Q3 2018 – Conference Call

15 November 2018

Dr Burkhard Lohr, CEO
Thorsten Boeckers, CFO
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**K+S Group**

**Q3/2018 Overview**

- Potash market remains supportive
- Bethune continually improving
- Weather-related outage days weighed on profitability (€-80m)
- Higher logistics costs are challenging our cost discipline
- Adj. FCF and Net debt/EBITDA improved YoY

### Highlights

<table>
<thead>
<tr>
<th>EBITDA in €m</th>
<th>77</th>
<th>41</th>
<th>27</th>
<th>4</th>
<th>-80</th>
<th>4</th>
<th>-33</th>
<th>36</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q3/17</strong></td>
<td>77</td>
<td>41</td>
<td>27</td>
<td>4</td>
<td>-80</td>
<td>4</td>
<td>-33</td>
<td>36</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td></td>
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<tr>
<td><strong>Volume/Mix</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Drought Effect</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>FX</strong></td>
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<td></td>
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<tr>
<td><strong>Other Effect (net)</strong></td>
<td></td>
<td></td>
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</tbody>
</table>

### Financials

<table>
<thead>
<tr>
<th></th>
<th>€ million</th>
<th>Q3/17</th>
<th>Q3/18</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>727</td>
<td>840</td>
<td>+16%</td>
<td></td>
</tr>
<tr>
<td>t/o Potash</td>
<td>358</td>
<td>422</td>
<td>+18%</td>
<td></td>
</tr>
<tr>
<td>t/o Salt</td>
<td>329</td>
<td>375</td>
<td>+14%</td>
<td></td>
</tr>
<tr>
<td>D&amp;A</td>
<td>-64</td>
<td>-95</td>
<td>+47%</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>77</td>
<td>36</td>
<td>-53%</td>
<td></td>
</tr>
<tr>
<td>t/o Potash</td>
<td>42</td>
<td>3</td>
<td>-92%</td>
<td></td>
</tr>
<tr>
<td>t/o Salt</td>
<td>37</td>
<td>42</td>
<td>+11%</td>
<td></td>
</tr>
<tr>
<td>EBIT I</td>
<td>12</td>
<td>-58</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Adjusted net profit</td>
<td>2</td>
<td>-61</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Adjusted EPS (€)</td>
<td>0.01</td>
<td>-0.32</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Operating cash flow</td>
<td>383</td>
<td>276</td>
<td>-28%</td>
<td></td>
</tr>
<tr>
<td>Adj. free cash flow</td>
<td>-241</td>
<td>-60</td>
<td>+75%</td>
<td></td>
</tr>
<tr>
<td>CapEx</td>
<td>568</td>
<td>278</td>
<td>-51%</td>
<td></td>
</tr>
<tr>
<td>Net debt¹/EBITDA</td>
<td>8.1</td>
<td>7.6</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

1 LTM, including long-term provisions.
Market
- Strong demand holds across all regions
- Many producers are sold out into 2019
- Recovery of MOP prices continued

But:
- European MOP and Specialties prices more stable

De-icing
- Mixed picture in our winter regions
- Promising pre-stocking in US Mid-West
- Highly competitive at US East Coast

Non de-icing
- Solid demand in Q3/18
- Stable pricing

Oil-price driven logistic costs inflation
**Werra:** Performance increasing slightly in Q3/18
- Lack of staff / Illness rate: sequentially improving, to be resolved by end of 2018
- Machinery/Equipment: ongoing improvement, 50% to be fixed by end of 2018
- Extraordinary low nutrient content ($K_2O$): ongoing->$effect resolved by the end of 2019

**Neuhof:** Underperformance prevailed in Q3/18 (as expected)
- Geology (low roof stability): issues under control
- Countermeasures: new production technologies widely installed by end of Q3 2018

**Bethune:** Production continually improving
- Production record in October
- Hardness of granulated product: solved
- Caking issues: fine-tuning additives on track; temporary grinder pump to be installed in Q4 (final grinder pump beg. of 2019); cooling equipment (end of 2019)
Extreme weather situation in Germany - Implications

Rainfall on a 5-yr comparison (Werra)

Impact on K+S

- Persistent severe drought led to temporary shutdowns in Q3:
  - Wintershall site: 5 weeks
  - Hattorf site: 3 weeks
  - Unterbreizbach site: no interruption

- EBITDA impact for each site is up to € 1.5 million per day -> € ~ 80 million in Q3

- Basin capacities have been increased by > 10% to 600,000 cubic meters

- Water levels still low!
  - Further outages could occur
  - Inland shipping also impacted

- Higher logistic costs in Q4 expected

- In 2019, significantly higher storage capacity available

Source: Wetterkontor.de
Guidance 2018: EBITDA between € 570 – 630m

Main effects:
+ Potash prices
+ De-icing salt prices

Main effects:
+ Bethune
+ Tangibly higher salt volumes
- Production issues
  Germany

Main effects:
- Planning assumption:
  1.20 EUR/USD

Main effects:
+/- Sigmundshall
- Production issues
- Logistic costs
- Shaping 2030

Full year guidance is not including weather-related outage days in Q4

Cash unit cost per ton (2017: 214€/t) likely to be at ~ 215 €/t in 2018
K+S Group

Expected Development of our Potash Production

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**2018**

- ~ 6.2mt Germany (incl. outage days)
- ~ 1.4mt Bethune
- 0.1mt Huludao

**Total:** ~ 7.7mt

**Sales Volume:**

~ 7.5mt

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**2019**

- 6.1 – 6.2mt Germany
- 1.7 – 1.9mt Bethune
- 0.1mt Huludao

**Total:** 7.9 – 8.2mt

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**Change in Production**

- **＞500kt**
  - Werra: no lack of staff and 50% broken machinery back
  - Werra: no outage days
  - Neuhof: roof stability improved

- **+300 to 500kt**
  - Bethune

- **+100kt**
  - KCF

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**Cash Unit Cost:**

> € 200
due to overall cost inflation

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**High-cost production to be replaced by low-cost volumes from Bethune**
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Additional information on Outlook FY 2018

- Tax rate: ~26-28%
- Financial result: ~-120 million EUR
- CapEx: ~ 500 million EUR
- D&A (incl. Bethune): 380 to 400 million EUR
- Reconciliation (EBITDA): ~-70 million EUR
- Cash unit cost in PMP: ~€215 (including drought effect)

Financial Calendar

- Roadshow Frankfurt, Société Générale: 16 November 2018
- Roadshow London, Bernstein: 16 November 2018
- DZ Bank Equity Conference, Frankfurt: 20 November 2018
- Eigenkapitalforum 2018, Frankfurt: 26-27 November 2018
- 2018 Annual Report: 14 March 2019

1 Incl. ~4mt of potassium sulphate and potash grades with lower mineral content
K+S Group

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