# **Q3/16 – Conference Call** November 10th, 2016

Dr. Burkhard Lohr, CFO



# K+S Group **Highlights**



- MOP prices stabilizing at significantly lower levels than last year
- Production standstills at Werra plant due to limited deep-well injection permit
- 1<sup>st</sup> ton from Legacy in Q2/17
  - Repair work on site making good progress
- Salt business ready for the season
- Outlook 2016: EBIT I between € 200 and 260 million



## K+S Group Weak Quarter as Expected



| € million                | Q3/15 | Q3/16 | <i>Υ</i> οΥ |
|--------------------------|-------|-------|-------------|
| Revenues                 | 891   | 688   | -23%        |
| EBITDA                   | 199   | 56    | -72%        |
| EBIT I                   | 132   | -31   | n.m.        |
| t/o Potash and Magnesium | 93    | -49   | n.m.        |
| t/o Salt                 | 43    | 18    | -58%        |

### EBIT I bridge <u>Main effects:</u> Potash prices De-icing salt prices and volumes

Missing deep-well

injection

Fit for the Future

-31

Q3/16

#### Potash and Magnesium Products

- Lower average selling price (€ 239/ton vs. € 310/ton in Q3/15)
  - Overall pricing environment
  - Product mix due to missing permit
- Sales volumes down due to production standstills (1.26 million tons; -17% YoY)

#### Salt

Mild winter 2015/2016 affecting de-icing development

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

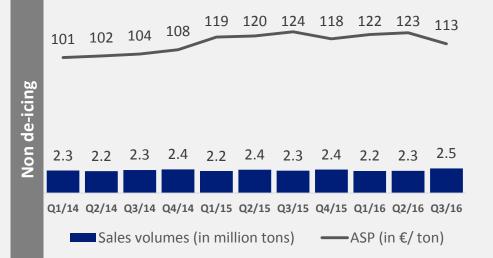
Volume/ Price

132

Q3/15

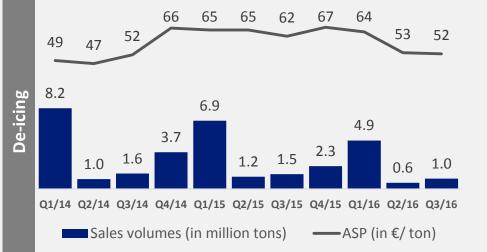
# Salt **Salt 2020` Strategy On Track**





#### Non de-icing

- Focus on strong brands
- Lower average selling price due to product mix effects

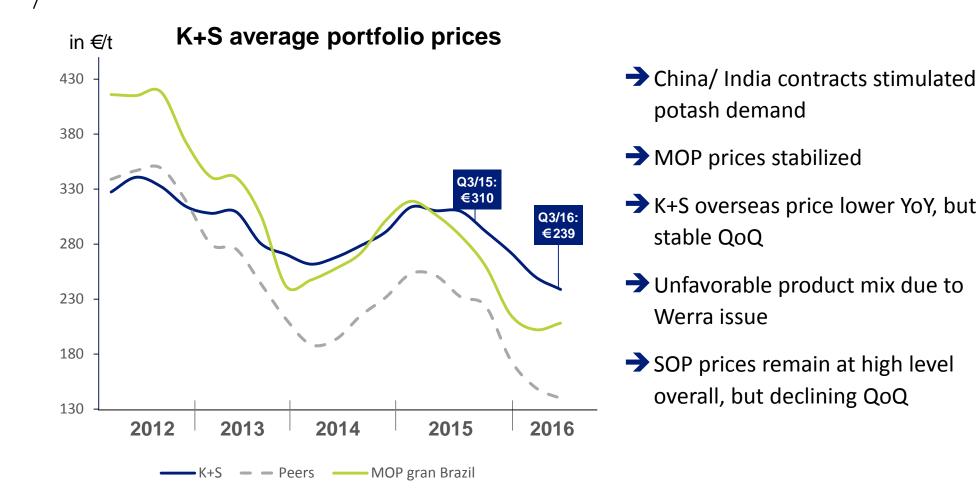


#### De-icing

- Low early fills due to mild winter season in Europe and North America
- Bidding season almost complete

### Potash and Magnesium Products Markets Revitalized





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

### Legacy Project Cleanup After Incident in Progress





- Crane for removal of damaged equipment on site
- Production of 1<sup>st</sup> ton expected in Q2/17
- Capacity of 2 million tons p.a. will be reached by the end of 2017

Budget development (in CAD and € billion)

CAD ~4.1 equals € ~3.1 2013 Final

- Budget of CAD 4.1 billion will be moderately exceeded due to incident
- Positive currency development led to unchanged budget in EUR terms since review in 2013

### Potash and Magnesium Products

# **Environmental Roadmap**



| 2016   | 2017/2018   | 2019 and beyond   |
|--|---|---|
| <ul> <li>Limited deep-well<br/>injection permit at<br/>the Werra plant</li> <li>Review by authorities<br/>still ongoing</li> <li>Production largely<br/>based on water flow<br/>rate of Werra river</li> <li>Measures to mitigate<br/>impact from missing<br/>permit ramping up</li> </ul> | <ul> <li>Continuation of implementation of measures to mitigate impact from missing permit</li> <li>Commissioning of KCF<sup>(1)</sup> will reduce saline wastewater from Werra plant by 1.5 million m<sup>3</sup> to 5.5 million m<sup>3</sup></li> <li>Expansion of tailings pile capacity Hattorf (Werra)</li> </ul> | <ul> <li>Expansion of tailings pile capacity Wintershall (Werra) and Zielitz</li> <li>Prolongation of Werra River injection permit</li> <li>Implementation of sustainable solutions</li> <li>Oberweserpipeline</li> <li>Coverage of tailings piles</li> <li>Underground backfilling (currently being analyzed)</li> </ul> |

### K+S Group Guidance FY 2016: EBIT I Bridge



€million Main assumptions: Potash Lower YoY potash ASP • 782 Hydrological normal year ٠ Execution of countermeasures Sales volumes ~6.1 million tons Salt ٠ Tangible decline of de-icing volumes Average winter in Q4 Slight increase of non de-icing volumes may not offset this 260 200 Main effects: - OpEx Legacy - Higher D&A Fit for the Actual Volume-/ Missing deep-Other 2016e EBIT range 2015 well injection effects price **Future** permit (net)

## K+S Group Mid-Term Goal



#### EBITDA of € 1.6 billion by 2020

- 'Salt 2020' well on track
- Legacy will contribute positively
- Mid-/ long-term potash fundamentals remain intact
- Current low potash prices not sustainable
- Development of strategic initiatives to support the goal

