

K+S Aktiengesellschaft

# **FY/Q4 2017 – Conference Call**

March 15th, 2018

Dr. Burkhard Lohr, CEO  
Thorsten Boeckers, CFO



Experience growth.

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## FY 2017: In line with guidance despite one-time effects

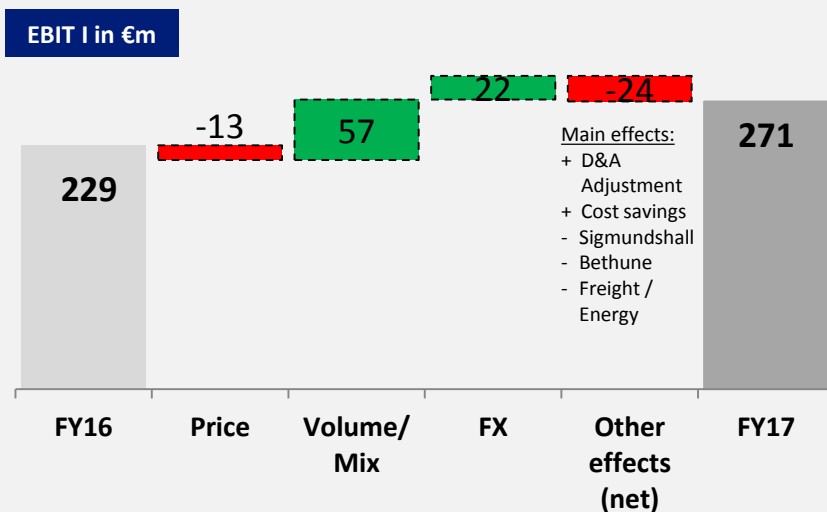
	FY 2016 actual	FY 2017e		FY 2017 actual
<b>Group</b>				
Revenues	€ 3.5 bn	€ 3.6 – 3.8 bn	✓	€ 3.6 bn
EBITDA	€ 519m	€ 560 – 660 million	✓	€ 577m
EBIT I	€ 229m	€ 260 – 360 million	✓	€ 271m
Free cash flow, adjusted	€ -777m	significantly negative, but improved	✓	€ -390m
Capex	€ 1.2 bn	significant decline	✓	€ 811m
Average Fx spot-rate (EUR/USD)	1.11	1.10		1.13
Dividend (DPS / payout ratio)	0.30 / 44%	40-50%		0.35 / 46% <sup>1</sup>
<b>Potash and Magnesium Products</b>				
K+S sales volumes	6.1m tons	6.8 – 7.0m tons	~	6.7m tons
Average selling price (per ton)	253 €	slight increase	✓	254 €
<b>Salt</b>				
K+S sales volumes	19m tons	moderate increase	✓	20m tons
t/o de-icing	10m tons	moderate increase	✓	11m tons

<sup>1</sup> Proposal to the AGM.

# FY 2017 – considerable improvement

## Highlights

- Higher product availability (Werra, Bethune)
- More salt products shipped (+1mt)
- EBITDA and FCF improved
- Net debt/EBITDA peaked in 2017
- €43m provisions for Sigmundshall included
- New Strategy SHAPING 2030 initiated



## Financials

€ million	FY16	FY17	YoY
<b>Revenues</b>	<b>3,457</b>	<b>3,627</b>	<b>+5%</b>
t/o Potash	1,532	1,704	+11%
t/o Salt	1,762	1,762	-
<b>D&amp;A</b>	<b>-290</b>	<b>-306</b>	<b>-5%</b>
<b>EBITDA</b>	<b>519</b>	<b>577</b>	<b>+11%</b>
<b>EBIT I</b>	<b>229</b>	<b>271</b>	<b>+18%</b>
t/o Potash	34	81	>100%
t/o Salt	204	223	+9%
<b>Adjusted net profit</b>	<b>131</b>	<b>145</b>	<b>+11%</b>
Adjusted EPS (€)	0.68	0.76	+11%
<b>Operating cash flow</b>	<b>445</b>	<b>307</b>	<b>-31%</b>
Adj. free cash flow	-777	-390	+50%
<b>CapEx</b>	<b>1,171</b>	<b>811</b>	<b>-31%</b>
<b>Net debt/EBITDA</b>	<b>6.9</b>	<b>7.2</b>	<b>-</b>

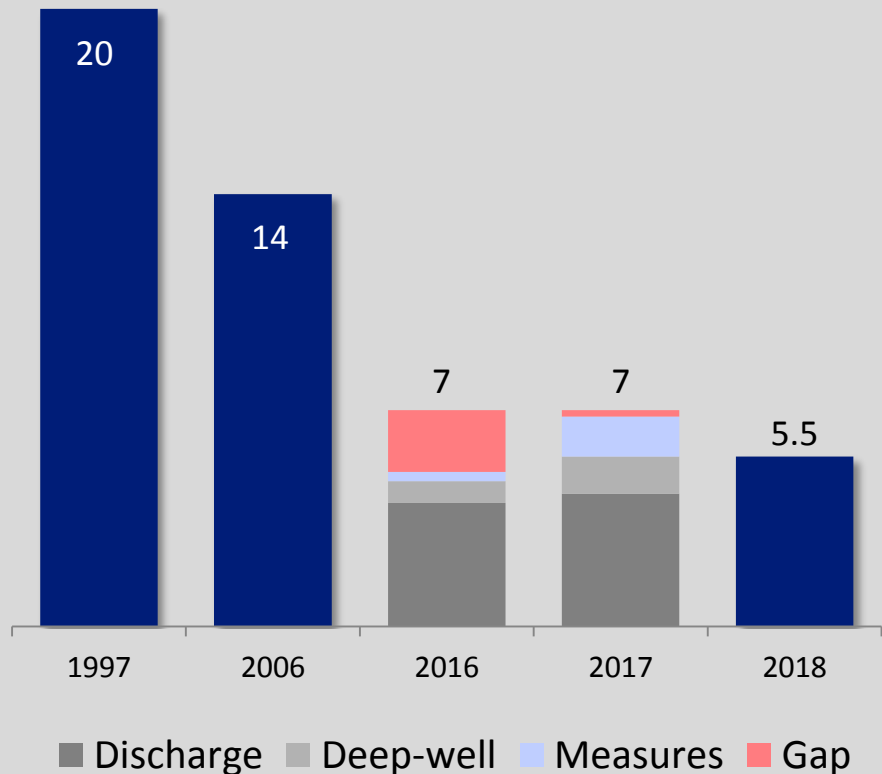
# New approach to environmental challenges works

## Track Record

- ✓ Implementation of **measures** to limit the risk of outage days
- ✓ **KCF**<sup>1</sup> commissioned (reduction of saline wastewater by 20%)
- ✓ **K+S mandated advisor K-UTEC** to carry out a concept to further reduce saline wastewater
- ✓ Expansion of **tailings pile** capacity Hattorf (Werra): **'Early commencement' granted**
- ✓ **K+S reaches** settlement with **BUND**
- ✓ Thuringian municipality of **Gerstungen** and K+S end their long-lasting dispute
- ✓ **Preparing** for future approval procedures and further wastewater reductions

## Saline wastewater significantly reduced

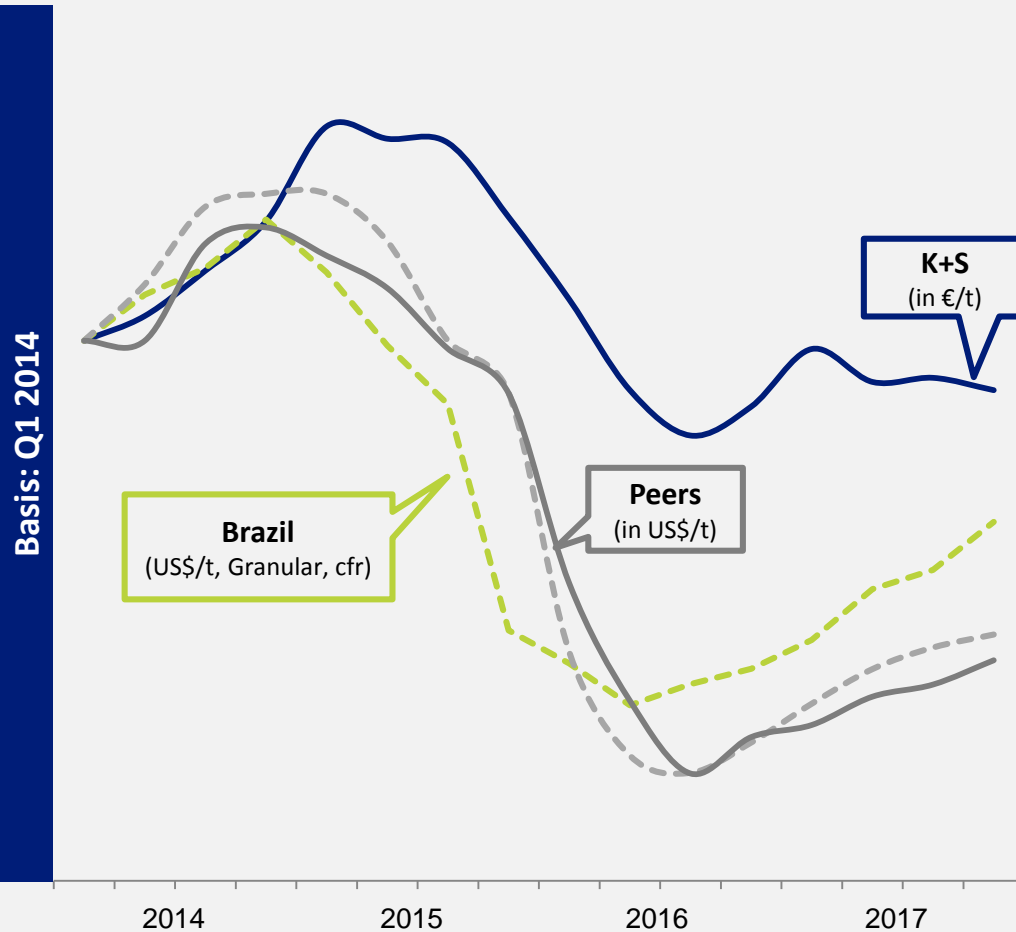
Amount in million cubic meter



<sup>1</sup> Kainite Crystallization and Flotation Facility

# Trading Update Potash and Magnesium Products

## K+S Average Selling Price Development



### K+S:

- Slightly better ASP (YoY in €) due to:
  - Product mix improvement on the back of less production outages
  - Overall pricing environment
- Adverse FX-development

### Market:

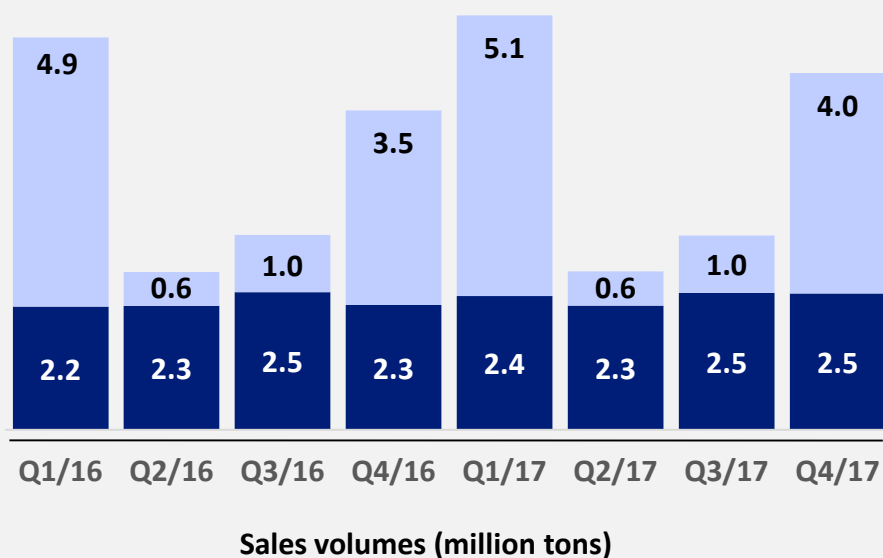
- Demand remains robust across all regions
- Recovery of MOP prices continued into 2018
- Specialty-prices bottomed out

### Outlook:

- Positive view on MOP pricing at least for H1/18
- SOP prices to stay firm
- Our costs per ton have peaked in 2017

## Salt

	2016	2017
ASP (in €/t)		
De-icing	60	58
Non de-icing	120	115

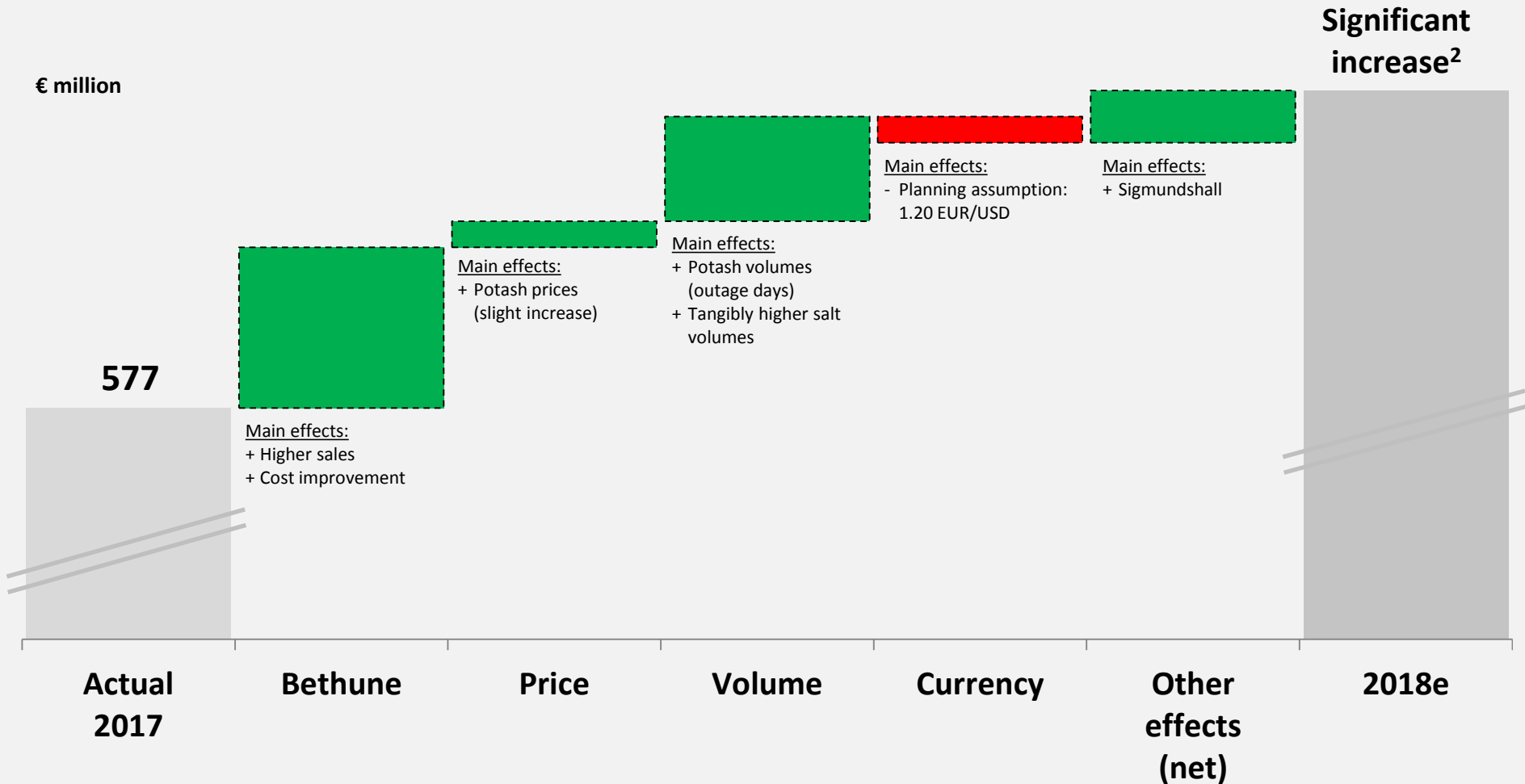


- **Non de-icing (Q4-2017)**

- Volumes sustainably higher on quarterly basis
- ASP at €110 (Q4/16: €124)
  - Greater share of lower priced products, but nice profit contribution
  - Adverse FX impact

- **De-icing (Q4-2017)**

- Tangible volume increase
- Better demand in Europe more than offsets lower US-pricing
- Geographical hedge works
- Prices slightly down YoY, as expected
- Promising start into Q1/18



<sup>1</sup> The basis for EBITDA is EBIT I, that only includes the realized result from operating forecast hedges.

<sup>2</sup> Based on average weather conditions in both business units.



## Update on Shaping 2030



Ongoing tasks

Next to come



Setting up project management



Preparing decision on new organization and reporting lines



Start of bottom-up validation of synergies (&gt; €150 m by 2020)



Management remuneration (LTI) linked to share price performance



First concept about future organization and KPIs

Bottom-up validation of synergies done – confident to reach at least **€ 150 m**

Projects to lift synergies are starting



Final concept about future organization incl. KPIs done



Sustainability targets and KPIs defined. Possible use of solid residues clarified

**We will keep you posted with updates on our Strategy in H1/2018 and at a CMD on 5 Sept 18**

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# Backup



Experience growth.



## Guidance: Housekeeping items

	FY 2016	FY 2017	FY 2018e
<b>Group</b>			
Revenues	€ 3.5bn	€ 3.6 bn	tangible increase
EBITDA	€ 519m	€ 577m	significant increase
EBIT I	€ 229m	€ 271m	significant increase
Financial result	€ -52m	€ -26m	significantly more negative
Free cash flow, adjusted	€ -777	€ -390	Significant improvement
CapEx	€ 1.2bn	€ 811m	significant decrease
Average fx-rate (EUR/USD)	1.11	1.13	1.20
Production Outage Days (Werra)	~200 days	~25 days	0 days
<b>Potash and Magnesium Products</b>			
Global sales volumes <sup>1</sup>	~ 66m tons	~ 69m tons	At least stable
K+S sales volumes	6.1m tons	6.7m tons	significant increase
Average selling price	253 €/t	254 €/t	slight increase
<b>Salt</b>			
K+S sales volumes	19m tons	20m tons	tangible increase
t/o de-icing	10m tons	11m tons	tangible increase

<sup>1</sup> Incl. ~ 4mt of potassium sulphate and potash grades with lower mineral content

CFO Roadshow Frankfurt, MainFirst	15 March 2018
Goldman Sachs 7th European Chemicals Conference with CFO, London	16 March 2018
Non Deal Fixed Income Roadshow Frankfurt, DZ Bank	21 March 2018
Non Deal Fixed Income Roadshow London, Goldman	22 March 2018
Roadshow Paris, Bank of America Merrill Lynch	6 April 2018
Roadshow Zurich, UBS	11 April 2018
Solventis Aktienforum with CFO, Frankfurt	12 April 2018
Roadshow Middle East with CFO, Bankhaus Lampe	19 April 2018
Bankhaus Lampe Deutschlandkonferenz, Baden-Baden	20 April 2018
<b>Quarterly Report Q1/18</b>	<b>14 May 2018</b>
<b>Annual General Meeting</b>	<b>15 May 2018</b>
<b>Half-yearly Financial Report H1/18</b>	<b>14 August 2018</b>
<b>Capital Markets Day in Bethune, Canada (save-the-date)</b>	<b>5 September 2018</b>



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