K+S Aktiengesellschaft

Compendium
Facts worth knowing about K+S

February 2018
Two-pillar strategy

Positioned for growth

K+S Group

Balanced regional portfolio

Sustainable margin growth through specialisation

Global presence

Earnings-based dividend policy

Attractive mid-term outlook

Cost discipline
K+S Group

Active Portfolio Management

1999
- Salt Acquisition: Frisia Zout B.V.

2000
- Fertilizer Acquisition: fertiva

2002
- Fertilizer Acquisition: COMPO

2006
- Fertilizer Acquisition: POTASH ONE

2009
- Fertilizer Acquisition: MDGpower

2011
- Fertilizer Acquisition: tataiQ

2012
- Fertilizer Acquisiton: STERIS

2016
- Fertilizer Acquisiton: MOLL

2017
- Fertilizer Acquisiton: BOEHRINGER

K+S Group

Potash and Magnesium Products

Salt Production

Financials

Investor Relations
This is the right time for us to launch a new strategy

Key projects successfully completed
• Major CapEx program concluded
• Bethune (Canada) go-live
• Improved wastewater management at Werra

New management in place
• New internal perspective
• New leadership culture
• Management listens to stakeholders

Update of strategy expected
• Response to market developments to be formulated
• Answer to megatrends to be developed
• Better guidance demanded by stakeholders
**A strengths and weaknesses analysis**

**We have strong capabilities...**

- **Leading market position**
  - Leader in salt, SOP, magnesium sulphates & premium fertilizers

- **Proven know-how**
  - In exploration, processing and project execution

- **New market development**
  - High-margin industry and consumer products

**...but need to improve further**

**Financial challenges**

- High debt load and limited headroom
- Mainly perceived as MOP and de-icing player; full value of all portfolio components not realized
- Improvement needs in ROCE & value creation

**Business challenges**

- Engage with our environmental challenges in a proactive and sustainable way
- High dependency on weather and potash prices
- Disadvantaged cost position in potash production
- Slow product innovation

**Structural challenges**

- Complex organization and "silos"
- Limited value-added of central functions
- Untapped synergy potential
A fresh perspective on our existing portfolio

Production focus

Potash

Salt

Customer focus

Key financials 2016

<table>
<thead>
<tr>
<th>Focus</th>
<th>Key</th>
<th>Revenue (€m)</th>
<th>EBITDA (€m)</th>
<th>Revenue share</th>
<th>EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>MOP, Premium Fertilizers, Fertigation</td>
<td>1,285</td>
<td>139</td>
<td>37%</td>
</tr>
<tr>
<td>2</td>
<td>Industry</td>
<td>Chemical, Pharma, Ind. Specialties, Food Processing</td>
<td>1,135</td>
<td>233</td>
<td>33%</td>
</tr>
<tr>
<td>3</td>
<td>Communities</td>
<td>De-Icing</td>
<td>572</td>
<td>81</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>Consumers</td>
<td>Consumers</td>
<td>465</td>
<td>84</td>
<td>13%</td>
</tr>
</tbody>
</table>
'One K+S' creates the most value for all stakeholders

- "Customer first" approach reflected in new business cut along product market segments
- Spotlights on our hidden champions

- Measureable synergies from leveraging our scale
- Ample growth and profitability opportunities identified

- Clear commitment to our production sites
- Reduced complexity, less overhead
- More attractive career options in integrated business

- Clear commitment to sustainability
- Continued, value-adding investments in Germany and abroad

Customers
Shareholders
Employees
Society
K+S Group

We will implement our strategy in two phases

**Phase 1: Transformation**

- Reduce indebtedness
- Realize synergies
- Advance corporate culture
- Shaping the organization and focusing towards our clients

**2017**

- Net debt/EBITDA
- Halved vs. H1/2017
- Synergies >€150m

**2020**

- Investment grade rating achieved in 2023

**2030**

- Tapping the full potential of our existing assets
- Exploring new adjacent growth areas
- Increased share of specialties

**Key Performance Indicators**

- EBITDA ambition: €3bn
- ROCE >15%
- Revenue growth beyond 2030 >4%
**Phase 1: We will transform ourselves and create a solid financial base**

**Strengthen financial base**

- **Realize Synergies**
  - Operations: Lean management
  - Operations: Digital mining
  - Procurement
  - Evaluate tailings piles optimization
  - Sales excellence
  - Supply chain and logistics
  - G&A optimization
- **Reduce indebtedness**

**> €150m**

p.a. run rate after inflation by 2020 YE

**Shaping the organization**

- **Customer first: Lift our potential**
  - Focus on Product Market Segments Agriculture, Industry, Communities and Consumers to better penetrate high-margin, non-commodity business

- **Increase financial transparency**
  - Make performance transparent along new Product Market Segments

- **Build ‘One Company’**
  - Commit to existing portfolio
  - Break up silos and create the foundation to generate synergies
We aim for a positive Free Cash Flow in 2019

Massive positive swing in Free Cash Flow

Phase 1: Transformation
Free Cash Flow Bridge approximation 2016-2020
Based on current portfolio – inorganic growth not included

- Actual 2016
- 2017e
- 2018e
- 2019e
- 2020e

Phase 2: Growth

Ambition

- Investment grade rating achieved in 2023
- EBITDA € 3bn
- ROCE >15%

Fully invested in best class assets like Bethune

K+S Group
Potash and Magnesium Products
Salt
Production
Financials
Investor Relations
We identified ample growth opportunities in our Product Market Segments starting from 2020:

- Tapping the potential of existing assets and expansion options
- Expand offering of specialty fertilizers
- Develop strong position in fertigation
- Develop advanced business models (e.g. agro-platform in Africa)
- Strengthen portfolio of specialty industrial products
- Expand offering for the pharma industry
- Grow into Asia
- Leverage branding capabilities in consumer salt
- Grow into Asia
- Strengthen position in existing markets

Revenue shares and CAGR 2016-2019-2030:

- **Agriculture**: 37% (2016), 43% (2019), 35% (2030)
- **Industry**: 33% (2016), 28% (2019), 10% (2030)
- **Consumers**: 13% (2016), 12% (2019), 10% (2030)
- **Communities**: 17% (2016), 17% (2019), 10% (2030)

Growth initiatives from 2020:

- **2016**: €3.5bn
- **2019**: €4.5bn
- **2030**: €11bn

- **Inorganic**: 5%
- **Organic**: 2%
- **Other**: 2%
Sustainability targets for 2030 to secure license to operate

**People**
- **HEALTH & SAFETY**: Providing a healthy and safe work environment to protect our employees who constitute our most valuable capital
- **DIVERSITY & ANTIDISCRIMINATION**: Increasing diversity and assuring zero incidents related to discrimination to ensure equal opportunities and to drive business innovation through different perspectives
- **HUMAN RIGHTS**: Establishing respect towards internationally recognized human rights at all sites to ensure that this core value is applied globally

**Environment**
- **WATER**: Ending deep-well injection of saline waste water from potash production in Germany by the end of 2021, no application for renewal
  - Reducing saline wastewater
  - Promoting research and development as well as innovation activities
- **WASTE**: Reducing the environmental impact and conserving natural resources by re-examining the potential of residues stored on tailings piles
- **ENERGY & CLIMATE**: Reducing the carbon footprint and improving energy efficiency to enhance competitiveness

**Business ethics**
- **SUSTAINABLE SUPPLY CHAINS**: Demanding sustainable practices from our suppliers along the entire supply chain to align all business activities to our values
- **COMPLIANCE & ANTICORRUPTION**: Establishing a zero tolerance policy for corruption and bribery as well as anti-competitive practices to avoid the risks of liability, culpability, loss of reputation as well as financial disadvantages

Development of sustainability related Key Performance Indicators in 2018
**Strengths and Weaknesses**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading market position</td>
<td>Business challenges</td>
</tr>
<tr>
<td>Proven know-how</td>
<td>Financial challenges</td>
</tr>
<tr>
<td>New market development</td>
<td>Structural challenges</td>
</tr>
</tbody>
</table>

**Shaping 2030**

- Transfer of Salt capabilities to other regions
- Specialties push
- Growth in fertigation and expanded pharma offering
- Synergy program and balance sheet discipline
- Value-based steering and reporting
- Renewed stakeholder focus and sustainability commitment
- Innovation push with digital mining and new market entry
- Transformation and building 'One Company'
- Establishment of Product Market Segments

*We will keep you posted with an update on our Strategy in H1/2018*
Global Presence

Employees by Region 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>70%</td>
</tr>
<tr>
<td>North America</td>
<td>22%</td>
</tr>
<tr>
<td>South America</td>
<td>5%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>3%</td>
</tr>
</tbody>
</table>

1 Revenues by Region 2016
K+S Group

Our Products

Potash and Magnesium Products

Industrial products

Specialties

KCl (MOP)

in % sales volumes, FY 2016

Salt

Food processing

Consumer

Salt for chemical use

Industrial

De-icing

in % sales volumes, FY 2016

K+S Group

Potash and Magnesium Products | Salt | Production | Financials | Investor Relations

15
Adding Value Along Our Entire Supply Chain

**Exploration**
Our potash and salt deposits came into being millions of years ago. They are either our property or we have corresponding rights or approvals that allow the extraction or solution mining of the raw material reserves.

**Mining**
We extract raw materials in conventional mining above and below ground as well as through solution mining. We also use the power of the sun and extract salt by evaporating sea water or saline water.

**Production**
The refining of raw materials is one of our core competencies. Above ground, the crude salt is processed in complex, multi-phase, mechanical or physical processes, with the natural properties of the mineral remaining unchanged.

**Logistics**
The long-term securing of freight capacity is of strategic importance to us. A large part of our international transport volume is forwarded by service providers with which we maintain long-standing partnerships.

**Sales/Marketing**
The K+S Group wants to be its customers’ preferred partner in the market. High product quality and reliability are decisive preconditions for this. K+S offers a comprehensive range of goods and services for agriculture, industry and private consumers.

**Application**
Our customers apply our products, use our raw materials in their processes or process them in their products. We make extensive product information available and advise our customers on the application of our products.
K+S Group
Key Financials

**Revenues (€ billion)**

- 2012: 3.9
- 2013: 3.9
- 2014: 3.8
- 2015: 4.2
- 2016: 3.5

**EBITDA (€ million)**

- 2012: 1.033
- 2013: 907
- 2014: 896
- 2015: 1.058
- 2016: 519

**EBIT I (€ million)**

- 2012: 804
- 2013: 656
- 2014: 641
- 2015: 782
- 2016: 229

**EBIT Margin (%)**

- 2012: 20
- 2013: 17
- 2014: 17
- 2015: 19
- 2016: 7
- Earnings-based dividend policy
- Payout ratio of 40 – 50% of adjusted net profit
- Dividend 2016: € 0.30 per share

1 Based on year-end share prices
Board of Executive Directors

Dr. Burkhard Lohr
CEO

Thorsten Boeckers
CFO

Mark Roberts
COO

Dr. Thomas Nöcker
Personnel Director
K+S Group

Strong and long-standing customer relationships

Broad product portfolio  Meat consumption  Population growth
Protein consumption  Potash and Magnesium Products  High purity salts
Unique position in Europe  Limited arable land  Industrial applications
Specialty fertilizers  Established distribution networks

20
Why Use Fertilizers?

- For plants to thrive they need sunlight, water and **minerals**
- There are only few soils on earth which have a sufficient content and availability of **plant nutrients** to achieve **high yields** over a longer period without fertilization
- Potash is an **indispensable** supplement to the natural nutrient content of soils
- Compensation of the nutrient losses by harvest and other losses is necessary

“The growth and yield of plants are limited by the nutrient which is in shortest supply”

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1 Justus von Liebig, 'The Natural Laws of Husbandry', 1863
Less arable land – but more protein consumption per capita

Global population development

1960: 3.0 billion
2010: 6.9 billion
2050: 9.7 billion

Arable Land per capita

1960: 4.300 m
2010: 2.100 m
2050: 1.800 m

Protein per capita

1960: 60 g/day
2010: 80 g/day
2050: 130 g/day1

Each year additional 80m people need to be fed – this equals to the population of Germany

Available arable land per capita will decrease at the same time

By 2050 an expanded world population will be consuming two thirds more animal protein than it does today

In 2050, only roughly a quarter of a soccer field will be available to feed one person year round - 80 percent of future growth in crop production will come from yield advancements driven by balanced use of fertilizers

Sources: UN, World Population Prospects, 2012 Revision, UNDP, 2013; FAOSTAT 2014
1 FAO 2014 - forecasts based on the expected increase in animal protein
What Makes Us Different?

Fertilizer Specialties

• Mainly used for special applications (e.g. chloride sensitive crops)
• Products containing a broad range of nutrients (e.g. potash, magnesium, sulphur)
• Premium products used for high-value crops

Potassium Chloride (MOP)

• Can be applied universally to all crops not sensitive to chloride and to all types of soil
• Standard product used for commodity crops
Unique Portfolio Makes us More Robust

- Broad portfolio of specialty products
  - MOP related/ not MOP related
  - Flexibility
  - Stability
  - Partly following different trends and seasons

- Close proximity to our main customers provide logistical advantages
- Shipments to overseas customers at competitive costs from Hamburg harbor
- Strong and long-standing customer relationships

Basis: 2016 Sales volumes in million tons

Basis: 2016 Revenues
K+S Group

Potash Price Comparisons

MOP gran. Europe vs. Brazil (Source: FMB)

K+S average selling price versus selected peers

Basis: Q1 2012

Basis: Q1 2014

K+S

Peers

K+S

Peers

(Brazil (US$/t, Granular, cfr)

Europe (€/t, Granular, cfr)

K+S Group

Potash and Magnesium Products

Salt

Production

Financials

Investor Relations

25
World Potash Production and Sales by Region

World potash production:
- 2016: 65.3 million tons
- 2015: 66.9 million tons

World potash sales volume:
- 2016: 65.6 million tons
- 2015: 65.7 million tons

Basis: year 2016
Incl. sulphate of potash and low-grade potash
Sources: IFA, K+S
K+S Group
Supplier Structure on the World Potash Market

World Potash Sales Volumes:
2016: 65.6 million tons
2015: 65.7 million tons

Canpotex • Uralkali • BPC • K+S • ICL • APC • SQM • China • Other

- Nutrien (prev. Potash Corp. & Agrium)
- Mosaic
- Belaruskali
- DSW
- CPL
- Participation of Nutrien (prev. Potash Corp.)
- Participation of Nutrien (prev. Potash Corp.)
- > 20 producers
- Intrepid
- Vale
- Compass
- Usbekistan
- Laos

Basis: year 2016
Source: IFA, K+S

Incl. potassium sulphate and potash grades with lower K₂O content
Production is driven by demand despite continuous excess capacity.
Potash Use by Crop in Selected Countries

Source: IFA, Estimates of Fertilizer Use by Crop in Selected Countries in 2010-2010/11, published 2013
### Farmer Profitability of US Corn

- **Operating profit**
- **Fertilizer costs**
- **Other costs**

- Expenditure on potash products accounting for just around 4%
- Earnings prospects should give the agricultural industry sufficient incentive to increase yield per hectare by using plant nutrients

Source: USDA
### World Potash Sales Volume by Region

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>6.7</td>
<td>5.9</td>
<td>5.6</td>
<td>5.8</td>
<td>6.2</td>
<td>6.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Central Europe / FSU</td>
<td>4.9</td>
<td>4.4</td>
<td>5.1</td>
<td>4.7</td>
<td>4.4</td>
<td>4.8</td>
<td>4.8</td>
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<tr>
<td>Africa</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>1.0</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>North America</td>
<td>10.8</td>
<td>10.2</td>
<td>9.1</td>
<td>9.7</td>
<td>11.8</td>
<td>9.5</td>
<td>10.9</td>
</tr>
<tr>
<td>Latin America</td>
<td>9.7</td>
<td>10.5</td>
<td>10.5</td>
<td>11.0</td>
<td>11.9</td>
<td>11.5</td>
<td>12.2</td>
</tr>
<tr>
<td>Asia</td>
<td>24.9</td>
<td>28.0</td>
<td>23.4</td>
<td>26.2</td>
<td>32.4</td>
<td>32.3</td>
<td>30.1</td>
</tr>
<tr>
<td>- thereof China</td>
<td>10.2</td>
<td>12.7</td>
<td>12.0</td>
<td>13.8</td>
<td>16.7</td>
<td>18.5</td>
<td>16.2</td>
</tr>
<tr>
<td>- thereof India</td>
<td>6.1</td>
<td>5.0</td>
<td>2.8</td>
<td>3.5</td>
<td>4.5</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Oceania</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.5</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>World total</strong></td>
<td><strong>58.3</strong></td>
<td><strong>60.2</strong></td>
<td><strong>54.8</strong></td>
<td><strong>58.7</strong></td>
<td><strong>68.4</strong></td>
<td><strong>65.7</strong></td>
<td><strong>65.6</strong></td>
</tr>
</tbody>
</table>

Incl. potassium sulphate and potash grades with lower K₂O content of around 4 million tons eff.

Sources: IFA, K+S
First Potash from Bethune sold

- First potash sold
- Infrastructure in place
  - Trains
  - Harbor
- Capacity of 2 million tons p.a. by the end of 2017 ramping up to 2.86 million tons p.a. by 2023
- Positive EBITDA in 2018
- EBIT break-even in 2019

"With Bethune, the most modern potash facility in the world, we are pushing into a new dimension. We are now producing potash on two continents,“ said Dr. Burkhard Lohr (CEO of K+S).
Bethune – Strengthening our Global Presence

- Expanding our current production portfolio in Germany with a North American production site → Second source supplier
- Securing a good asset base with competitive production costs
- Sales and distribution through existing distribution structures of the K+S group
- Exclusive outline agreement with Koch Fertilizer about supply and sales of Potash fertilizers in the US
- Regional growth projects in China and Southeast Asia
- Flexible multi-product strategy
Bethune - Ramp-up Curve

Production capacity
in million t KCl/a

- **Phase 1**
  (Implementation: 2011 to 2017)
  - Development of infrastructure mainly for Phases 1 + 2, preparations for Phase 3
  - Capacity development + ramp-up of production to 2.0 m t KCl/a through primary mining

- **Phase 2**
  (Implementation: 2017 to 2023)
  - Capacity expansion and ramp-up of production by 0.86 to 2.86 m t KCl/a through secondary mining (share of secondary mining in total capacity: 30%)

- **Outlook for Phase 3**
  (Implementation: 2023 to 2034)
  - Increase in share of secondary mining in total capacity to 50%
  - Potential expansion of annual capacity by 1.14 to 4.0 m t KCl/a
Bethune - Competitive Production Costs

Total costs (Phase 1+2) at full utilisation

- ~ 225 - 255 CAD/ton
- ~ 40 CAD/ton
- ~ 65 CAD/ton
- ~ 90 CAD/ton

- Mining taxes/royalties: Fluctuate with potash price, e.g.
  - 400 USD ex works = ~ 60 CAD
  - 300 USD ex works = ~ 40 CAD
  - 250 USD ex works = ~ 30 CAD

- D&A
  Steady state, higher in first years of production

- Logistics
  Average from site to various target destinations

- Cash costs of production

Based on assumptions from April 2013; at full utilisation of 2.86 million tons KCl/a (Phases 1+2)
No increase in prices and costs after the construction phase
Huludao Magpower Fertilizers Co., one of the largest producers of synthetic magnesium sulphate (SMS)

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
Strengthening of Specialties Portfolio (2)

- Expansion of water-soluble products to participate in fast growing fertigation markets
- 30% stake in Al-Biariq for Fertilizer Plant Co., Ltd. (Saudi Arabia)
- Option to acquire further 30% within 2 years
- Capacity of 20 kt water soluble SOP p.a. – intention to double in the near future
- Participation in growth in Middle East, Africa and South Asia

Demand for potash containing fertigation products globally

- Market for potash containing fertigation products expected to grow strongly
  - Globally min. 5% p.a.
  - Fast growing regions (e.g. India) + 25% p.a.

1 Use of fertilizers in irrigating systems
K+S Group

Diversified production network and portfolio

Strong consumer brands  Food grade salt  More than 14.000 applications
Salt for Chemical Use  Salt  Essential mineral for our life
Industrial salt  Presence in the most attractive de-icing salt regions
Low cost production  De-icing salt
Why Salt?

**Essential mineral for our life**

**Mineral without economically viable substitutes**

**Diverse and stable salt end uses driving continuous growth**

**Basic material representing only a small portion of the production costs**
Long-term Dynamics in Salt Demand

Demand driven by...

- Winter weather conditions
- Infrastructure development
- Increasing standard of living
- Population growth
- Economic growth and industrialization
- Urbanization

Product category

- De-Icing
- Consumer products
- Food processing
- Industrial
- Chemical

Low single-digit demand growth p.a. to 2025

Source: Roskill 2016
### Broad Variety of Application Areas

<table>
<thead>
<tr>
<th>De-Icing</th>
<th>Consumer products</th>
<th>Food processing</th>
<th>Industrial</th>
<th>Chemical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Applications:</strong></td>
<td><strong>Main Applications:</strong></td>
<td><strong>Main Applications:</strong></td>
<td><strong>Main Applications:</strong></td>
<td><strong>Main Applications:</strong></td>
</tr>
<tr>
<td>Winter road maintenance services</td>
<td>Table salt</td>
<td>Food processing industry</td>
<td>Water treatment</td>
<td>Chemical industry</td>
</tr>
<tr>
<td>Commercial users</td>
<td>Dishwasher care</td>
<td>Baking industry</td>
<td>Drilling fluids</td>
<td>Chlor-Alkali processes (PVC)</td>
</tr>
<tr>
<td>Private households</td>
<td>Water softening</td>
<td>Condiment and preservative agent</td>
<td>Animal feed</td>
<td>Polycarbonates, MDI (Isocyanat) plastics, synthetic resin</td>
</tr>
<tr>
<td></td>
<td>Pool chlorination</td>
<td></td>
<td>Infusion, dialysis solutions</td>
<td>Synthetic Soda Ash (glass)</td>
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<td></td>
<td>Body care</td>
<td></td>
<td>Pharmaceuticals</td>
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<td>Preserving of fish</td>
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<td>Dyeing works</td>
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<td></td>
<td></td>
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<td>Leather treatment</td>
<td></td>
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</tbody>
</table>
K+S Group

Main Salt Suppliers Worldwide

Capacity in million tons (crystallised salt and salt in brine; excl. captive use)

Source: Roskill 2016, K+S
K+S Group
Development of Salt Consumption and Production

Million tons

**Consumption**

*CAGR: 2.0%*

<table>
<thead>
<tr>
<th>Region</th>
<th>2000</th>
<th>2009</th>
<th>2015</th>
<th>CAGR</th>
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</thead>
<tbody>
<tr>
<td>North America</td>
<td>220</td>
<td>268</td>
<td>295</td>
<td>1.2%</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td>1.0%</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td>1.5%</td>
</tr>
<tr>
<td>Other</td>
<td>220</td>
<td>268</td>
<td>295</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

**Production**

*CAGR: 2.1%*

<table>
<thead>
<tr>
<th>Region</th>
<th>2000</th>
<th>2009</th>
<th>2015</th>
<th>CAGR</th>
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<tr>
<td>North America</td>
<td>217</td>
<td>264</td>
<td>295</td>
<td>2.5%</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td>4.0%</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td>1.3%</td>
</tr>
<tr>
<td>Other</td>
<td>217</td>
<td>264</td>
<td>295</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

1 excl. captive use; Source: K+S, Roskill 2011, 2014, 2016
Salt Consumption by Product Group

Global (Consumption 2015: 295 million tons)
- Industrial salt/Other: 24%
- Salt for chemical use: 54%
- Food grade salt: 9%
- De-icing salt: 13%

North America (Consumption 2015: 80 million tons)
- Industrial salt/Other: 31%
- Salt for chemical use: 30%
- Food grade salt: 1%
- De-icing salt: 38%

Europe (Consumption 2015: 73 million tons)
- Industrial salt/Other: 29%
- Salt for chemical use: 53%
- Food grade salt: 4%
- De-icing salt: 14%

Asia (Consumption 2015: 118 million tons)
- Industrial salt/Other: 17%
- Salt for chemical use: 64%
- Food grade salt: 16%
- De-icing salt: 3%

Other (Consumption 2015: 24 million tons)
- Industrial salt/Other: 50%
- Salt for chemical use: 22%
- Food grade salt: 28%

1 excl. captive use; Source: Roskill 2016
Our Strengths

Production network and know-how
- Geographical diversification of production facilities within a region and across continents
- Access to multitude of technical and geological experts within the K+S Group

Logistics network
- Mixture of own ships, medium-term sea freight contracts and freight hedging
- Utilisation of global logistic knowledge of K+S Group
- Close supply chain cooperation for most efficient group-wide sourcing

Product portfolio
- Balanced and less cyclical product portfolio
- Product innovations through access to group-wide R&D network
Diverse Regional and Product Portfolio

Normalized Revenue Distribution

Salt for chemical use
- Food processing
- Industrial
- Consumer products

1 De-icing adjusted to normal winter
Unrivalled Global Production Network

- More than 30 assets on 3 continents allow close proximity to customers in a business that is highly freight cost sensitive
- Broad range of products due to variety of production methods
- Best in class supply chain assets and competence
- Industry best cost production in Chile

Competitive edge: Unrivalled global production network
Presence in Attractive De-Icing Markets

Indicative regional strength of winter

|--------|---------|---------|---------|---------|---------|---------|

- Eastern Canada
- Great Lakes
- US East Coast
- Scandinavia
- Central Europe

Europe

North America
Bethune  Reduction of saline wastewater
Production capacity  Extraction Cycle Underground  Solution Mining
Potash Processing above Ground  **Production**  Deep-well injection permit
Conventional mining  New approach to environmental challenges
Unrivalled Global Production Network
Production Sites in Germany

Share of annual production capacity (in %)

1. Wintershall
2. Unterbreizbach
3. Hattorf
4. Zielitz
5. Neuhof-Ellers
6. Sigmundshall
7. Bergmannssegen-Hugo
(pure production site, no mining)

Integrated Werra Plant ~ 45
~ 24
~ 16
~ 10
~ 5
K+S Group
Potash and Magnesium Products

Extraction Cycle Underground – Conventional mining

1. Blasting after shift end
2. Muck pile load and dump
3. Roof scaling
4. Roof bolting
5. Auger drilling
6. Cleaning
7. Drilling
8. Loading with explosives
Potash Processing above Ground

**Thermal Dissolution**
- Heating: 25 °C
- 110 °C
- Cooling: 95 °C
- Mother brine
- Undissolved residue + dissolved KCl
- Filtering
- Filtered mother brine
- Fine ground crude salt
- Residue (NaCl)
- Potassium chloride (KCl) and Kieserite
- Flotation agent
- Air bubbles
- Filtering and drying
- Residue (NaCl)
- Potassium chloride (KCl) and Kieserite

**Flotation**
- Flotation brine
- Fine ground crude salt

**Electrostatic Separation (ESTA®)**
- Fine ground crude salt
- Conditioning
- Triboelectric charging
- Separation in a free fall separator
- Residue (NaCl)
- Potassium chloride (KCl) and Kieserite
In solution mining, freshwater is brought into solvent (salt) rock through a drill hole, thus creating chambers filled with a water-salt solution, so-called caverns. In a subsequent step, the saturated brine is brought to the surface level along a further pipeline.
Higher regional court dismisses complaint brought by prosecutor’s office - water pollution accusations baseless

K+S reaches an agreement with the Federation for Environment and Nature Conservation Germany (BUND)

Thuringian municipality of Gerstungen and K+S want to end their long-standing dispute

**Efforts to improve our environmental standards**

- Deep-well injection permit granted until 2021 (1.5m m³)
- Implementation of measures to limit outage days
- Construction of KCF ¹) completed (reduction of saline wastewater by 1.5m m³ to 5.5m m³)
- K+S mandated advisor K-UTEC to carry out a concept for extracting further products from saline wastewater and to reduce occurrence of such
- Expansion of tailings pile capacity Hattorf (Werra): Approval for ‘early commencement’ granted

**Disputes and litigation handled proactively**

- Higher regional court dismisses complaint brought by prosecutor’s office - water pollution accusations baseless
- K+S reaches an agreement with the Federation for Environment and Nature Conservation Germany (BUND)
- Thuringian municipality of Gerstungen and K+S want to end their long-standing dispute

¹) Kainite Crystallization and Flotation Facility
Saline wastewater halved

- Package of measures successfully concluded
  - Initiated 2008
  - CapEx: € ~400 million

- Reduction of more than 65 percent since 1997

Saline wastewater significantly reduced

- Further investments and reduction of saline wastewater
- Deep-well injection permit (Werra plant) until end of 2021 and no additional permit afterwards
### Main Production Methods

<table>
<thead>
<tr>
<th>Rock Salt</th>
<th>Sea-/Solar Salt</th>
<th>Evaporated Salt</th>
<th>Brine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional mining</td>
<td>Crystallisation from sea water</td>
<td>Recrystallisation of purified brine</td>
<td>Controlled borehole-brining</td>
</tr>
</tbody>
</table>

- Around 70% of worldwide salt production (more than 290 million tons including brine) is obtained from rock salt mining and solution mining.
- Approximately 30% of production is obtained from seawater and salt lakes.
- Salt is produced in almost every country on Earth. Due to the high share of transport costs in production costs, markets are generally regionally limited to the area around the production locations.
K+S Group

Financials

Liquidity

Investment grade  Maintain dividend policy  EBITDA
Financing strategy  Further liquidity source
Cash flow  Currency management  Balance sheet
Exchange rate
**Financing Strategy**

### Maintain dividend policy
- 40–50% of net profit

### Excess cash
- Strengthening our balance sheet
- Share buybacks
- Special dividends

### Rating
- Return to Investment grade by 2023

**Key figures**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt/EBITDA</td>
<td>0.8</td>
<td>1.2</td>
<td>1.8</td>
<td>2.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Net debt/Equity (%)</td>
<td>24.4</td>
<td>30.5</td>
<td>40.9</td>
<td>55.9</td>
<td>78.7</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>51.4</td>
<td>45.3</td>
<td>50.6</td>
<td>51.9</td>
<td>47.2</td>
</tr>
</tbody>
</table>
Hedging of transaction risks, basis USD budget net position

Cash flow view: most of anticipated net position hedged

Hedging is used if an underlying transaction exists or is expected with great probability

Anticipated average exchange rate (full year 2017): **1.12 EUR/USD (incl. premium)**
As further liquidity source a syndicated credit line facility amounting to € 1 billion is in place until 2020.
## Cash Flow and Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>FY/15</th>
<th>Q1/16</th>
<th>H1/16</th>
<th>9M/16</th>
<th>FY/16</th>
<th>Q1/17</th>
<th>H1/17</th>
<th>9M/17</th>
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<tbody>
<tr>
<td><strong>Operating cash flow</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>669</td>
<td>294</td>
<td>359</td>
<td>390</td>
<td>445</td>
<td>267</td>
<td>384</td>
<td>383</td>
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<tr>
<td><strong>- Investing cash flow</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(pre sale/purchase of securities)</td>
<td>-1,305</td>
<td>-243</td>
<td>-537</td>
<td>-847</td>
<td>-1,222</td>
<td>-206</td>
<td>-410</td>
<td>-623</td>
</tr>
<tr>
<td><strong>Adjusted free cash flow</strong></td>
<td>-636</td>
<td>50</td>
<td>-178</td>
<td>-456</td>
<td>-777</td>
<td>55</td>
<td>-26</td>
<td>-241</td>
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<tr>
<td><strong>CapEx</strong></td>
<td>1,279</td>
<td>280</td>
<td>643</td>
<td>904</td>
<td>1,171</td>
<td>277</td>
<td>410</td>
<td>568</td>
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<tr>
<td>t/o Net financial debt (-)</td>
<td>-1,364</td>
<td>-1,315</td>
<td>-1,756</td>
<td>-2,052</td>
<td>-2,401</td>
<td>-2,440</td>
<td>-2,592</td>
<td>-2,780</td>
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<tr>
<td><strong>Net debt/ EBITDA (LTM)</strong></td>
<td>2.3</td>
<td>2.5</td>
<td>3.6</td>
<td>4.9</td>
<td>6.9</td>
<td>8.1</td>
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<td><strong>Equity ratio</strong></td>
<td>52%</td>
<td>52%</td>
<td>49%</td>
<td>48%</td>
<td>47%</td>
<td>48%</td>
<td>45%</td>
<td>44%</td>
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<tr>
<td>Year</td>
<td>Capital Expenditure</td>
<td>Depreciation / Amortisation</td>
<td>Cash flow from operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1,171</td>
<td>290</td>
<td>445</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2015</td>
<td>1,279</td>
<td>276</td>
<td>669</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>2014</td>
<td>1,153</td>
<td>254</td>
<td>719</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2013</td>
<td></td>
<td>251</td>
<td>743</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2012</td>
<td>229</td>
<td>466</td>
<td>607</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Operating and Free Cash Flow (adjusted)

€ million

- 2012: 607 million
  Operating Cash Flow: 199 million
  Free Cash Flow (adjusted): 49 million

- 2013: 756 million
  Operating Cash Flow: 49 million
  Free Cash Flow (adjusted): -306 million

- 2014: 719 million
  Operating Cash Flow: -306 million
  Free Cash Flow (adjusted): -636 million

- 2015: 669 million
  Operating Cash Flow: -636 million
  Free Cash Flow (adjusted): -777 million

Significantly negative due to capital expenditure in Canada.
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Fax: +49 561 / 9301-2425
alexander.enge@k-plus-s.com
Key Data

- **WKN:** KSAG88
- **ISIN:** DE000KSAG888
- **Type of shares:** Registered shares of no-par value
- **Total number of shares:** 191,400,000
- **Trading segment:** Prime Standard
- **Ticker symbols:** Bloomberg SDF / Reuters SDFG

Quoted in the following indices

- MDAX
- DJ STOXX 600
- DJ EURO STOXX
- HDAX
- CDAX
- Prime Allshare Index
- Classic Allshare Index
- Prime Sector Chemicals
- Industry Group Chemicals / Commodity
- DJ STOXX TMI
- MSCI World Standard
- MSCI Europe Standard
- MSCI Germany Standard
- ECPI Ethical Index Global

Covered by

- AlphaValue
- Baader Helvea Equity Research
- Bank of America / Merrill Lynch
- Bankhaus Lampe
- BMO Capital Markets
- Citi Research
- Commerzbank
- Credit Suisse
- Deutsche Bank
- DZ Bank AG
- Equita Sim SpA
- Equinet Bank AG
- Goldman Sachs
- Hauck & Aufhäuser Institutional Research AG
- Independent Research
- J.P. Morgan Cazenove
- Kepler Cheuvreux
- LBBW
- M.M. Warburg
- MainFirst Bank AG
- Metzler Capital Markets
- Morgan Stanley & Co International PLC+
- Morningstar
- Nord/LB
- Redburn
- Sanford C. Bernstein Limited
- Scotia Capital
- Société Générale
- UBS
K+S Group
Shareholder Structure

Retail Shareholders 44%
Freefloat 100%
Institutional Shareholders 56%

As of 1 February 2018
The K+S ADR Program offers North American investors the opportunity to take stock in K+S. Since the ADRs are quoted in US dollars and dividends are also distributed in US dollars, this financial instrument resembles an American share closely. Two ADRs represent one K+S ordinary share. The K+S ADRs are traded in the United States under a level 1 ADR Program in the over the counter market (OTC).

### Trade on OTCQX
- **Symbol:** KPLUY
- **CUSIP:** 48265W108
- **Ratio:** 2 ADRs = 1 Share
- **Country:** Germany
- **ISIN:** DE000KSAG888
- **Depositary:** The Bank of New York Mellon

### Benefits to North American investors
- Clear and settle according to normal U.S. standards
- Stock quotes and dividend payments in U.S. dollars
- Can be purchased/sold in the same way as other U.S. stocks via a U.S. broker
- Cost-effective means of international portfolio diversification

Further information:
<table>
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<tr>
<th></th>
<th>Bond 12/2018</th>
<th>Bond 12/2021</th>
<th>Bond 06/2022</th>
<th>Bond 04/2023</th>
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</thead>
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<tr>
<td><strong>WKN</strong></td>
<td>A1Y CR4</td>
<td>A1Y CR5</td>
<td>A1P GZ8</td>
<td>A2E 4U9</td>
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<td>XS0997941355</td>
<td>DE000A1PGZ82</td>
<td>XS1591416679</td>
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<tr>
<td><strong>Listing</strong></td>
<td>Luxembourg Stock Exchange</td>
<td>Luxembourg Stock Exchange</td>
<td>Luxembourg Stock Exchange</td>
<td>Luxembourg Stock Exchange</td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td>500 Mio. EUR</td>
<td>500 Mio. EUR</td>
<td>500 Mio. EUR</td>
<td>625 Mio. EUR</td>
</tr>
<tr>
<td><strong>Issue price</strong></td>
<td>99.777%</td>
<td>99.539%</td>
<td>99.422%</td>
<td>100.000%</td>
</tr>
<tr>
<td><strong>Coupon payment</strong></td>
<td>3.125%</td>
<td>4.125%</td>
<td>3.000%</td>
<td>2.625%</td>
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<tr>
<td><strong>Maturity</strong></td>
<td>06.12.2018</td>
<td>06.12.2021</td>
<td>20.06.2022</td>
<td>06.04.2023</td>
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<tr>
<td><strong>Face value</strong></td>
<td>1,000 EUR</td>
<td>1,000 EUR</td>
<td>100,000 EUR</td>
<td>1,000 EUR</td>
</tr>
</tbody>
</table>

**Issuer Rating (S&P):** BB (outlook: stable), August 2017
**Financial Calendar 2017/2018**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report 2017</td>
<td>15 March 2018</td>
</tr>
<tr>
<td>Quarterly Report, 31 March 2018</td>
<td>14 May 2018</td>
</tr>
<tr>
<td>Annual General Meeting, Kassel</td>
<td>15 May 2018</td>
</tr>
<tr>
<td>Dividend Payment (subject to resolution of the AGM)</td>
<td>18 May 2018</td>
</tr>
<tr>
<td>Half-yearly Financial Report, 30 June 2018</td>
<td>14 August 2018</td>
</tr>
<tr>
<td>Quarterly Report, 30 September 2017</td>
<td>15 November 2018</td>
</tr>
</tbody>
</table>

**More Content Available Online**

- K+S Website: [www.k-plus-s.com](http://www.k-plus-s.com)
- Annual Reports: [www.k-plus-s.com/publications](http://www.k-plus-s.com/publications)
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This presentation contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or should certain risks – such as those referred to in the Annual Report – materialise, actual developments and events may deviate from current expectations. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forecasts.

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