Q2/16 – Conference Call
August 11th, 2016

Dr. Burkhard Lohr, CFO
EBIT I in Q2 significantly below previous year and what we had expected:

- More standstills at the Werra plant due to limited deep-well injection permit
- Significantly lower ASP in potash
- Lower sales of de-icing products

Commissioning of Legacy not at risk despite incident

Outlook 2016:
EBIT I between 200-300 million EUR expected
Weak quarter in both business units

- **Potash and Magnesium Products**
  - Production standstills
  - Lower average selling price
  - Strong decline overseas
  - Price adjustments for selected specialties in Europe
  - Unfavorable product mix due to Werra issue
  - Costs per ton impacted by lower sales volumes
    - € 226/ton (Q2/15: € 209/ton)\(^{(1)}\)

- **Salt**
  - Mainly lower de-icing volumes and pricing due to mild winter season

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q2/15</th>
<th>Q2/16</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>914</td>
<td>732</td>
<td>-20%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>247</td>
<td>83</td>
<td>-66%</td>
</tr>
<tr>
<td>EBIT I</td>
<td>179</td>
<td>15</td>
<td>-92%</td>
</tr>
<tr>
<td>t/o Potash and Magnesium</td>
<td>144</td>
<td>15</td>
<td>-90%</td>
</tr>
<tr>
<td>t/o Salt</td>
<td>43</td>
<td>5</td>
<td>-88%</td>
</tr>
</tbody>
</table>

**EBIT I bridge**

- **Main effects:**
  - Potash prices
  - De-icing salt prices and volumes

\(^{(1)}\) (Revenues – EBIT I excl. Legacy OpEx) / Sales volumes
Legacy Project

Commissioning on track

- No injuries
- 1 of 5 crystallizers dropped

Impact on ramp-up:
  - Commissioning continues
  - Production of first ton delayed into Q2/17
  - Production volume 2017 below previously planned “up to 1 million tons”

- Capacity of 2 million tons p.a. will be reached by the end of 2017 as planned from today’s point of view
The review of the application submitted in April 2015 is ongoing

At the end of 2015, K+S expected the review to be completed in summer 2016

With the current limited permit, saline wastewater can only be injected into the underground to a very limited extent

Production remains largely based on the water flow rate of the Werra
Potash and Magnesium Products

Measures for the short-term

- **Wastewater disposal in million m³**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wastewater disposal in million m³</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>20</td>
</tr>
<tr>
<td>2006</td>
<td>14</td>
</tr>
<tr>
<td>2012</td>
<td>10</td>
</tr>
<tr>
<td>2015</td>
<td>7</td>
</tr>
<tr>
<td>2016</td>
<td>7</td>
</tr>
<tr>
<td>2017</td>
<td>7</td>
</tr>
<tr>
<td>Beyond</td>
<td>5.5</td>
</tr>
</tbody>
</table>

**Identification and implementation of measures to bridge 2016/2017**

- Underground storage of saline wastewater in own mines
- Underground storage of saline wastewater in 3rd party premises
- Bunch of further measures

**Commissioning of KCF**

Further reduction of saline wastewater by 1.5 million m³

(1) Kainite Crystallization and Flotation facility
China/India contracts expected to stimulate the market

- Major contracts to spur demand
- Significant production curtailments announced across the industry
- K+S overseas price lower YoY, but stable QoQ
- Price adjustments in Europe
- Unfavorable product mix due to Werra issue
- SOP pricing remains on a high level but peak is behind us

K+S average portfolio prices

Prices in USD converted into Euro with quarterly average Fx-rates.
Huludao Magpower Fertilizers Co., one of the largest producers of synthetic magnesium sulphate (SMS) in China

SMS is used as fertilizer for oil palms, soybeans and sugar cane as well as for industrial applications

Strengthen our competitive position in specialties

Improved access to growth markets of South-East Asia and China

Scalable low cost production assets
Mild winter affecting de-icing development

- **Non de-icing**
  - Higher pricing and stable volumes
  - Improved product mix
  - Focus on strong brands and cost discipline

- **De-icing**
  - Lower YoY volumes due to mild winter in Europe and North America
  - Prices affected by weak bidding season
“We want this project to give a boost to our planned expansion into the Asian markets. We see big potential there, and want to sustainably participate in the expected growth there in the future. The purchase of the licenses is the foundation to achieve this.”

Mark Roberts
**K+S Group**

**Guidance FY 2016: EBIT I Bridge**

<table>
<thead>
<tr>
<th>Actual 2015</th>
<th>Volume-/price</th>
<th>Missing deep-well injection permit</th>
<th>Other effects (net)</th>
<th>Fit for the Future</th>
<th>2016e EBIT range</th>
</tr>
</thead>
<tbody>
<tr>
<td>782</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>300</td>
</tr>
</tbody>
</table>

**Main assumptions:**

- **Potash**
  - Lower YoY potash ASP
  - Hydrological normal year
  - Execution of countermeasures
  - Sales volumes 6.2-6.4 million tons

- **Salt**
  - Moderate decline of de-icing volumes
  - Slight increase of non de-icing volumes may not offset this

**Main effects:**

- OpEx Legacy
- Higher D&A
K+S Group

Mid-Term Goal: From Capex to Cash

**Capex Phase**

- **Net debt**: €2.9 billion (1)
- **Leverage (LTM)**: 3.6x
- **CapEx**: €1.3 billion (2)
- **FCF**: Negative
- **EBITDA**: €0.5-0.6 billion (3)

**Management Agenda**

- **Successful commissioning of Legacy**
- **Managing environmental challenges particularly in Germany**
- **Enhancing portfolio of higher yielding products**
- **Successful implementation of “Salt 2020“ Strategy**
- **Keeping cost discipline above and beyond “Fit for the Future”**

**Cash Phase 2020**

- **Net debt**: < €2.0 billion
- **Leverage**: 1.0-1.5x
- **CapEx Maintenance**
- **FCF Positive**
- **EBITDA**: ~ €1.6 billion (4)

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(1) Q2/16  (2) 2015  (3) Guidance 2016  (4) Main assumptions: Unaffected potash production in Germany and Canada; Potash price level of summer 2015; USD/EUR 1.10; normal winter in North America and Europe
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