFirst**

And for the remaining three quarters?

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**Thorsten Boeckers, Chief Financial Officer**

For the remaining yes, for the quarters.

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**Andreas Heine, MainFirst**

And then on the average price you have seen in Agriculture, there is always a mix effect, looking forward to the coming three quarters, just very qualitatively where is the mix then in this Agricultural segment quarter wise, which is the strongest, which is the weakest, just if everything stays as it is?

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

The first quarter is clearly the strongest. I mentioned earlier that we have a lot of speciality sales in the first quarter traditionally and then we should see prices - given the same price environment we should see for K+S lower average selling prices in the

quarters to come. And that is not only the sales mix, it's also that we are expecting, as you know, a ramp up of Bethune. We started nicely into the year but there is more to come and that also has an impact on the average selling price of K+S.

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**Andreas Heine, MainFirst**

Thanks and the last one very briefly, could you elucidate a little bit more on the Industrial segment trends, so the impact they have seen in the earnings, is that driven more by the volume, or by the costs, or what was that - and what can we expect from this trend, which is more let's say GDP related in the coming quarters?

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**Thorsten Boeckers. Chief Financial Officer**

It's driven by price and I mean - we have a slightly lower volume than last year. So I would say that for the rest of the year the volume development should be rather stable, we expect in general a growth of let's say 1 to 1.5% overall of this product in there, but it's like with the old salt segment and on de-icing it's a broad range of products, so you have some segments that are growing quicker and some certainly also that are not growing at all.

I would say it's volume rather flat, when you talk for the rest of the year, longer term, we see a marginal increase there. We see a beneficial pricing, but keep in mind what we said earlier, here is where the freight costs are heading up, at least in this year and we are not yet able to pass on this to the customers.

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**Andreas Heine, MainFirst**

Thanks very helpful, thank you very much for the answers.

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**Telephone Operator**

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

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**Chetan Udeshi, JP Morgan**

Hi, I just had a question on the current trends that you see in the industry in the potash market, because it seems that pricing have been sort of edging down, at least the third party prices that we get over the last quarter or so. And you know there have been sort of reports about very strong sort of imports into Brazil, especially in the first three months of this year. How do you see firstly the inventory situation in some of the key regions for K+S in terms of potash?

And any comment on why you think pricing are sort of - you know have seen some moderation in the last few months basically? Thank you.

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

We have already indicated that we are expecting prices to remain on the level of the end of last year. We said that at the beginning of this year already and obviously we were correct with this assumption, which is positive.

You know that we had a price rally between '16 and '18 and it's more sustainable if we remain on the plateau and it looks pretty much that the industry can achieve that to keep the prices stable with some stronger areas, like Brazil and here we will see another very good year and so the inventories - and you were asking for inventories on the lower level, of course a different situation in Asia, which is not that relevant for us, because our volumes into Asia are growing due to Bethune, but are not on a very high level yet.

But we see that slowly markets are kicking in, and Europe is fine, our home market we are on a healthy development. We had a lot of rain which is good now for farmers in that season. So all in all we are quite happy with the development and that is why we confirm one more time stable demand globally and stable prices.

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**Chetan Udeshi, JP Morgan**

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 Marc Gabriel, Bankhaus Lampe. Please go ahead.

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**Marc Gabriel, Bankhaus Lampe KG**

Good morning everybody and congratulations on the perfect results for Q1. Just two questions from my side. First of all on the de-icing salt business, you mentioned that stock levels are low in the US, the Mid West, we saw already a price increase year over year, is it fair to assume that additional 10% is possible with the new negotiations with the communities? That's my first question.

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

Thank you Mr Gabriel for your congratulations, we like to take it because you know that we had some more difficult quarters behind us. But coming back to your question, it is too early. We have seen only very few bids and we are talking about hundreds of bids. But the probability that you discussed with that number in the Mid West is realistic, but we also have to region in the East Coast and here we might end up with a slightly lower price. But in total we expect higher prices.

And then it is important to see that the volumes kick in in Q4.

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**Marc Gabriel, Bankhaus Lampe KG**

Okay and then a second question I have on the segment, Customers. There you mentioned the positive pricing effect, that margin development, or that jump in EBITDA, despite the stable volumes, is that a sustainable number going forward for the next quarters, or is that just a one-timer?

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**Thorsten Boeckers. Chief Financial Officer**

It is really hard to say Marc. I wouldn't consider it as a one-timer, because I mean we are pretty successful, you're talking about Consumers right, you said Customers?

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**Marc Gabriel, Bankhaus Lampe KG**

Yeah.

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**Thorsten Boeckers. Chief Financial Officer**

We have strong brands, but there is tough competition also going on from white label products. So we have to fight for customers. We try to get our higher costs passed on there; we are most of the time successful, not always. So I wouldn't say that there is a straight line going up further, but we should be able to keep that level at least.

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**Marc Gabriel, Bankhaus Lampe KG**

So you're more targeting for a margin goal in that segment, or?

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**Thorsten Boeckers. Chief Financial Officer**

Yeah of course, we're not looking at revenues and we have to see that we get higher costs compensated, so margin is rather the right thing to look at.

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**Marc Gabriel, Bankhaus Lampe KG**

Thanks, bye.

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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 Markus Schmitt, ODDO. Please go ahead.

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**Markus Schmitt, ODDO BHF**

Yes, good morning just one question. You renewed recently your syndicated credit facility, consisting of RCF and a new term loan. You highlighted the favourable conditions in the press release, could you explain how the two tranches have been priced?

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**Thorsten Boeckers. Chief Financial Officer**

I'm a little bit reluctant to talk about conditions in a not public facility, so they are favourable, but I don't want to give any details on the numbers.

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**Markus Schmitt, ODDO BHF**

And will this be presented going forward in any of your documents?

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**Thorsten Boeckers. Chief Financial Officer**

I think I will also be in the future reluctant to do so. I mean it's variable pricing that's what I can say, yeah, so it's linked the Euribor and we pay a margin to this and so it will vary anyway. But I think there is nothing - it is favourable compared - or taking into consideration our rating. Yeah, but that's all I want to say.

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**Markus Schmitt, ODDO BHF**

So it is lower than the previous one or higher, can you disclose that?

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**Thorsten Boeckers. Chief Financial Officer**

Yeah I mean the previous one was done a couple of years ago where the interest rate environment was a different one, but also our rating was a better one. So looking at this it's not as favourable as in the past.

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**Markus Schmitt, ODDO BHF**

Okay, thank you very much.

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**Telephone Operator**

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

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**Neil Tyler, Redburn**

Good morning again, a follow up is on the injection permit, the groundwater injection permit that you referred to in your opening comments. You mentioned you are confident of receiving approval for that permit, so I'd like to ask if you can share any of the reasons for that confidence. And following on from that would ...



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

May I answer first please, because we want to answer one by one, or does this still belong to the first question, what you wanted to say?

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**Neil Tyler, Redburn**

Well it still belongs to the first question.

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

Oh okay sorry.

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**Neil Tyler, Redburn**

It's all right, so the question is - you know hypothetically if you weren't to receive the approval could you still reach your volume production guidance, so it is effectively just protecting you to the downside? And could you give us a picture of any other major permit renewals over the next two years please?

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

Yeah thanks for the question. First of all I need to avoid misunderstandings; we are not talking about an injection permit. We have an injection permit which allows us to deep well inject 1.5 million cubic metres a year, that will run out by the end of 2021 and we are working on a succession for that which is the storage of waters underground in the Werra area, not only temporary, but continuously. And that looks pretty good. We will from my reading have the permit in hand early enough to have no interruption.

What we are elaborating on here today in this quarter is a temporary storage underground of 400,000 cubic metres. And why I'm so optimistic - because we regularly talk to our authorities and they have defined conditions and we are able to meet these conditions and then we are only talking about timing. But somewhat - in summer we will have this in hand and then we are pretty sure not to have any production impacts. And we will be able to meet our target of in total 7.7 to 7.9 million tonnes. And that's so important because at the Werra we are producing most of our specialties.

Does that answer your question?

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**Neil Tyler, Redburn**

I think I understand, but I just want to make sure that if you know - if you don't receive this permit and there is a dry summer than that's the threat to the volume. That if there is normal weather environment or conditions then the additional underwater storage wouldn't be required?

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

Exactly. So if we don't get this, we have the same environment as last year. the good news is we could empty the pond totally over the winter, but that was the case in '18 as well. So if we don't get the approval we have the same situation as last year. But that means we would need another drought in Germany to have outage days. But I'm - that is only theory, I'm very optimistic that we'll get this additional capacity.

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**Neil Tyler, Redburn**

Yeah I understand, I just wanted to understand the potential probabilities, thank you.

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

Thank you very much.

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**Telephone Operator**

The final question comes from the line of Thomas Swoboda, Société Générale. Please go ahead.

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**Thomas Swoboda, Société Générale**

Yes, thank you for taking my follow up. And it is regarding the resource tax increases in Canada. Could you just remind us please what effect this increase in mining royalties do have on your P&L in the short term, and especially what do they mean regarding your targets for 2030 please?

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**Thorsten Boeckers. Chief Financial Officer**

That is what we still consider as short term as you know.

*Laughter*

There is no immediate effect because as a new kid on the block in Canada we are tax exempt from some taxes over there and so for the next eight years this is not affecting us. In the long term yes we also do see an increase in the potash production tax, but this is hitting us beyond 2028.

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**Thomas Swoboda, Société Générale**

Perfectly clear. Thank you.

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**Telephone Operator**

Thank you. We have no further questions coming through, 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 very much for joining us today on this call and we are quite happy with the outcome of the first quarter. And be assured we are working hard to deliver the other three quarters and we're looking forward to seeing you on the road in London and Frankfurt to answer more questions. And thanks again and have a nice day. Bye-bye.

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END

**DISCLAIMER**

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