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K+S Group  
**Q1/14 results**

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15 May 2014

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## ➤ Group

- EBIT of € 220 million: YoY price decline in Potash and Magnesium business unit partially offset by strong North American winter in Salt business

## ➤ Potash and Magnesium Products

- Prices have bottomed in Q1/14, demand robust
- Legacy well on track

## ➤ Salt

- Strong demand in North America for de-icing salt
- Extraordinarily mild winter in Europe
  - **K+S presence on three continents pays off**

## ➤ Fit for the Future

- Program making progress

## EBIT I mainly impacted by lower YoY potash prices, partially offset by Salt

€ million	Q1/13	Q1/14	YoY	
<b>Revenues</b>	<b>1,280</b>	<b>1,189</b>	<b>-7%</b>	➤ Volume driven revenue increase in Salt partially offset negative price effects in Potash and Magnesium Products
EBITDA	336	280	-17%	
D&A	-58	-60	-3 %	
<b>EBIT I</b>	<b>278</b>	<b>220</b>	<b>-21%</b>	➤ Lower YoY average selling prices for Potash and Magnesium Products
<b>Margin</b>	<b>22%</b>	<b>19%</b>		
Financial result	-18	-27	<b>-50%</b>	➤ Bonds issued in December 2013 – € 500m @ 3.125% – € 500m @ 4.125%
EBT, adjusted	260	193	-26%	
Tax rate, adjusted	27%	26%		
Net income, adjusted	190	142	-25%	
EPS, adjusted	0.99	0.74	-25%	

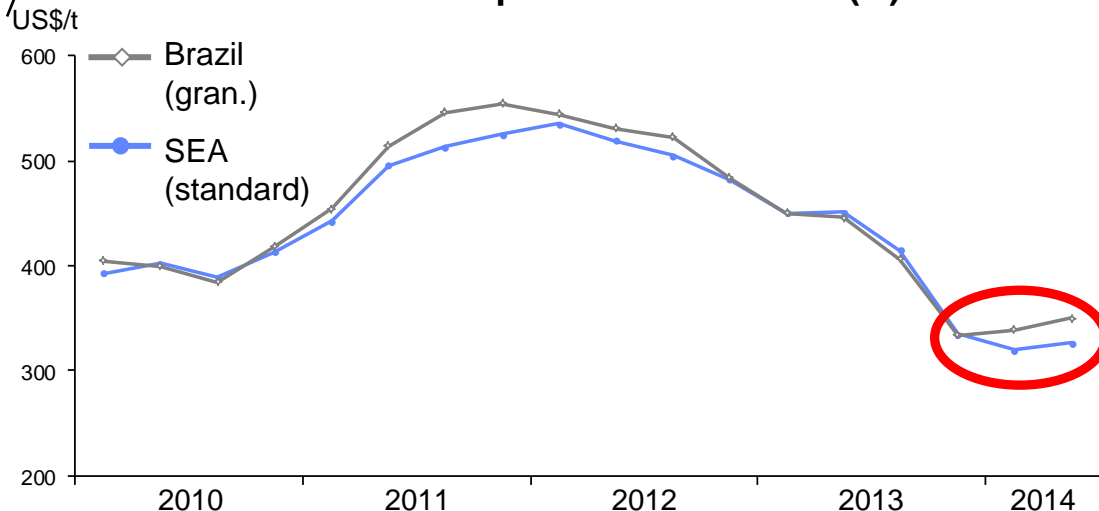
The adjusted key figures only include operating forecast hedges of the respective reporting period in EBIT I. In addition, related effects on deferred and cash taxes are also excluded.

# Potash and Magnesium Products

## Market: Prices bottomed in Q1/14



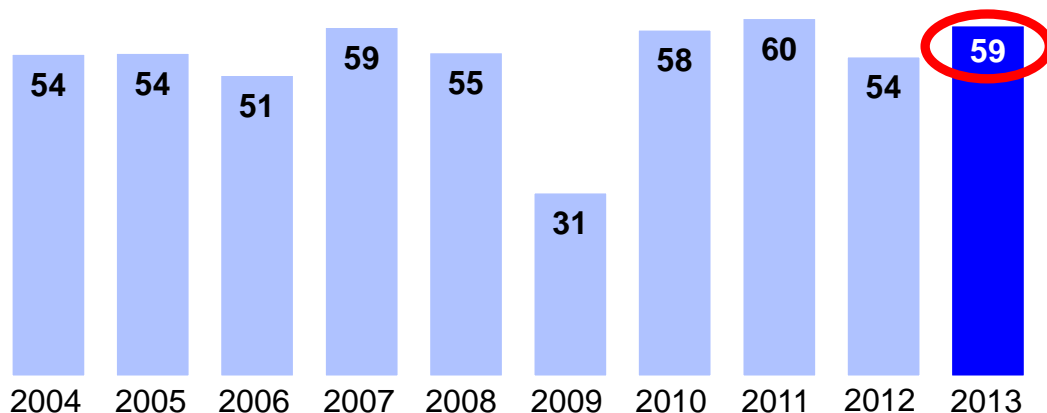
Prices potassium chloride (Ø)



Source: FMB

- International potash prices have bottomed after China contracts and strong demand for MOP gran. in Brazil and Europe
- Regional differences remain

Global sales volumes (million tonnes)



Source: IFA, K+S

Incl. ~ 3 million tonnes of potassium sulphate and potash grades with lower mineral content

- Latest IFA data indicate sales volumes of ~59 million tonnes globally for 2013

# Potash and Magnesium Products

## Business unit performance



### Costs per tonne improved

€ million	Q1/13	Q1/14	YoY
Revenues	626	507	-19%
EBITDA	236	165	-30%
D&A	-27	-31	-15%
<b>EBIT I</b>	<b>209</b>	<b>134</b>	<b>-36%</b>
<b>Margin</b>	<b>33%</b>	<b>26%</b>	
t/o Legacy OpEx	-6	-7	
Sales volumes (million tonnes)	2.03	1.94	-4%
<b>Costs per tonne<sup>(1)</sup></b>	<b>205</b>	<b>192</b>	<b>-6%</b>
Excl. Legacy OpEx	202	189	-6%

➤ Revenues and EBIT negatively affected by lower year-over-year average selling prices across all regions and slightly lower sales volumes compared to record Q1/13

➤ Costs per tonne improved due to lower energy costs and an improved regional mix in the quarter and, to a smaller extent, effects of „Fit for the Future“

<sup>(1)</sup> (Revenues – EBIT) / Sales volumes

## Sales volumes and average selling prices

	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	YoY	QoQ
<b>Sales volumes</b> (million tonnes)	<b>2.03</b>	<b>1.77</b>	<b>1.63</b>	<b>1.51</b>	<b>1.94</b>	<b>-4%</b>	<b>+28%</b>
Europe	1.11	0.89	0.77	0.88	1.27	+14%	+44%
Overseas	0.92	0.88	0.86	0.63	0.67	-27%	+6%
<b>Average selling prices</b> (€)	<b>308</b>	<b>309</b>	<b>280</b>	<b>271</b>	<b>262</b>	<b>-15%</b>	<b>-3%</b>
Europe (€)	319	312	301	285	273	-14%	-4%
Overseas (US\$)	390	401	346	347	329	-16%	-5%

- YoY: Sales volumes slightly below record Q1/13. Strong volume increase in Europe. Average selling prices declined in a year-on-year comparison, however, relative strength remains.
- QoQ: Volumes had a good start into the new year with Europe stronger than overseas. Average selling prices only slightly below Q4/13 indicating that prices have found a bottom.



### North America

- Above average winter across all regions
- Significant increase in demand reduced inventories considerably
- **K+S presence on three continents pays off:**  
Deliveries from Europe to US East Coast to support business

### Europe

- Extraordinarily mild winter in Europe
- Inventory levels high for customers and suppliers

### Non de-icing salt

- Salt for chemical use shows slight improvement in Europe and higher demand in North America
- Increased competition in Europe in the market for industrial salt

# Salt Business unit performance



## Strong de-icing salt business in North America

€ million	Q1/13	Q1/14	YoY
Revenues	615	641	+4%
EBITDA	100	114	+14%
D&A	-27	-25	-7%
<b>EBIT I</b>	<b>73</b>	<b>89</b>	<b>+22%</b>
<b>Margin</b>	<b>12%</b>	<b>14%</b>	
Sales volumes	8.9	10.4	+17%
t/o de-icing salt	6.5	8.2	+26%

➤ Main driver for higher revenues was the strong winter in North America

➤ EBIT increased due to higher sales volumes in North American de-icing salt business, the absence of non-recurring items versus Q1 2013 and cost savings



Crystallized salt	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	YoY	QoQ
<b>Sales volumes</b> (million tonnes)	<b>8.91</b>	<b>2.96</b>	<b>3.65</b>	<b>7.28</b>	<b>10.43</b>	<b>+17%</b>	<b>+43%</b>
De-icing	6.53	0.77	1.41	5.07	8.15	+25%	+61%
Non de-icing	2.38	2.19	2.24	2.21	2.28	-4%	+3%
<b>Average selling prices (€)</b>							
De-icing	55.1	52.1	51.9	55.2	48.7	-12%	-12%
Non de-icing	99.5	106.5	104.4	103.2	100.9	+1%	-2%

- YoY: Strong increase in de-icing salt sales volumes in North America offset decline in Europe, however, at lower price levels. Slight decline in non de-icing volumes due to lower sales in Asia.
- QoQ: North American sales volumes extraordinarily strong with pricing down in a quarter-on-quarter comparison.

# Operating cash flow and net debt

## Solid cash flow – CapEx and net debt increasing as planned

€ million	Q1/13	Q1/14	YoY	
Operating cash flow (pre funding plan assets)	320	380	+19%	➤ Despite lower EBIT, operating cash flow increased due to lower working capital
- Investing cash flow (pre sale/ purchase of securities)	-108	-176	-63%	
<b>Adjusted free cash flow</b>	<b>212</b>	<b>204</b>	<b>-4%</b>	➤ Free cash flow decreased due to higher CapEx mainly for the Legacy Project as planned
<b>CapEx</b>	<b>111</b>	<b>165</b>	<b>+49%</b>	
t/o Legacy	54	118	>100%	
	<b>31/03/13</b>	<b>31/12/13</b>	<b>31/03/14</b>	
<b>Net debt</b>	<b>-619</b>	<b>-1.037</b>	<b>-832</b>	➤ Net debt increased accordingly in a year-on-year comparison
t/o Financial debt (-)	251	-190	9	

### Basic assumptions

#### Potash and Magnesium Products

- Global potash volumes of a ~60<sup>1)</sup> million tonnes (2013: ~59<sup>1)</sup> million tonnes)
- K+S sales volumes at 2013 levels (6.9 million tonnes)
- Tangible YoY decline in average price levels (2013: 293.8 €/t)

#### Salt

- Sales volumes slightly above 2013 (22.8 million tonnes), thereof ~14 million tonnes de-icing salt (2013: 13.8 million tonnes)

#### Revenues

**Moderately below 2013**

(2013: € 3.95 billion)

#### EBIT I

**Significantly below 2013**

(2013: € 655.9 million)

#### CapEx

**Just below € 1.2 billion**

(2013: € 742.5 million)

1) incl. ~3 million tonnes of potassium sulphate and potash grades with lower mineral content

This presentation contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates made on the basis of all the information available to us at this point. Should the assumptions underlying these forecasts prove not to be correct or should certain risks materialise, such as those referred to in the Risk Report, actual developments and events may deviate from current expectations. The Company assumes no obligation to update the statements, with the exception of disclosures required by the provisions of statute.



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