

K+S Aktiengesellschaft

Q2/16 – Conference Call

August 11th, 2016

Dr. Burkhard Lohr, CFO



Experience growth.

- **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

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

■ 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⁾

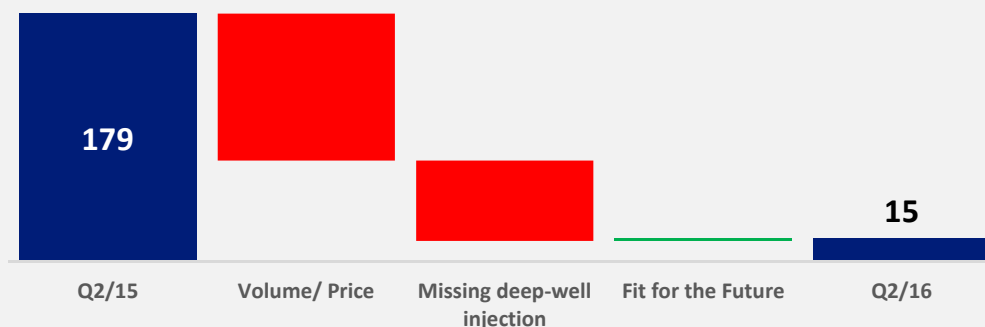
■ Salt

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

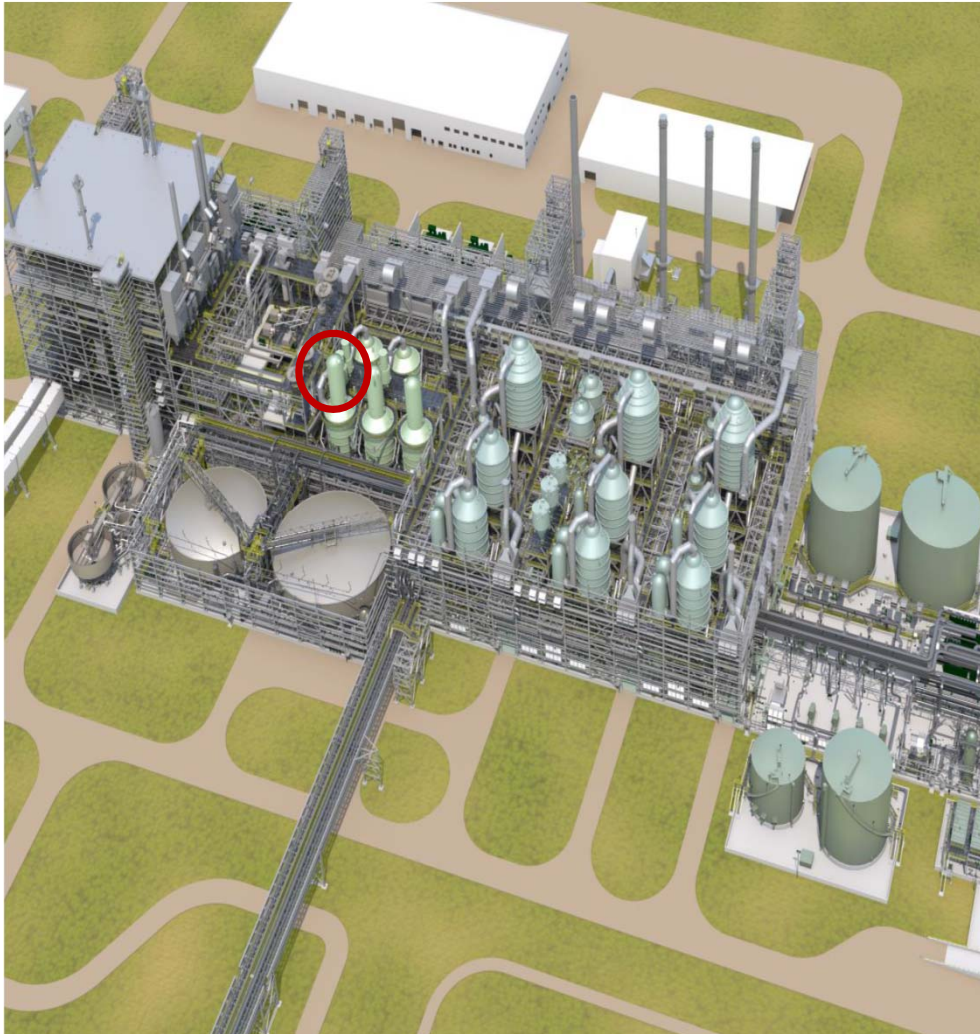
EBIT I bridge

Main effects:

- Potash prices
- De-icing salt prices and volumes



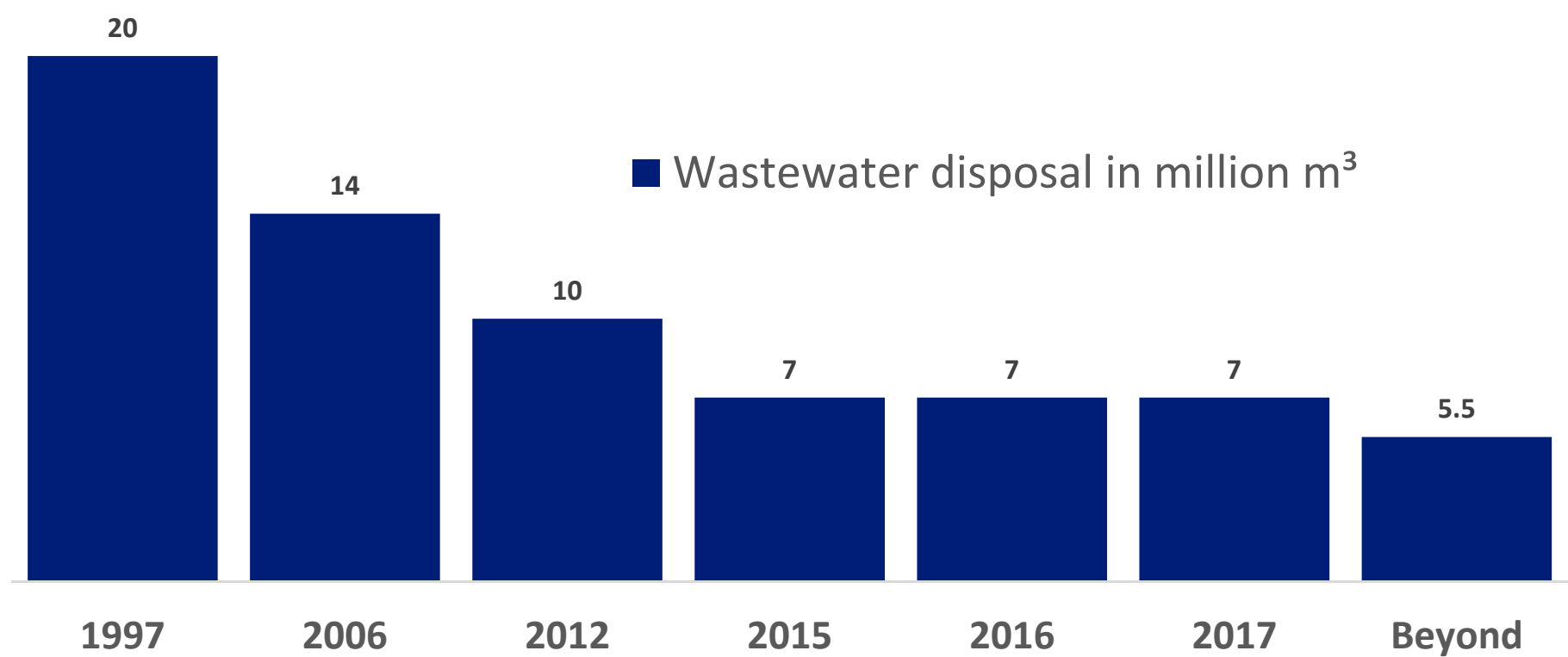
⁽¹⁾ (Revenues – EBIT I excl. Legacy OpEx) / Sales volumes



- 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**

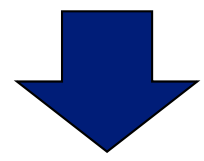
- The review of the application submitted in April 2015 is ongoing
- At the end of 2015, K+S expected the review to be completed in summer 2016
- With the current limited permit, saline wastewater can only be injected into the underground to a very limited extent
- Production remains largely based on the water flow rate of the Werra





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

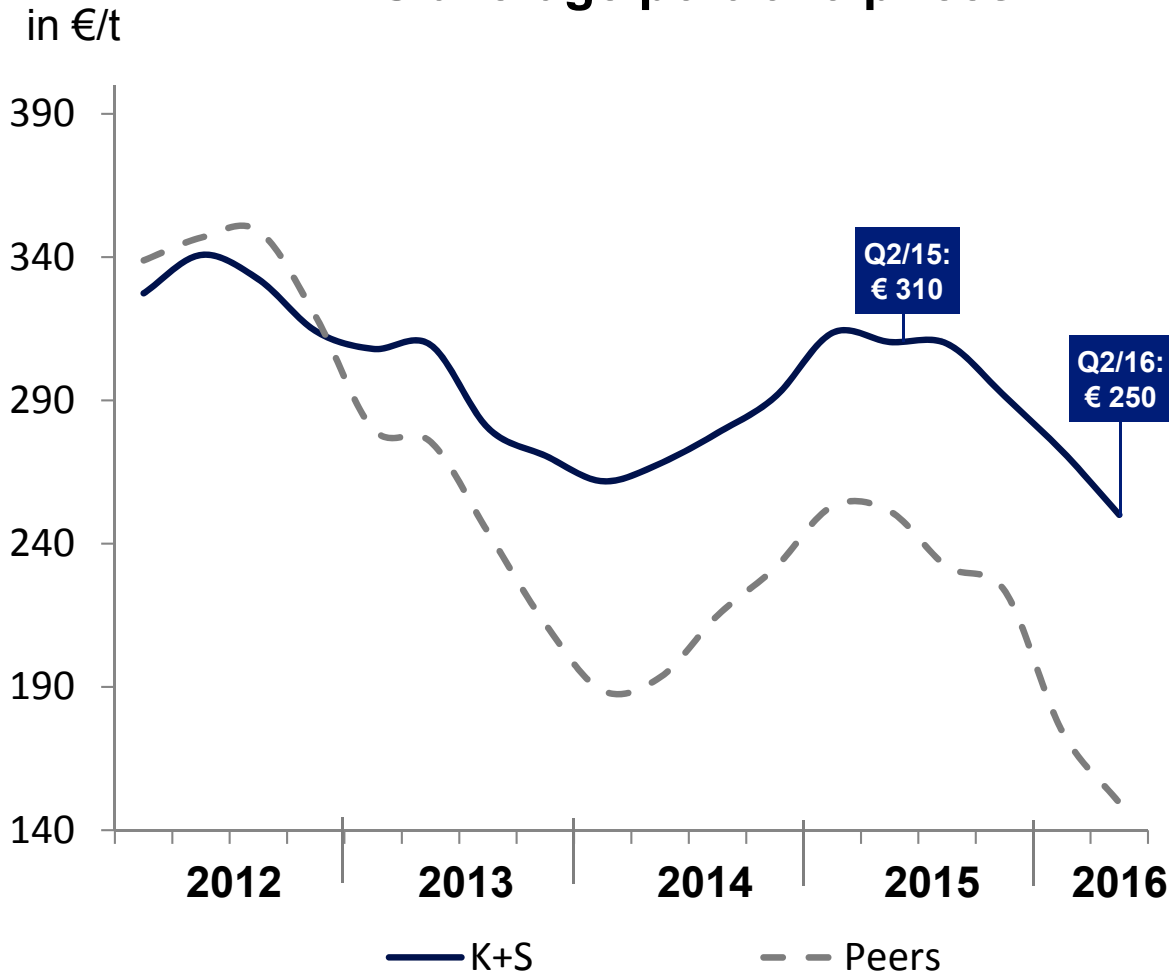


Commissioning of KCF⁽¹⁾
 Further reduction of saline wastewater by 1.5 million m³

⁽¹⁾ Kainite Crystallization and Flotation facility

China/India contracts expected to stimulate the market

K+S average portfolio prices



- ➔ 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

Prices in USD converted into Euro with quarterly average Fx-rates.

Potash and Magnesium Products

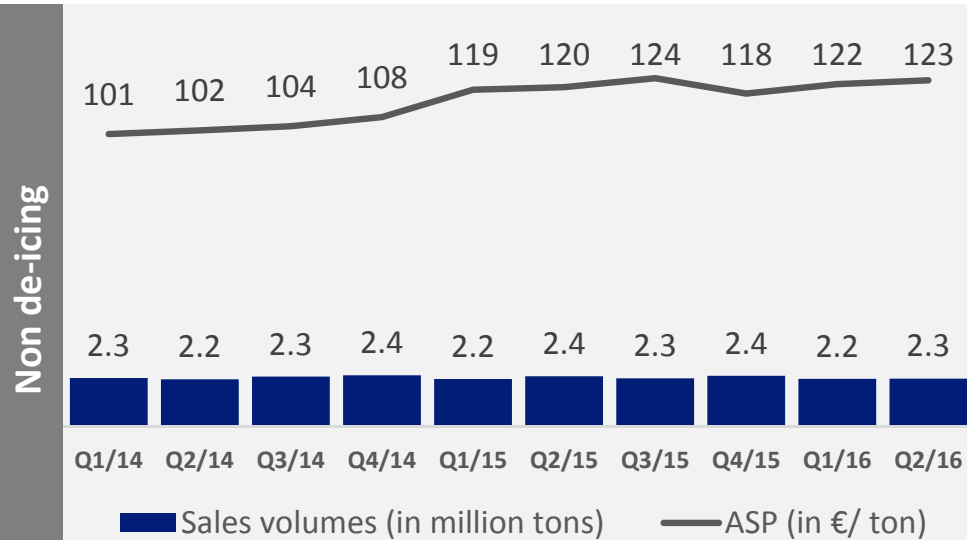
Acquisition in China



- 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

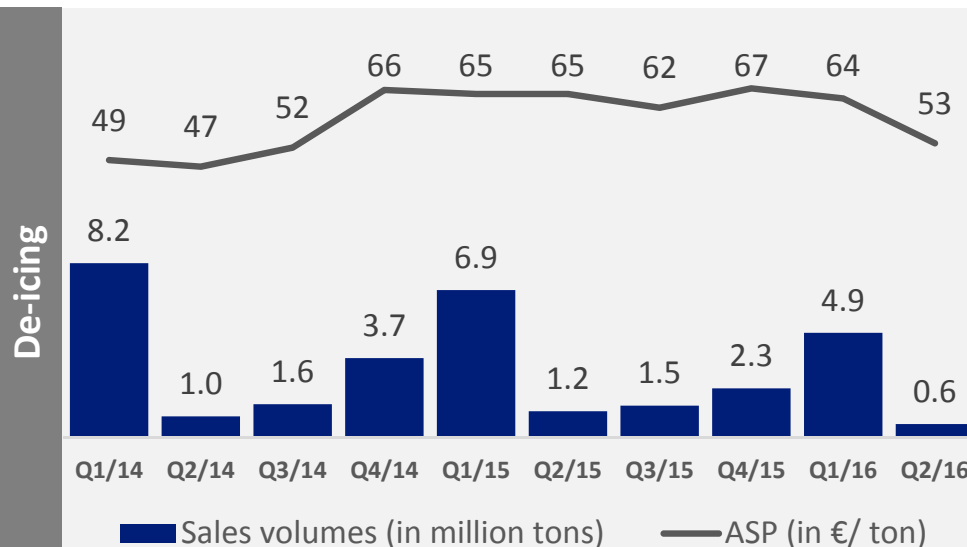


Mild winter affecting de-icing development



- **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

Expansion into Asia-Pacific: Project launch in Australia



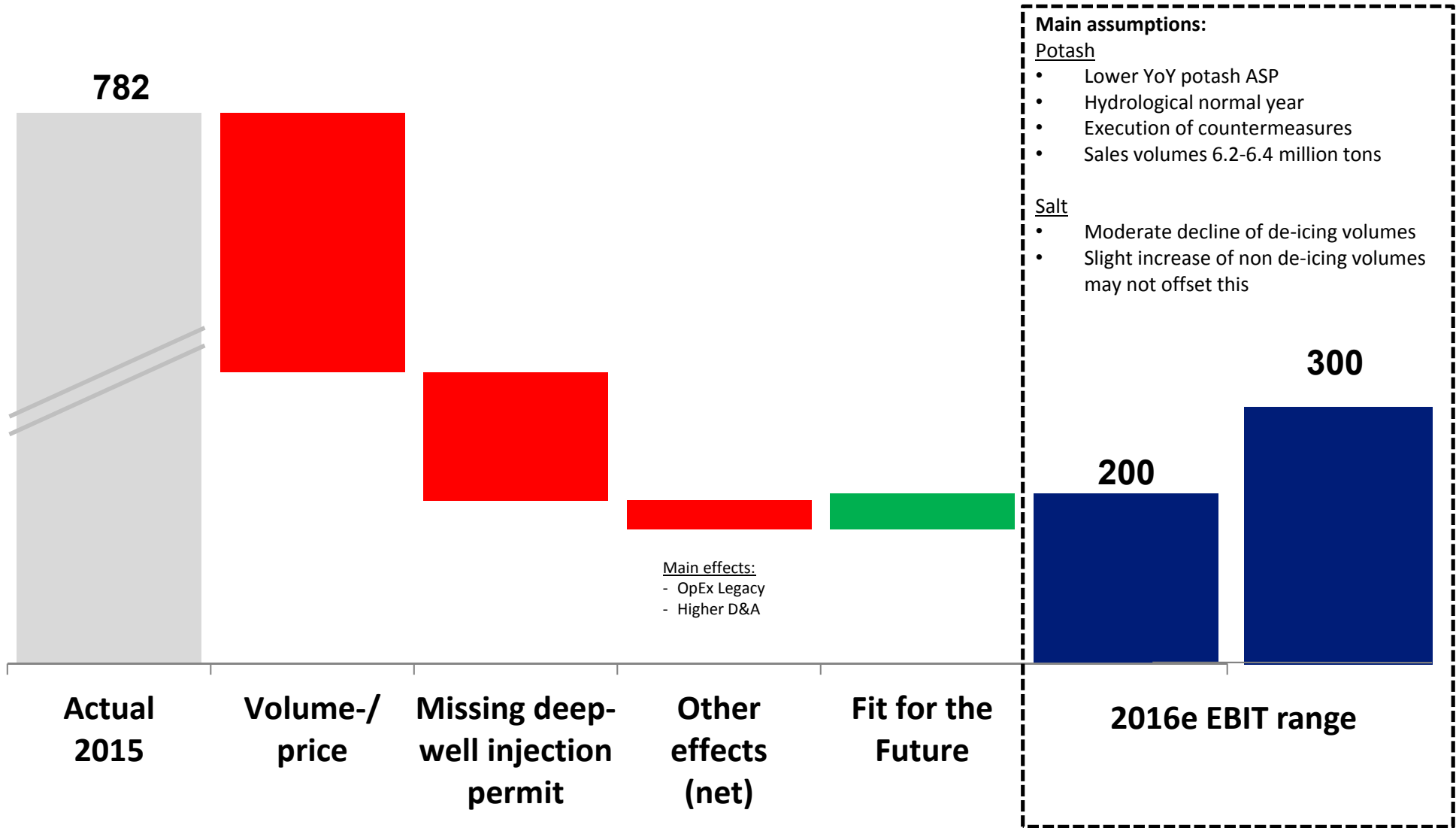
- Driven by “Salt 2020” strategy
- Initial focus on obtaining necessary permits
- CapEx estimate of around € 225 million
- Expected capacity of 3.5 million tons p.a.
- Main customers in the chemical industry in Asia
- Possible production start in 2022

“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.”

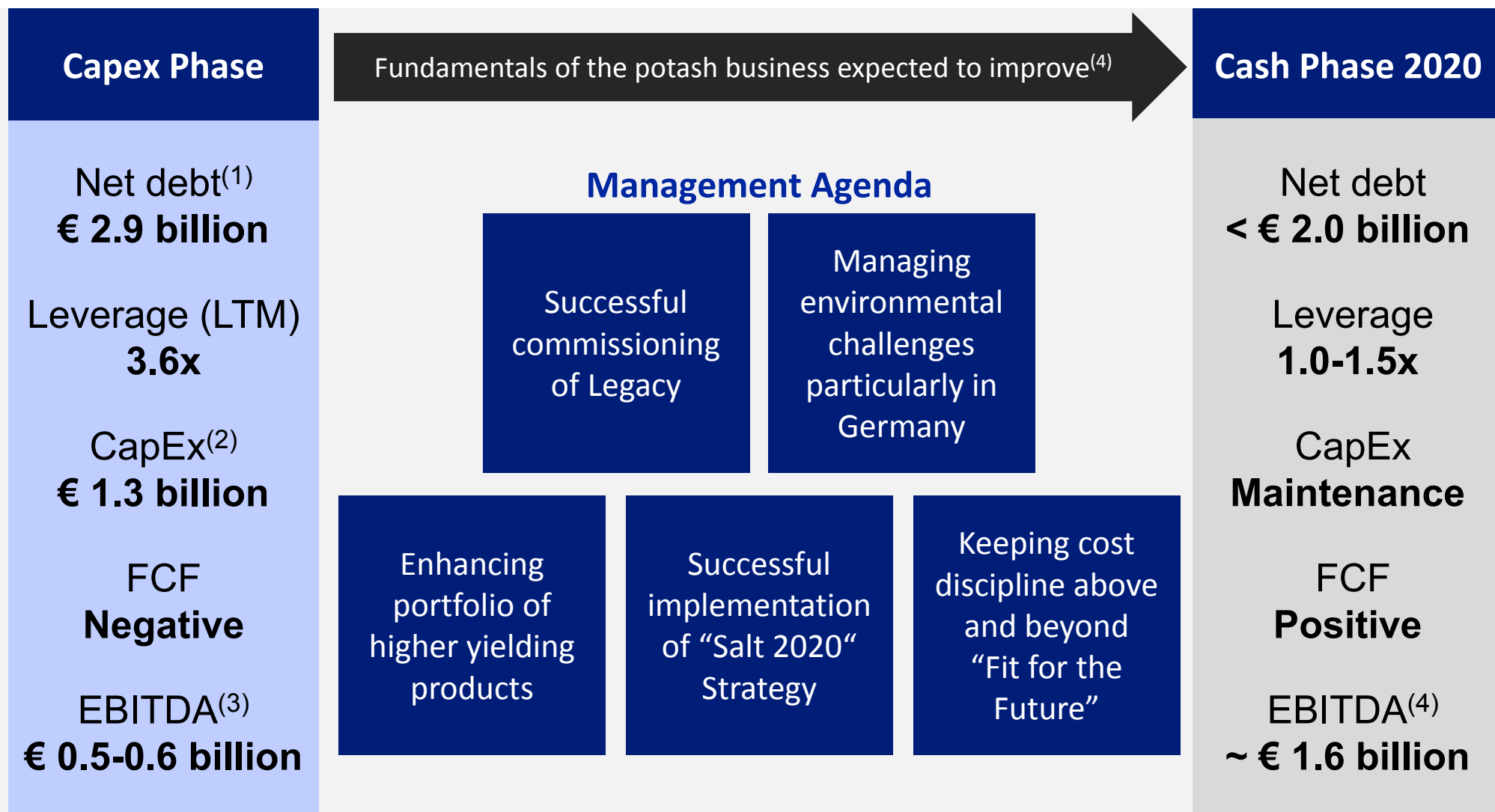
Mark Roberts

Guidance FY 2016: EBIT I Bridge

€ million



Mid-Term Goal: From Capex to Cash



(1) Q2/16

(3) Guidance 2016

(2) 2015

(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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