Q3 2017 – Conference Call
November 15th, 2017

Dr Burkhard Lohr, CEO
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K+S Group

Q3/17 – considerable improvement

**Highlights**

- No outage days at Werra plant in Q3
- EBITDA up from €56m to €77m (+37%)
- FCF further improved (+47%)
- Challenges: slower ramp-up at Bethune, SOP pricing and hurricane Irma

**Financials**

<table>
<thead>
<tr>
<th>€ million</th>
<th>Q3/16</th>
<th>Q3/17</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>688</td>
<td>727</td>
<td>+6%</td>
</tr>
<tr>
<td>t/o Potash</td>
<td>302</td>
<td>358</td>
<td>+19%</td>
</tr>
<tr>
<td>t/o Salt</td>
<td>346</td>
<td>329</td>
<td>-5%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>56</td>
<td>77</td>
<td>+37%</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>-87</td>
<td>-64</td>
<td>-</td>
</tr>
<tr>
<td><strong>EBIT I</strong></td>
<td>-31</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>t/o Potash</td>
<td>-49</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>t/o Salt</td>
<td>18</td>
<td>17</td>
<td>-9%</td>
</tr>
<tr>
<td><strong>Adjusted net profit</strong></td>
<td>-27</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Adjusted EPS (€)</td>
<td>-0.14</td>
<td>0.01</td>
<td>-</td>
</tr>
<tr>
<td><strong>9M/16</strong></td>
<td><strong>9M/17</strong></td>
<td>YoY</td>
<td></td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>390</td>
<td>382</td>
<td>-2%</td>
</tr>
<tr>
<td>Adj. free cash flow</td>
<td>-456</td>
<td>-241</td>
<td>+47%</td>
</tr>
<tr>
<td><strong>CapEx</strong></td>
<td>904</td>
<td>568</td>
<td>-37%</td>
</tr>
</tbody>
</table>
**Market:**
- Strong demand across all regions
- Recovery in MOP prices continues

**K+S:**
- ASP further increased (YoY) due to:
  - Overall pricing environment
  - Product mix improvement on the back of no production outages in Q3/17 (vs. 70 days in Q3/16)

**Outlook:**
- SOP prices have recently started to stabilize after softening in Q2 and beginning of Q3
- Further upward potential for Korn-Kali and Industrial Potash prices

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1) Prices in USD converted into Euro with quarterly average FX-rates.
### 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)** well on track (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 aims for** 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

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1) Kainite Crystallization and Flotation Facility
■ **Non de-icing**
  - Revenues moderately down YoY
  - ASP at €108 (Q3/16: €113)
    - Greater share of lower yielding chemical salt products
    - Negative FX impact

■ **De-icing**
  - On last year’s level
  - Slow start in the pre-buying season in the US
  - Offset by better demand in Europe
  - Geographical hedge supportive
### Guidance 2017: EBIT I

<table>
<thead>
<tr>
<th>Actual 2016</th>
<th>Volume/Mix</th>
<th>Bethune</th>
<th>Price</th>
<th>Other effects (net)</th>
<th>2017e</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>229</td>
<td>+ Potash volumes/product mix + Salt volumes</td>
<td>+ First sales from Bethune - D&amp;A after production start offsetting profits from first potash sales</td>
<td>+ Potash prices - Salt de-icing prices</td>
<td>+ D&amp;A Adjustment + Cost savings + FX - Wage agreement - Freight / Energy</td>
<td>260-360</td>
</tr>
</tbody>
</table>

**FY 2017 Guidance determined by:**

- Pending decision about the timing of Sigmundshall closure
- Winter conditions in Q4 2017 either way
- FX
- Potash price development
K+S Group
Shaping 2030

Phase 1: Transformation
- Reduce indebtedness
- Realize synergies
- Advance corporate culture
- Shaping the organization and focusing towards our clients

2017

Phase 2: Growth
- Tapping the full potential of our existing assets
- Exploring new adjacent growth areas
- Increased share of specialties

2030

2020

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

Investment grade rating achieved in 2023

EBITDA-Ambition €3bn
ROCE >15%
Revenue growth beyond 2030 >4%
**Update on Shaping 2030**

- Setting up project management
- Preparing to decide on new organization and reporting lines
- Start of bottom-up validation of synergies (>150 Mio. € by 2020)
- Management remuneration (LTI) linked to share price performance
- First concept about future organization and KPIs
- Bottom-up validation of synergies done
- Project to lift synergies starting
- Final concept about future organization incl. KPIs done
- Sustainability targets and KPIs defined. Possible use of solid residues clarified

**Next to come**

We will keep you posted with updates on our Strategy in H1/2018 on a CMD
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Dr Burkhard Lohr, CEO
Backup
### Additional information on Outlook FY 2017\(^1\)

- **Tax rate**: ~26-28%
- **Financial result**: ~€-60m to -70m
- **CapEx**: up to €900m
- **D&A (after new method)**: ~€300m
- **Reconciliation (EBIT I)**: ~€-40m to -50m
- **Production outages**: ~25 days

FY 2017 Guidance mainly determined by:

- Pending decision about the closure of Sigmundshall
- Winter conditions in Q4
- FX
- Potash price development

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\(^1\) At USD/EUR 1.13
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
<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roadshow London, Bankhaus Lampe</td>
<td>16 November 2017</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch German Corporate Days, Tokyo</td>
<td>20 November 2017</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch German Corporate Days, Hong Kong</td>
<td>21 November 2017</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch German Corporate Days, Singapore</td>
<td>23 November 2017</td>
</tr>
<tr>
<td>Roadshow US West Coast with CFO, Credit Suisse</td>
<td>20-22 November 2017</td>
</tr>
<tr>
<td>Chemical Reverse Roadshow with CFO, Baader Helvea</td>
<td>28 November 2017</td>
</tr>
<tr>
<td>Eigenkapitalforum, Frankfurt</td>
<td>27-28 November 2017</td>
</tr>
<tr>
<td>Citibank East Coast Basic Materials Conference, New York</td>
<td>28-29 November 2017</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch European Chemicals Conference, London</td>
<td>5-6 December 2017</td>
</tr>
<tr>
<td><strong>Annual Report</strong></td>
<td><strong>15 March 2018</strong></td>
</tr>
<tr>
<td><strong>Analyst Conference in Frankfurt (save-the-date)</strong></td>
<td><strong>15 March 2018</strong></td>
</tr>
</tbody>
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K+S Group

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