



K+S Group

Quarter One 2018 Results Conference Call

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K+S Group

Dr. Burkhard Lohr, Chief Executive Officer

Thorsten Boeckers, Chief Financial Officer

Jörg Bettenhausen, Head of Finance and Accounting

Lutz Grüten, Head of Investor Relations

Questions From

Markus Mayer, Baadus Helvier

Oliver Schwarz, Warburg Research

Neil Tyler, Redburn

Patrick Rafaisz, UBS

Andreas Heine, MainFirst

Knud Hinkel, Equinet

Thomas Swoboda, Société Générale

Christian Faitz, Kepler Cheuvreux

Marc Gabriel, Bankhaus Lampe

Michael Schäfer, Commerzbank



Introduction & Key Highlights

Dr. Burkhard Lohr, CEO

Ladies and gentlemen welcome to our Q1 conference call. And with me here, as usual, we have Thorsten Boeckers, our CFO, Jörg Bettenhausen, our Head of Corporate Finance and Accounting, and Lutz Grüten, our Head of Investor Relations. After a brief presentation and this will be quite brief this time, we'll be happy to take your questions.

Now let me start with the highlights of the first quarter on slide 3. The most important message on that slide is that sales and EBITDA are up over last year's first quarter.

Our revenues rose by 4% on the back of high production availability, mainly from Bethune, higher de-icing volumes, the absence of weather related standstills at the Werra plant, and of course further increasing MOP market prices.

On the other hand, the late start into the European fertiliser season and the weaker US dollar had a negative impact on sales.

From an earnings perspective we made good progress as well. Our EBITDA increased from €211m to €237m, this was mainly due to better earnings contributions from our new mine in Canada. However, we are still facing some challenges at our Werra plant, after the turbulent times in 2016 and the beginning of 2017. Despite the fact that our Werra production is up year on year we are still operating below the technical capacity, with negative effects on our profitability.

On top, trade costs increased significantly, however, in spite of the described headwinds we have seen solid results. Our adjusted free cash flow improved and our financial leverage was further reduced. We remain optimistic for the upcoming quarters and we confirm our outlook.

Now let's have a look at our Potash business on slide 4. From a market perspective global demand is healthy, however, after a late start into the European season on the back of a cold and muddy March, we lost some volumes in Q1, and may not recover that in Q2.

Overall market prices for MOP and Potash Specialties increased further. Nevertheless compared to Q1 2017 our average selling price was burdened by FX effects and a shift in our product mix.

All in all, as you can see in the table below, our EBITDA margin rose remarkably compared to the former quarters.

And furthermore our cash unit costs came down significantly, mainly due to Bethune. That means we are making very good progress to reach a level of below €200 per tonne on a full year basis.

Let's move on to slide 5 to talk about Salt. On this slide I would like to focus on three things, first of all we had a good winter in the US which was quite important for volumes in our de-icing business. However, these volumes were mainly generated in regions with low prices. Nevertheless tight inventories could be supportive within the upcoming tenders for the next winter season.



Secondly, the average selling price in non-de-icing softened versus last year on the back of unfavourable FX rates and a higher share of lower priced industrial salt products, which however has a nice profit contribution.

And finally, and in line with our competitors, we are facing increasing freight costs, mainly in the US.

All in all Q1 2018 was okay, but not perfect.

Now let's talk about our view on the full year 2018, we find this on slide 6. The most important message on that slide is that we confirm our full year guidance. We expect our EBITDA to be up significantly on last year's achievements.

Earnings momentum will be backend loaded. In addition, the adjusted free cash flow should improve further and we are making good progress to deliver on our targets to becoming free cash flow positive in 2019.

This makes me very optimistic about the future of K+S and with our Shaping 2030 Strategy we paved the way to further growth.

Let's move to slide 7 and an update on our new strategy. The project to lift synergies by at least €150m by the end of 2020 has started. Moreover, after having presented a basic concept of our new organisation internally we are now working on a detailed concept.

We will be happy to offer you more details on our Capital Markets Day; you should have already received our invitation at the end of last week.

Again, we know Bethune is not around the corner; however we would be happy to host you for 24 hours at our Capital Markets Day on September 5th. Please note that we would need to see your feedback by no later than the end of June.

Now I thank you for your attention and as always we are happy to take your questions.

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Questions and Answers

Telephone Operator

Thank you. Ladies and gentlemen 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 to your next question. You will be advised when to ask the question.

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Dr. Burkhard Lohr, Chief Executive Officer

Operator we can't hear anything.

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Telephone Operator

The first question comes from the line of Markus Mayer. Markus please go ahead.

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Markus Mayer, Baadus Helvier

Good morning gentlemen, two questions on the Salt business, only small ones. The first one is on the D&A of Salt, which was 19 versus the last quarter's 26 or 30, is this is a new run rate, or was there any kind of one off effects in the D&A number here?

And the second one is on the industrial salt prices, which were down; maybe you can explain this effect a little bit more? Thank you.

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Thorsten Boeckers. Chief Financial Officer

Morning Markus it's Thorsten here. Yeah, the about €20m per quarter on D&A for Salt is what I would consider as a run rate for this year.

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Markus Mayer, Baadus Helvier

Okay.

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Dr. Burkhard Lohr, Chief Executive Officer

Industrial salt prices, we always have an impact from the product mix. I think we have stressed a couple of times that we have a very nice new application, copper leaching with a nice margin, but with a low total price. That is only one of many examples and here we have the main impact of the product mix in the industrial prices as well.

And what we have seen in the de-icing was also true for the industrial segment and consumers - the freight costs had a negative impact in the first quarter, besides of course the mainly US based business our FX rate has had a negative impact due to the weaker US dollar. And these three reasons in total were the reasons for the impact that we have seen on the industrial salt in the first quarter.

That gives me the opportunity to remind everybody please ask one question, one after the other so we have the chance to answer properly and don't have the risk of missing anything. Thank you.

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Telephone Operator

Thank you Markus. The next question is from the line of Oliver Schwarz, from Warburg. Please go ahead.

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Oliver Schwarz, Warburg Research



Thank you for taking my questions. I have three of them. We can go through one at a time. Firstly, main effects - there seems to be in your waterfall chart on slide 6 there seems to be a positive effect on EBITDA from the closure of Sigmundshall if I understand that correctly. Could you highlight or flesh that out for me, what that positive effect on EBITDA might be and how that came to be? Thank you.

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Dr. Burkhard Lohr, Chief Executive Officer

Yes, if we compare the potential earnings in 2018 to the actual in 2017 you have to take into account that we had a significant impact from the provisions we had to build, together with the decision to close Sigmundshall. And that turned of course - if you compare 2017 to 2018 to a positive effect.

But I would also like to mention that - and that was indicated earlier, that the running business in Sigmundshall delivers a negative impact on earnings and on cash flow, slightly, but still negative. And again that is the reason why we have taken the decision to close it by the end of this year.

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Oliver Schwarz, Warburg Research

May I have a follow up on that? Would that be a negative effect on 2017's EBITDA or on the EBIT level if you're talking about a negative contribution by Sigmundshall in 2017?

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Dr. Burkhard Lohr, Chief Executive Officer

Both levels.

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Oliver Schwarz, Warburg Research

Okay, thank you. The next question would be on your assumptions regarding the potash price in 2018. If you are talking about a slight increase that you assume for the potash price, is that the headline price, or is that in US dollars in the world market, like in Brazil also, or is that the compound price for K+S that you expect to realise in 2018 in euros?

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah, first of all I would very briefly elaborate on what we are seeing in the markets and that is a nice development, prices are increasingly steadily. We have seen that for quite a while and there is no reason - and I think more and more market participants are seeing it this way, to believe that this could come to an end.

The next important indicators are the contracts in China and India; they will show and increase for sure, of what magnitude we do not know now.

What does it mean for us, you have mentioned all the impacts, first of all product mix with Bethune, we produce MOP which has an impact on our average blended selling price. We also have more volumes in the US dollar region, so FX has an impact.



But when we are talking about a slight increase of our average selling price we mean our blended price overall in euros.

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Oliver Schwarz, Warburg Research

Very clear, thank you. And my last question would be on your free cash flow assumptions for 2018 where you say there will be a significant improvement but it will be still negative. At the financial year 2017 reporting stage we saw that there it was still slightly negative. So it seems that you might be expecting a more negative free cash flow than originally anticipated, would that be a fair takeaway?

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Dr. Burkhard Lohr, Chief Executive Officer

Now first of all I think we have made over the year significant improvements, minus €715m in 2016, minus €350m in 2017 and it will be a significant improvement again in 2018. And I've just confirmed with my speech that we see a positive free cash flow in 2019.

However, I have also indicated that we have seen some headwinds in the first quarter, like FX, like the regional mix of our de-icing business, freight costs is a real issue, especially for the salt business. We have seen the late spring season in the potash business and we do not expect to recover all of that in the second quarter. And we still have some issues at the Werra. So we have lost some cash flow potential in the first quarter and that is the reason why we have taken this slight adjustment in our guidance concerning the free cash flow.

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Oliver Schwarz, Warburg Research

Very clear, thank you so much.

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Dr. Burkhard Lohr, Chief Executive Officer

Thank you very much.

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Telephone Operator

Thank you Oliver. The next question is from the line of Neil Tyler from Redburn. Please go ahead.

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Neil Tyler, Redburn

Good morning, two from me. The first one sticking with the cash flow, could you talk about the capex run rate for this year? The first quarter spend both in terms of the number you disclosed on the front of the release and also the cash flow was below the run rate I had been anticipating. So I wonder if you could expand on that, have there been any changes to your capex outlook for this year? That's the first one please.



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Thorsten Boeckers. Chief Financial Officer

No, you know what when you look at the phasing throughout the quarters over the last couple of years this was always a little bit distorted by the Bethune investments. And now that they have gone, at least from a project point of view, and so we go to maintenance capex there, you see a different phasing, which means we see a ramp up of the capex later in the year in H2 and Q1 is not a good run rate. We expect still a capex of about €600m for 2018.

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Neil Tyler, Redburn

Thanks very much. The second question is on the realised potash price that you achieved in the European business and the sequential and year and year step up surprised me at least, slightly, you mentioned in your introductory comments that MOP contribution was a factor. Is there anything else within there that seasonally is making a difference, or you know, can we perhaps take the Q1 relative realised prices as a good guide for how the product mix is likely to remain over the rest of the year?

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Thorsten Boeckers. Chief Financial Officer

I mean have also seen in euros the increase in the MOP prices and you know that we always have a time lag before we see those really materialising in our P&L. But part of this was apparent in Q1 already. Also when we look at the specialties they have not - even been better than we expected, but even increased a little bit over the last couple of weeks. So what Burkhard said earlier from a market point of view we have pretty good support, also in Europe.

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Neil Tyler, Redburn

Okay, thank you very much.

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Telephone Operator

Thank you Neil. The next question is from the line of Patrick calling from UBS. Please go ahead.

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Patrick Rafaisz, UBS

Hi good morning, three questions please. The first is on the production issues you still have in Germany from what I understand are labour shortage and machinery off time issues. Can you put a number on that, how much you think you've lost here in terms of volumes, versus what you could have produced here and how long this will continue?

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Dr. Burkhard Lohr, Chief Executive Officer



Yeah, you've given me the opportunity very briefly to elaborate on what's going to happen there, what's going on there. And you really have to try to imagine there is site, 4,500 people are working there, at the end of 2015 we did not know whether we'd get a deep well injection permit or not. If not at all that could have meant closing the site. And they feared for their jobs.

Then we got a deep well injection permit which was limited to 750,000 cubic metres. So we had to start - we had on and off in the Werra site, in Hattorf definitely - we had short work, we did not know will the situation change. Now we have settled all environmental issues and we are very proud on having that solved.

But of course still has an effect on our employees. The motivation is not the way it should be, we have open positions, we have in the maintenance area we have open positions which led to availability of material and machinery which is below our expectations. And of course this all had a significant earnings effect and we have cut budgets like the maintenance budget. Now we see that this of course has a negative effect as well.

In a nutshell we have elaborated on that in the March all and we are fully aware of what to do and how to solve the problems. But that is not to be solved in a quarter. And we have lost against our expectations or against the potential of that site more than 100,000 tonnes in the first quarter of this year.

This will not disappear again totally in Q2, but we hope that we will be able to solve it over the remainder of the year.

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Patrick Rafaisz, UBS

Okay that's very clear thank you. And then secondly on Bethune, can you talk a bit - I realise you won't be disclosing production for Bethune separately, but can you talk a bit about where you see yourselves versus plan for the full year?

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah, we are very happy with the development of our site in Bethune and we are still in ramp up and ramp up means that you cannot fully produce the theoretical capacity day by day because you find that you have to adjust to one or the other things.

Not only we are in the ramp up, our partners are in ramp up as well, like CP is an important partner for us in the logistic chain, they have to get used to handling these volumes, these additional volumes.

But we are, again taking all that into account, compared to our expectations we are very happy with the current status and we have indicated that we would see a positive EBITDA contribution, breakeven, in the course of this year from the Bethune site. And the first quarter makes us very hopefully that we will be able to achieve that.

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Patrick Rafaisz, UBS



Okay thanks. And then the last question would be on cash flow. A nice contribution from inventory reduction, I suppose that's also related to Bethune, the increase here year on year, despite the late start to the season in Europe. But can you talk a bit about the change in current provisions, what exactly is the delta here to prior year? Thanks.

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Thorsten Boeckers. Chief Financial Officer

Patrick, this is rather related to last year because the one off payment we had to the employees was booked as a provision there and it's no longer the case this year and this is the movement we see in the working capital.

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Patrick Rafaisz, UBS

That was €27m, is that correct?

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Thorsten Boeckers. Chief Financial Officer

This was €30m, ish.

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Patrick Rafaisz, UBS

Okay, thank you.

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Telephone Operator

Thank you Patrick. The next question is from the line of Andreas calling from MainFirst. Please go ahead.

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Andreas Heine, MainFirst

Good morning I have also three questions, I'll ask them also one by one. The first is in the waterfall chart you have presented for the EBITDA change in the first quarter, the FX of €11m is that exclusively salt as you have good hedges in the potash business?

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Thorsten Boeckers. Chief Financial Officer

Yes, this is - I would say to the largest extent it's salt, because on an earnings level this issue really only marginally coming from Kali.

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Andreas Heine, MainFirst

Is that ongoing like this or is that with - that you are very nicely hedged throughout the year in Potash so that FX is not an issue?



Thorsten Boeckers, Chief Financial Officer

I try to look into the crystal ball right now but I mean we have favourable verbal hedges done over the last couple of years so if we see an FX impact then it's certainly coming from the Salt business and less from Potash.

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Andreas Heine, MainFirst

Okay that was the first question. The second, my understanding is that with the increase in the Werra mine production that also the product mix improves more to the Specialties. Could you update us a little bit how you see that progressing or was that also held back by the production issues you had at the Werra?

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Dr. Burkhard Lohr, Chief Executive Officer

You're right and I'm not saying this with clear numbers but the Werra is the centre for our Specialties, and inside the Werra we have several mines as you know and Hattorf is the one which is affected the most. That's the one where we had more than 200 days in 2016 and Hattorf is the one with the SOP production so the more we solve our issues the more we will be able to produce and sell our high priced Specialties. So I can only give you this qualitative indication.

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Andreas Heine, MainFirst

That's fine, already helpful. And then the last on Bethune. You already indicated that you are still in the ramp up phase where you are not at let's say nameplate capacity yet, but I would assume that the increase from quarter to quarter is rather - is not steep so that you are already at a very high level and that the progress earnings wise, having everything else flat, so the mix by regions and the Potash price should be rather slow. So it's not that you have a tremendous increase from Q1 to Q4, you are already at a good level in Q1 which gradually improves. Is that the right way to look at it?

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah. The fact that you already see a significant positive impact on our average cost per tonne shows that there was more significant production already in the first quarter and we are very happy to see that change. If you compare the 214 blended over the year 2017 Euros per tonne, now we are at 190 roughly. That is a nice development and shows the real potential of that to me. But again we are in the ramp up. Our expectation for Q1 was the lowest, but as you said it's not a significant increase quarter over quarter for the remainder of the year.

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Andreas Heine, MainFirst

That was my questions, thank you.

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Telephone Operator

Thank you Andreas. The next question is from the line of Knud Hinkel from Equinet. Please go ahead.

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Knud Hinkel, Equinet

Good morning gentlemen. I've also got three questions. I would like to dig a little bit deeper into the Potash price side. The first question would be that sequentially comparing Q1 to Q4 last year the average selling price in overseas is down from 276 to 269. Is my assumption correct that it's because of Bethune, because the mix has deteriorated a little bit?

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Thorsten Boeckers, Chief Financial Officer

Sequentially you said right?

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Knud Hinkel, Equinet

Yes, Q4 2017 versus -

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Thorsten Boeckers, Chief Financial Officer

Yeah that's one portion of it. And I mean then you have also always a difference between the quarters in the product mix anyway because of the different seasons. So it's partly Bethune and it's partly product mix because of demand of building specialties and commodities product. I don't have the exact split.

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Knud Hinkel, Equinet

Second question, could you remind me once again why the realised Potash price is below the current spot price we see in Brazil for example? So that is about US\$300 per tonne. You have prices overseas of, as already mentioned, around 270 so where does the gap come from?

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Dr. Burkhard Lohr, Chief Executive Officer

Yeah thanks for that question. I think you will see that with all the players in the Potash market the prices that you see in the FNB and the prices that you see in - realised prices are differing because we differ between the gross and the net portion of the price. It's always a significant portion in between and that if you are talking about roughly \$300 in Brazil, yeah 270, 280 is the net price for us.

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Knud Hinkel, Equinet



Okay and last question would be on Specialties. According to my calculations sequentially they are significantly up. Could you give an explanation why is this so positive?

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Thorsten Boeckers, Chief Financial Officer

Yeah it's also a product mix question and as I said earlier, I took the example of SOP I think, we have seen a better pricing in SOP than we have expected and it was also up over the last couple of weeks.

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Knud Hinkel, Equinet

Thanks a lot.

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Telephone Operator

Thank you Mr Hinkel. The next question is from the line of Thomas calling from Société Générale. Please go ahead.

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Thomas Swoboda, Société Générale

Yes good morning. I will risk three questions as well. Two on Potash, one on Salt. First one on Salt in terms of the regions you serve with de-icing salt, could you just talk about the season end inventories in the most important regions please?

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Dr. Burkhard Lohr, Chief Executive Officer

First of all it was very important to have nice winter weather in the Midwest because we haven't seen a lot of winter weather for years in that area. And that led of course to high inventories and unfortunately to decreasing prices in the packed historical bidding season. That had a negative impact in the first quarter. But having this low inventory situation in the Midwest we can be positive for the expectation of the next bidding season there which is going to be take place in late summer. And will then mostly have a positive impact on the first quarter of 2019, slight impact in the course of this year as well but we know that the first quarter delivers higher volumes than the fourth quarter.

The other US regions are comparable but not with that magnitude. The East Coast we have seen nice winter weather as well and the inventories are on below average level. Canada is running well anyway year by year, that it not such an issue. I think you asked me about the US regions, is that correct?

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Thomas Swoboda, Société Générale

If you could comment on Europe as well that would be helpful.



Dr. Burkhard Lohr, Chief Executive Officer

Europe the winter weather was okay. It was below 2017 but the level of winter weather was okay to have quite low inventories as well. And as you know the volatility in prices in Europe it's not as significant as it is in the US business.

So the preconditions for the next season are not too bad.

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Thomas Swoboda, Société Générale

Perfect. The second question on Potash. You did renegotiation a bigger contract in SOP recently. The question is in terms of the price increase, did we already see the full effect in Q1 in your numbers or will it be still a tailwind sequentially into Q2?

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Thorsten Boeckers, Chief Financial Officer

That was included in the Q1 because the contract has been concluded by the end of '17.

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Thomas Swoboda, Société Générale

Perfect. And the last question on your involvement in the contract negotiations in Potash. Historically you haven't been participating. Now with Bethune are you actively negotiating with China and India? And if I may ask do you expect to ship significant volumes from Bethune to those contract customers in the second half of the year?

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Thorsten Boeckers, Chief Financial Officer

I think we have to put this in context. So from the market point of view we are still a very small supplier to China. And we have - we are certainly, thanks to Bethune, improving our share significantly but we still remain a small player which means we are not at the negotiation table in the first couple of rounds, but of course we negotiate also with our customers afterwards but certainly use the price as a guideline.

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Thomas Swoboda, Société Générale

That's perfect, thank you.

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Telephone Operator

Thank you Thomas. The next question is from the line of Christian calling from Kepler Cheuvreux. Please go ahead.

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Christian Faitz, Kepler Cheuvreux

Good morning gentlemen. Two questions if I may. First of all are your Bethune operations are in any way affected by the general rail problems in Canada?



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Dr. Burkhard Lohr, Chief Executive Officer

That is a really good question because it marries more than one perspective. First as I mentioned earlier that ramp up is not only an issue that we have to deliver, it's an issue that our partners also have to deliver. So that gives you an indication that it was not always perfect in the past. But we believe that we have overcome the situation and that we are going more and more in the normal logistical approach. But maybe you heard about a potential strike, that was closed already at the end of April, beginning May. Now we expect to have an election of one union or two unions about a potential strike which then could start at the end of May or beginning of June. And that of course would have an impact on all the many producers.

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Christian Faitz, Kepler Cheuvreux

Okay thank you very much. And then second question we saw a rather steep sequential and year on year increase in interest rate payments in Q1. Can you give us any guidance of the interest line in your P&L going forward? Thank you.

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Thorsten Boeckers, Chief Financial Officer

Yeah Christian what you saw especially that was the start of the Bethune mine. We no longer capitalise the interest costs and this was why the financial results increases significantly. And I think we have always guided and we speak to that the financial result will be a little bit more than minus 100 million this year.

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Christian Faitz, Kepler Cheuvreux

Okay very helpful, thank you.

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Telephone Operator

Thank you Christian. The next question is from the line of Marc Gabriel calling from Bankhaus Lampe. Please go ahead.

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Marc Gabriel, Bankhaus Lampe

Good morning everybody. Just one question left, that is on the Salt price negotiations, especially in the US what are your targets here? We've seen prices year on year down, also impacted by the FX but for the next round what are your assumptions? Will we see a double digit price increase and could it even be up to 20% or is that too far away?

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Dr. Burkhard Lohr, Chief Executive Officer

Thanks Mr Gabriel for that question. Unfortunately I cannot confirm 10% or 20% or 30%, I also only can give you an indication or qualitative indication. I think the area where the prices were depressed the most was the Midwest and here we had the



strongest volumes in total in the first quarter 2018, at least the strongest increase compared to what we have seen in the quarter of '17. And that is a strong indication for a nice development in terms of new Salt prices. Will that be double digit 20% or whatever? It's easily too early because we have not seen a single indication so far.

There is good reason to believe that we will have at least some tailwind in the East Coast as well, and as I said earlier for Europe it's quite stable anyway. But there is at least no negative pressure on the European prices when it comes to this. I hope that at least gives you some indication.

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Marc Gabriel, Bankhaus Lampe

Okay. And maybe one follow up with regards to the capex, you mentioned that it will be higher that level. But what - are there specific things you have in mind for higher capex in the next quarters or is that mainly now maintenance capex or should we expect here also some higher cash outflow for investments, I don't know?

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Dr. Burkhard Lohr, Chief Executive Officer

The first quarter was a little bit of a special quarter because there was no more production - investment in the size of Bethune. So we are now more or less in the normal running capex or maintenance capex etc. in Bethune. And at the same time we have not started our now biggest project which is here in Germany, our heat extension in Hattorf. That is going to start in the second quarter and we have always indicated at least for the next two to three years we will have our base capex and additionally roughly €100m of investment in heat extensions. We have to extend Hattorf this year. We have to do the same thing with Wintershall next year and one year later Zielitz is on the list, that is by chance. But then we are done for many, many years and that is the reason why we see a little bit higher capex in the next quarters.

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Marc Gabriel, Bankhaus Lampe

Thanks very much.

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Telephone Operator

Thank you Marc. The next question is from the line of Michael Schäfer calling from Commerzbank. Please go ahead.

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Michael Schäfer, Commerzbank

Thanks for taking my two questions. The first one would be on Salt. You're guiding now for a moderate EBITDA growth in the full year '18 while delivering 11% decline in the first quarter. So if I just take 5% basically EBITDA growth for the full year this implies something like 9% growth in the remaining three quarters. I wonder what you have baked in into this kind of expectation for the remaining three quarters of the year?



Thorsten Boeckers, Chief Financial Officer

Michael what you said we will continue to see is that the freight cost issue from the first quarter will remain. On the other hand I mean we also try to mitigate what we have seen in the first quarter a little bit. We certainly try to pass on parts of the higher freight costs to the market but we won't see that before the negotiations have finalised for the next season. So as early as Q3 probably.

And also I mean the freight costs also hit the de-icing side and also we are working on measures there in order to mitigate the impact. So this is a little bit what we're going to do. So we talk about pricing and of course also on the cost side we try to find ways where we can mitigate the impact from the higher freight costs as good as possible, and this is what you will see over the next couple of quarters.

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Michael Schäfer, Commerzbank

And this belongs to both de-icing and non-de-icing products I assume?

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Thorsten Boeckers, Chief Financial Officer

Yes.

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Michael Schäfer, Commerzbank

Second question would be on Potash. Just to get a better understanding on your outlook basically. So we have seen now two quarters in a row with something like €190 per tonne cash unit costs, and you indicated earlier in your speech basically that you are fine with below 200. And still guiding also in ASP to be up slightly year over year while delivering something like minus 4% in the first quarter. So is it fair to assume basically that in the upcoming quarters we may see a widening spread in the sense that basically cash unit costs may remain where they are while you're benefiting from basically higher MOP prices and higher SOP prices, industrial prices just rolling through the quarters? Is this the way we should look at the P&M segment in the quarters to come?

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Dr. Burkhard Lohr, Chief Executive Officer

We said we expect the average cost per tonne below €200. We are well below that in first quarter. There is no reason to expect the prices - the costs to rocket but again we have seen significant freight cost increase and especially in the Salt business. And we should be cautious for all the costs development which could affect the Potash business. Of course the main portion of energy cash in Bethune for example is already secured with long lasting delivery contracts, but again that is a little bit of cautiousness, that's why we will not be more precise and only indicating it will be below €200 per tonne which is a very nice development.

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Michael Schäfer, Commerzbank



Okay but there is nothing, kind of extra maintenance you have to do which you already see right now which is inflating costs basically in the quarters to come - I mean?

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Dr. Burkhard Lohr, Chief Executive Officer

No.

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Michael Schäfer, Commerzbank

Okay, thank you very much.

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Telephone Operator

Thank you Michael. This was the last question for today so I'll 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 first of all for your time and your questions. Granted we have seen some hiccups, some issues in the first quarter. Believe us we are working hard to get all this settled but we are still positive for the remainder of the year that we will again increase our profitability significantly against the previous year as we did in '17 compared to '16. And I would also remind you please to give us feedback on your participation in the Capital Markets Day. And in addition if you would like to get a flavour of our tomorrow's AGM we would be happy to invite you at least to look into the internet and see us there.

Thank you very much and looking forward to hear you, see you, we will be on the road pretty soon again. And all the best to you for the rest of the day.

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END

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