



K+S Group

# Q3 2018 – Conference Call

15 November 2018

Dr Burkhard Lohr, CEO

Thorsten Boeckers, CFO

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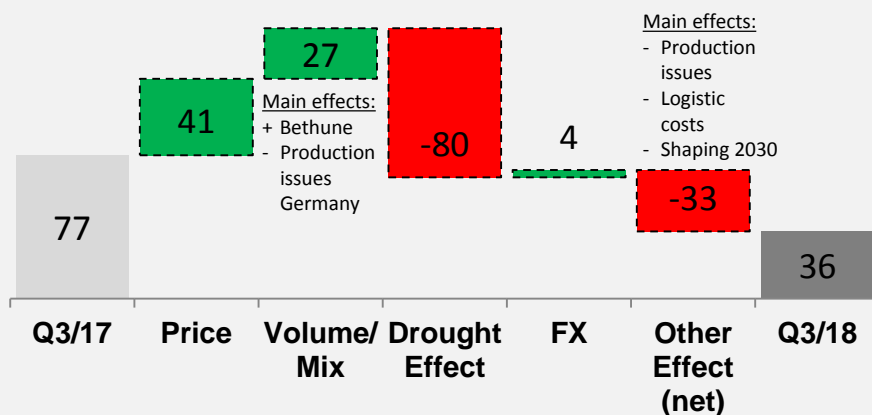
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## Highlights

- Potash market remains supportive
- Bethune continually improving
- Weather-related outage days weighed on profitability (€-80m)
- Higher logistics costs are challenging our cost discipline
- Adj. FCF and Net debt/EBITDA improved YoY

EBITDA in €m



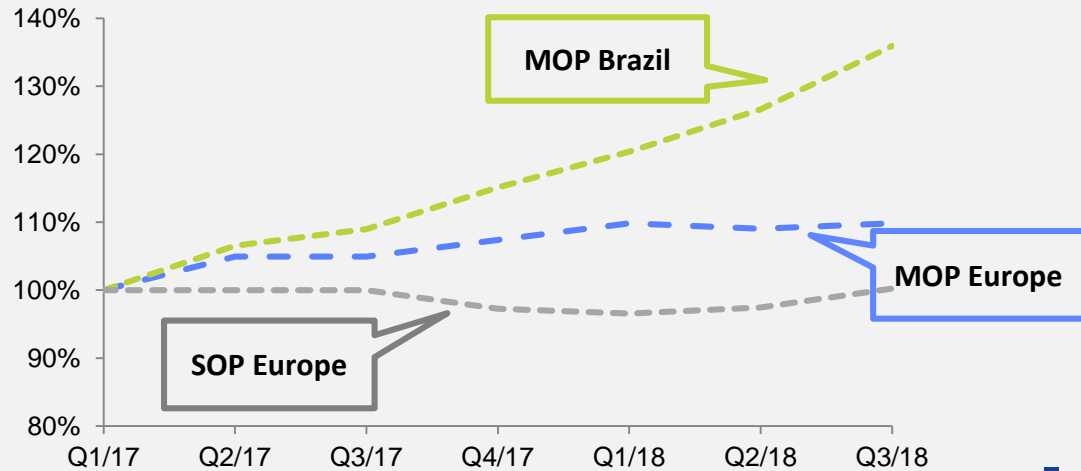
## Financials

€ million	Q3/17	Q3/18	YoY
<b>Revenues</b>	<b>727</b>	<b>840</b>	<b>+16%</b>
t/o Potash	358	422	+18%
t/o Salt	329	375	+14%
<b>D&amp;A</b>	<b>-64</b>	<b>-95</b>	<b>+47%</b>
<b>EBITDA</b>	<b>77</b>	<b>36</b>	<b>-53%</b>
t/o Potash	42	3	-92%
t/o Salt	37	42	+11%
<b>EBIT I</b>	<b>12</b>	<b>-58</b>	<b>-</b>
<b>Adjusted net profit</b>	<b>2</b>	<b>-61</b>	<b>-</b>
Adjusted EPS (€)	0.01	-0.32	-
	9M/17	9M/18	YoY
<b>Operating cash flow</b>	<b>383</b>	<b>276</b>	<b>-28%</b>
Adj. free cash flow	-241	-60	+75%
<b>CapEx</b>	<b>568</b>	<b>278</b>	<b>-51%</b>
<b>Net debt<sup>1</sup>/EBITDA</b>	<b>8.1</b>	<b>7.6</b>	<b>-</b>

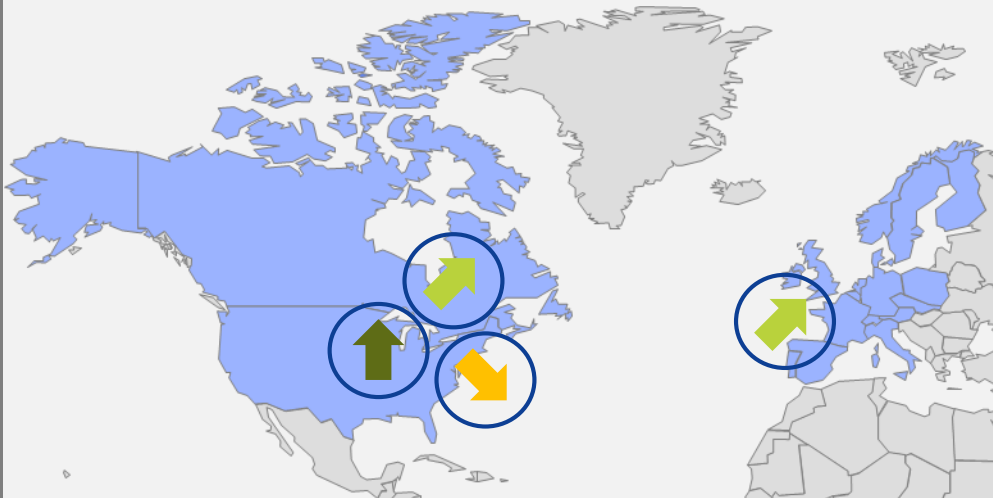
<sup>1</sup> LTM, including long-term provisions.

Potash

**Potash Pricing** (Source: FMB)



Salt



■ **Market**

- Strong demand holds across all regions
- Many producers are sold out into 2019
- Recovery of MOP prices continued

But:

- European MOP and Specialties prices more stable

■ **De-icing**

- Mixed picture in our winter regions
- Promising pre-stocking in US Mid-West
- Highly competitive at US East Coast

■ **Non de-icing**

- Solid demand in Q3/18
- Stable pricing

■ **Oil-price driven logistic costs inflation**

**Werra:** Performance increasing slightly in Q3/18

- Lack of staff / Illness rate: sequentially improving, to be resolved by end of 2018
- Machinery/Equipment: ongoing improvement, 50% to be fixed by end of 2018
- Extraordinary low nutrient content ( $K_2O$ ): ongoing-> effect resolved by the end of 2019

**Neuhof:** Underperformance prevailed in Q3/18 (as expected)

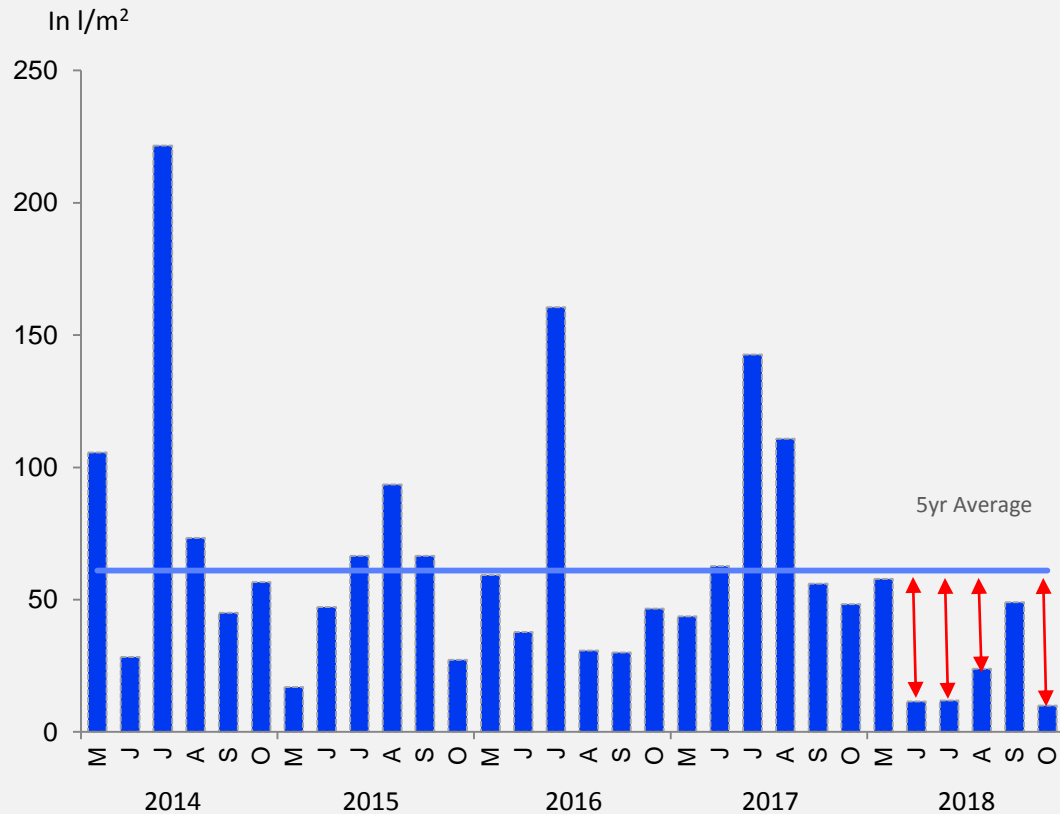
- Geology (low roof stability): issues under control
- Countermeasures: new production technologies widely installed by end of Q3 2018

**Bethune:** Production continually improving

- Production record in October
- Hardness of granulated product: solved
- Caking issues: fine-tuning additives on track; temporary grinder pump to be installed in Q4 (final grinder pump beg. of 2019); cooling equipment (end of 2019)

# Extreme weather situation in Germany - Implications

## Rainfall on a 5-yr comparison (Werra)



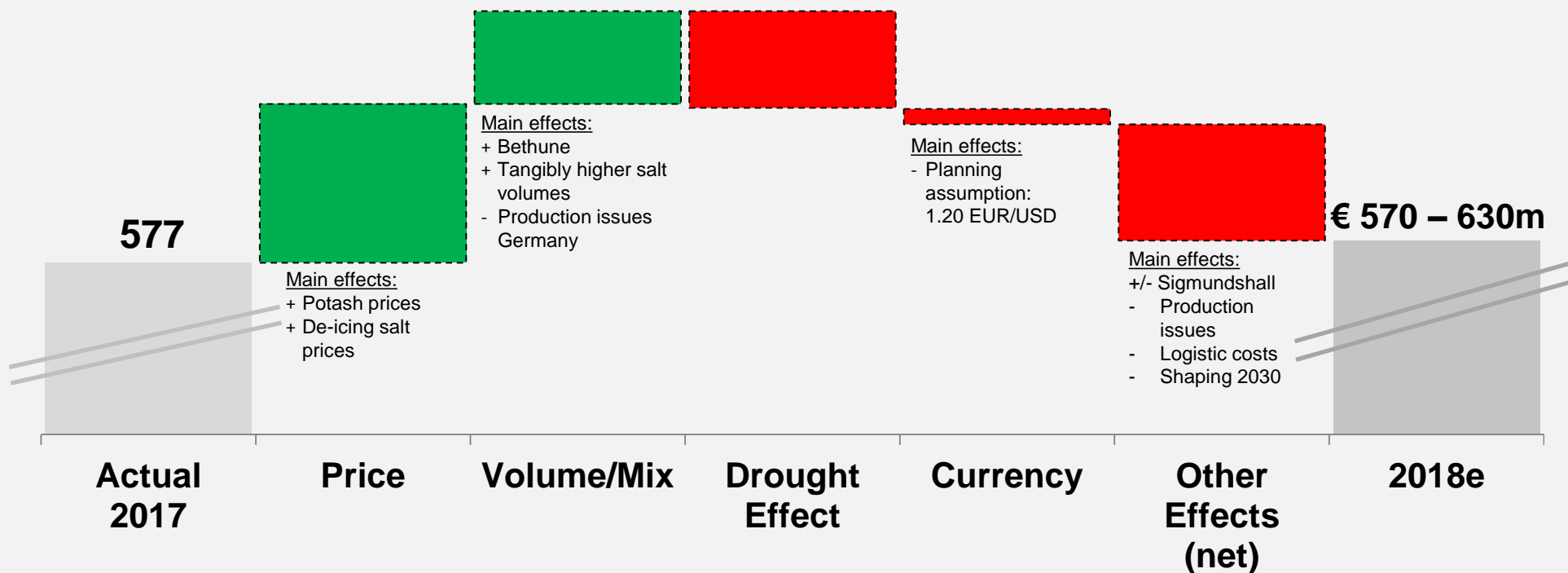
Source: Wetterkontor.de

## Impact on K+S

- Persistent severe drought led to temporary shutdowns in Q3:
    - Wintershall site: 5 weeks
    - Hattorf site: 3 weeks
    - Unterbreizbach site: no interruption
  - **EBITDA impact for each site is up to € 1.5 million per day -> € ~ 80 million in Q3**
  - Basin capacities have been increased by > 10% to 600.000 cubic meters
  - **Water levels still low!**
    - Further outages could occur
    - Inland shipping also impacted
- > Higher logistic costs in Q4 expected**
- In 2019, significantly higher storage capacity available

# Guidance 2018: EBITDA between € 570 – 630m

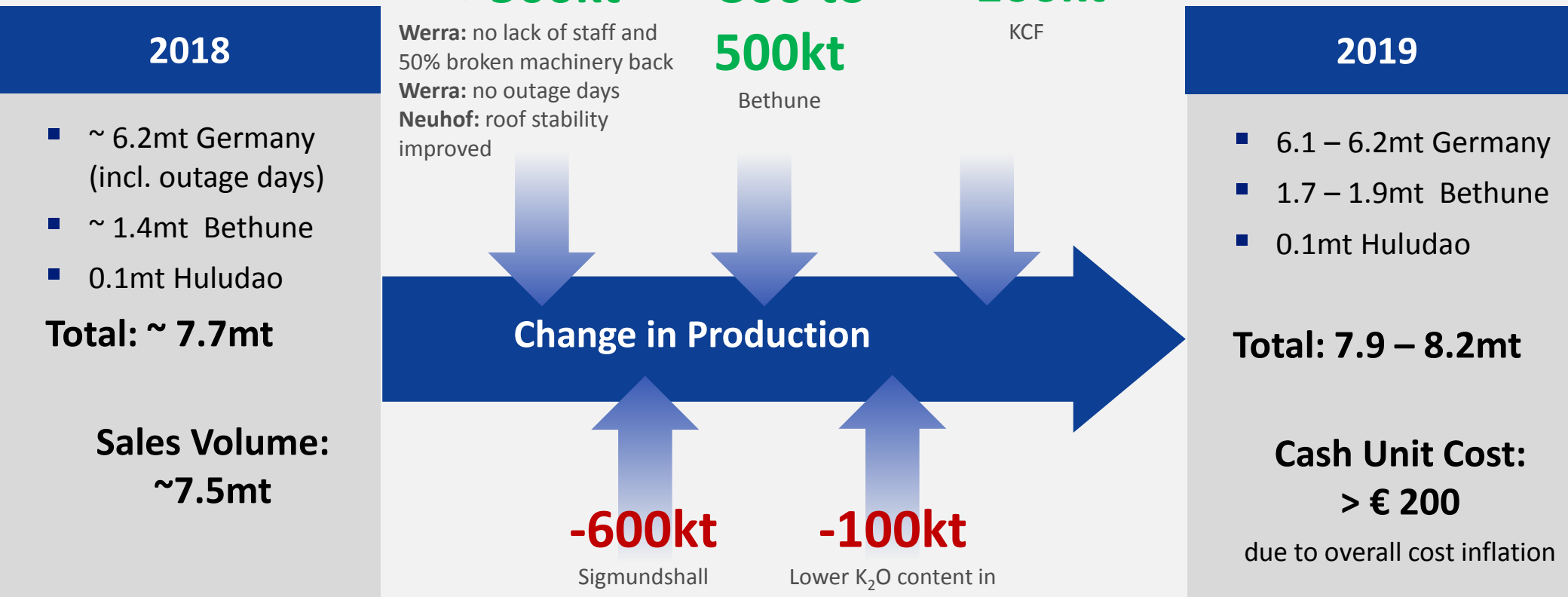
€ million



Full year guidance is not including weather-related outage days in Q4

Cash unit cost per ton (2017: 214€/t) likely to be at ~ 215 €/t in 2018

# Expected Development of our Potash Production



High-cost production to be replaced by low-cost volumes from Bethune





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## Housekeeping Items / Financial Calendar

### Additional information on Outlook FY 2018<sup>1</sup>

- Tax rate: ~26-28%
- Financial result: ~-120 million EUR
- CapEx: ~ 500 million EUR
- D&A (incl. Bethune): 380 to 400 million EUR
- Reconciliation (EBITDA): ~-70 million EUR
- Cash unit cost in PMP: ~€215 (including drought effect)

### Financial Calendar

Roadshow Frankfurt, Société Générale	16 November 2018
Roadshow London, Bernstein	16 November 2018
DZ Bank Equity Conference, Frankfurt	20 November 2018
Eigenkapitalforum 2018, Frankfurt	26-27 November 2018
<b>2018 Annual Report</b>	<b>14 March 2019</b>

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



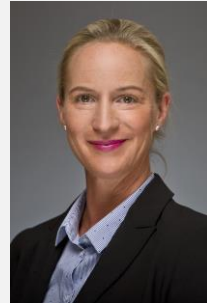
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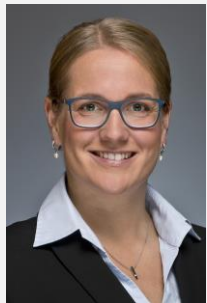
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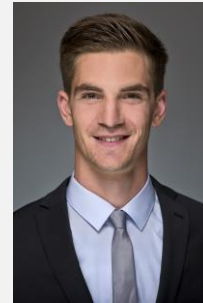
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