

K+S' Capital Markets Day 2018

Workshop I – The Big Picture

Bethune, 5 September 2018

Dr. Burkhard Lohr, Chief Executive Officer

Dr. Burkhard Lohr



Dr. Burkhard Lohr was born in Essen in 1963. After completing his Business Administration studies at the University of Cologne, he joined Mannesmann AG in 1991. From 1993 onwards he held various functions at Hochtief AG, Essen, including as member of the management of the Munich branch and as CFO of Hochtief Construction AG Essen. In 2001 Burkhard Lohr was awarded his Dr.rer.pol. degree at the Technical University of Braunschweig. As of 2006, as CFO of Hochtief AG, he was responsible for Finance, Investor Relations, Accounting, Controlling and Taxes. In 2008 he also became Personnel Director. Since 2012, he has been a member of the Board of Executive Directors of K+S Aktiengesellschaft and on 12 May 2017 he became Chairman of the Board of Executive Directors of K+S Aktiengesellschaft and has been Personnel Director since 2018. He has responsibility for Corporate Board Office, Corporate Communications, Corporate Development, HR, Environmental & Regulatory Affairs, Internal Auditing, Investor Relations, Legal, GRC and Corporate Secretary. Dr. Burkhard Lohr is married and has two children.

Our vision for 2030

We will be the most customer-focused, independent minerals company and grow our EBITDA to €3bn in 2030 by ...



'One Company'

... thinking and acting as 'One Company' and realizing synergies between our businesses



Tapping the full potential of our existing assets

... and establish the most value-creating portfolio combination



Exploring new adjacent growth areas

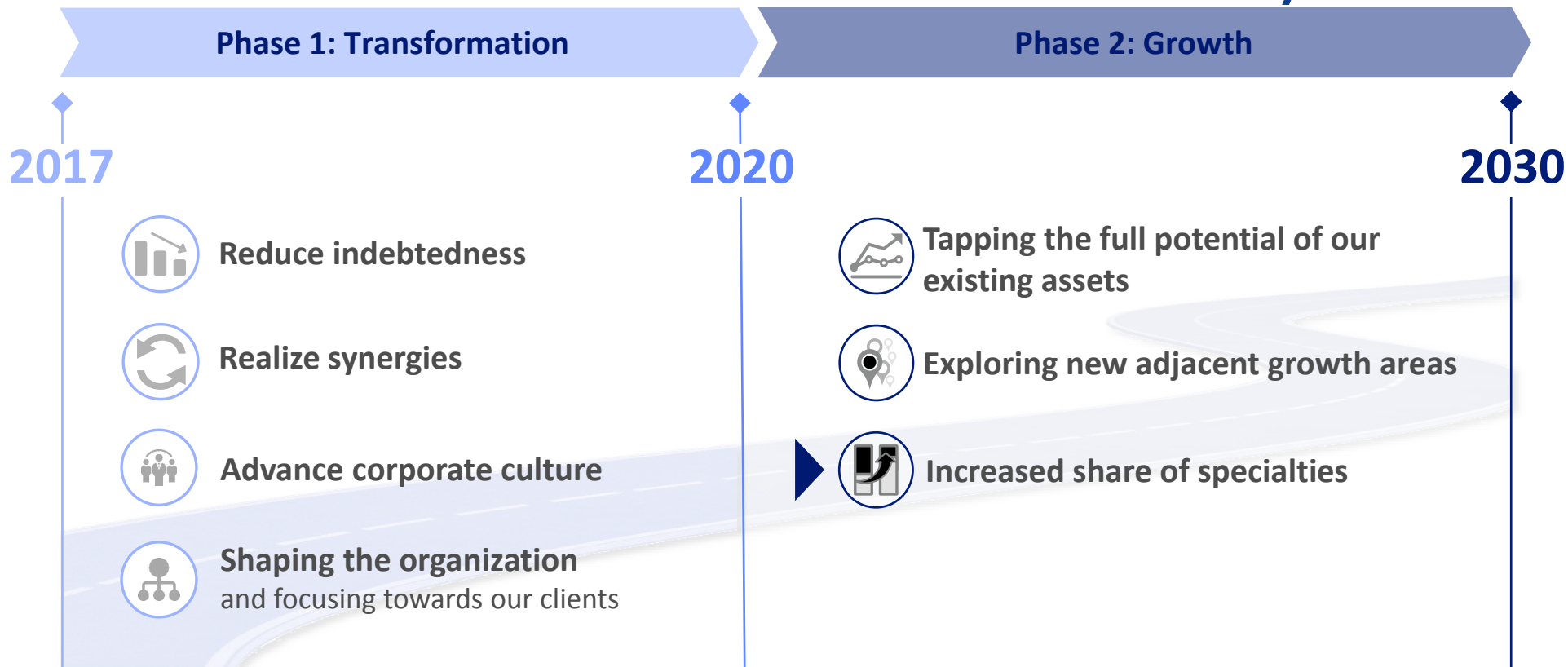
... pursuing growth by venturing into new markets where we can use our existing capabilities



Increasing the share of our specialties business

... to ensure an overall stabilized performance and reduce our dependency on standard products and weather

We will implement our strategy in two phases



Net debt/ EBITDA **halved vs. H1/2017**



Synergies **> €150m**



Investment grade rating achieved in 2023



EBITDA-Ambition **€3bn**



ROCE **> 15%**

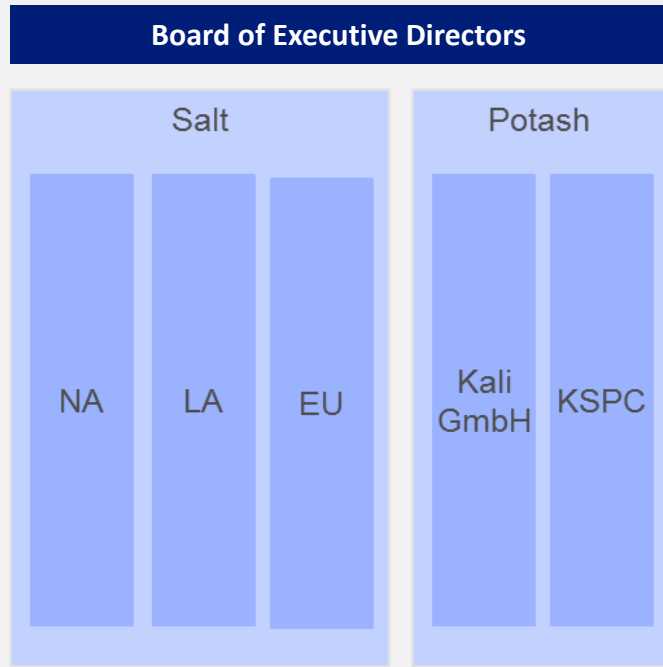


Revenue growth beyond 2030 **> 4%**

Phase I

Phase I: Building a basis for our growth options

Divisional



Matrix



Change of management culture

- **Bring management and employees closer together by...**
 - Implementing Town Hall Meetings and Board meetings on site
 - Pushing internal communication channels



Our principles of cooperation



“Innovation can’t just be triggered by the Board and also not from those who work in corporate development – It has to come from the basis!”

Synergies: Breakdown by program

**SHAPING
2030**



Lift synergies

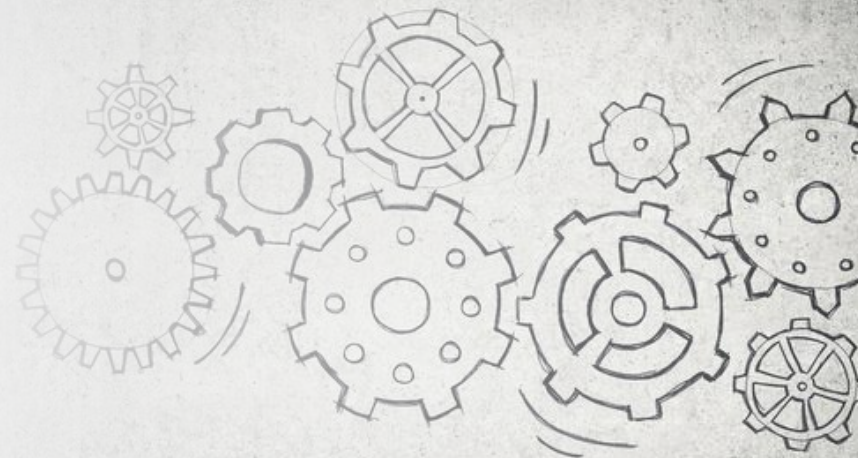
	Sponsor	Net synergies YE 2020 (vs. 2017)
SG&A Optimization	CEO	~ €30m
Operations	COO	> €50m
Procurement	CFO	> €30m
Supply Chain and Logistics	COO	> €20m
Commercial Excellence	COO	> €20m

Σ > €150m

SG&A Optimization

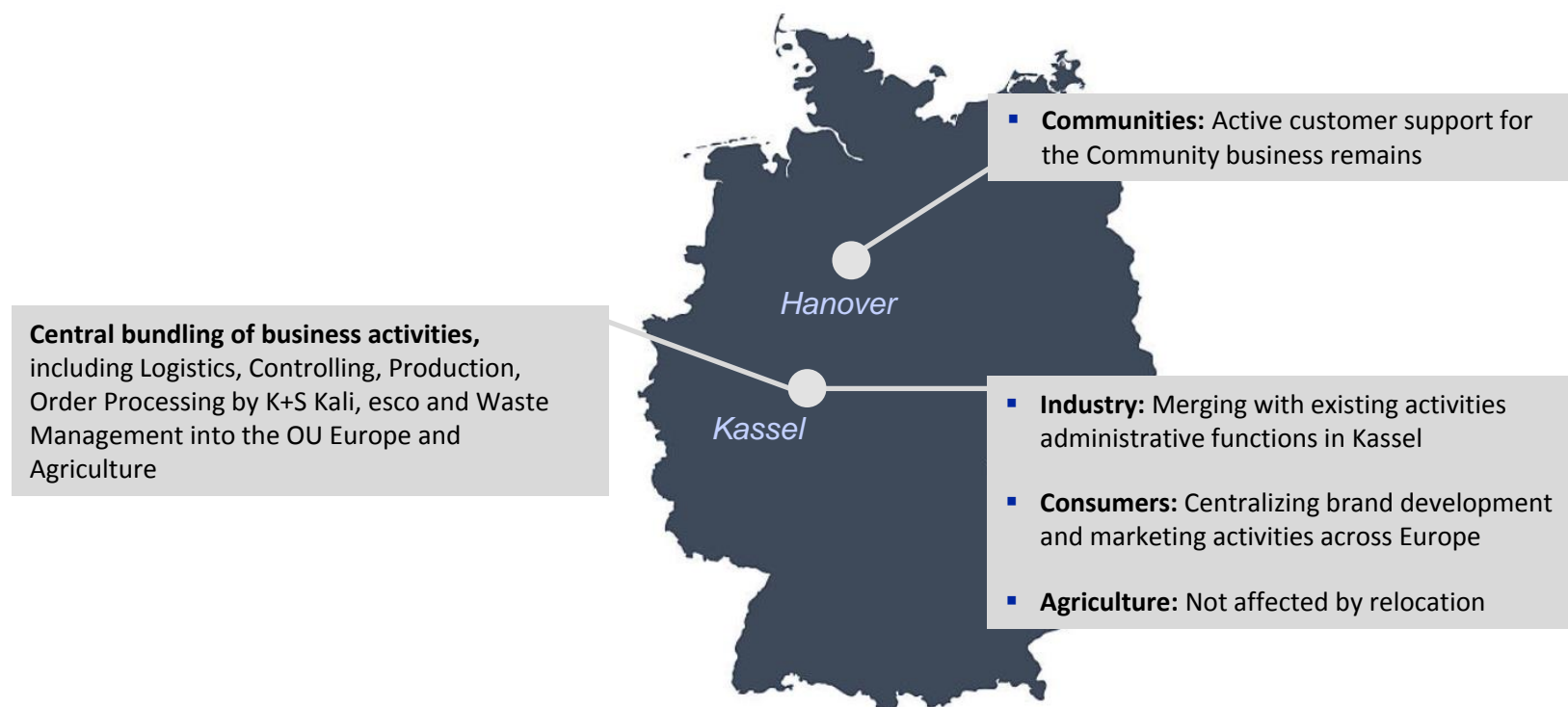


- Overall, about 50 SG&A initiatives were defined leading to a good 10% headcount and cost reduction (~ €30m)
- Our Strategy Committee and Supervisory Board have approved our SG&A initiatives
- The implementation will start in October 2018
- → main focus on bundling and merging of business activities



Example I: Closing central functions in Hanover

- Merging administrative, logistics and production functions in the new customer segments Industry and Consumer in the Europe and Agriculture operating unit
- Headquarters in Hanover office will be closed



Bundling of strengths in order to boost customer orientation

Example II: Logistics

Challenges today

Management of operational logistics at Kali, esco and in the Business Center is currently acting completely independently.



Future solutions

Implementation of new organization and bundling of activities ensuring optimized purchase power and reduce transport costs.



Bringing SG&A functions together to increase efficiencies

Net Present Value (NPV) Bethune (1)

We have updated our valuation for **Bethune**

Assumptions

- Current purchase conditions for gas reflected
- Modified ramp-up curve taken into consideration
- WACC (before taxes) = 8.5%
- USD/EUR = 1.15
- EUR/CAD = 1.55
- View on the 2019 - 2070 period
- MOP gran. Brazil: 2019 - 23 = 330-370 USD/t



Net Present Value (NPV) Bethune (2)

NPV for Bethune → EUR 4.8 bn

This NPV equals an EV per share of 25 EUR

Sensitivities

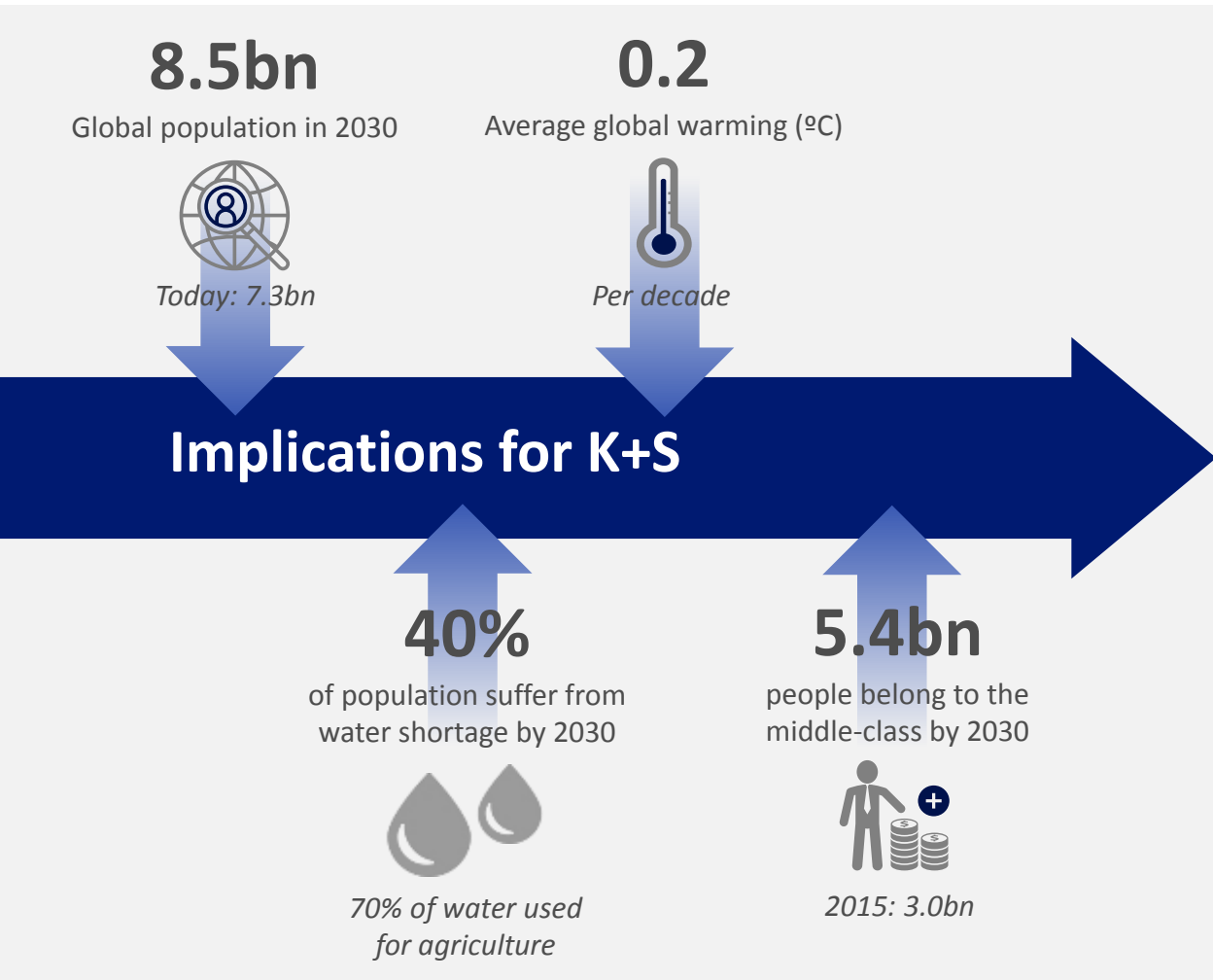
	Variation	NPV change
MOP gran. Brazil	+/- 10 USD/t	+/- €200 million



"We create value for our stakeholders!"

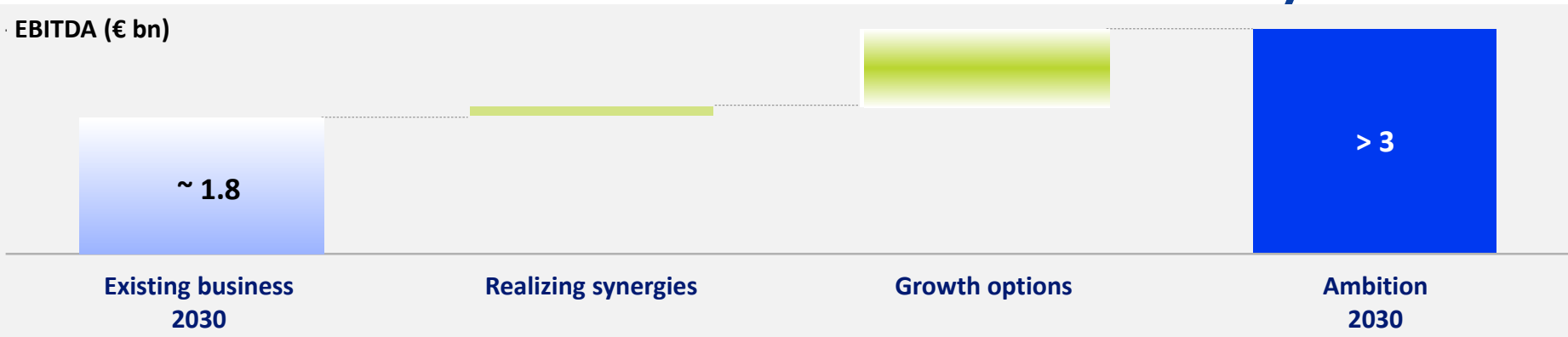
Phase II

Our strategy has incorporated important megatrends



- **Arable** land shrinking
- **Yield** needs to be improved
- Higher efficiency of **fertilization** and **irrigation** needed
- Plants have to be more **stress resistant**
- **Infrastructure** needs to be improved → focus on **renewable energy**
- **Growing population**, especially in **Asia**, needs **more salt** for various purposes

Our steps to achieve the financial ambition



Assumptions

Forecast existing business based on sales growth, price development (updated potash price model), inflation, production capacity, environmental costs, etc.

At least €150 million through realization of synergies by 2020

Realization of organic as well as inorganic growth options

ROCE

13%

>15%

Realizing of synergies as well as organic and inorganic growth options will significantly contribute to the closure of the gap and the achievement of the ambition!

Growth areas and ideas cover the full growth landscape

K+S Growth Landscape

Geo-expansion

Africa



Asia



Fertilizer

Increase of fertilizer specialties



Ramp of low cost commodities

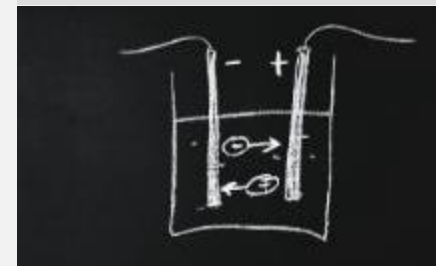


Industry

Expand Pharma & Food portfolio



Chemical applications

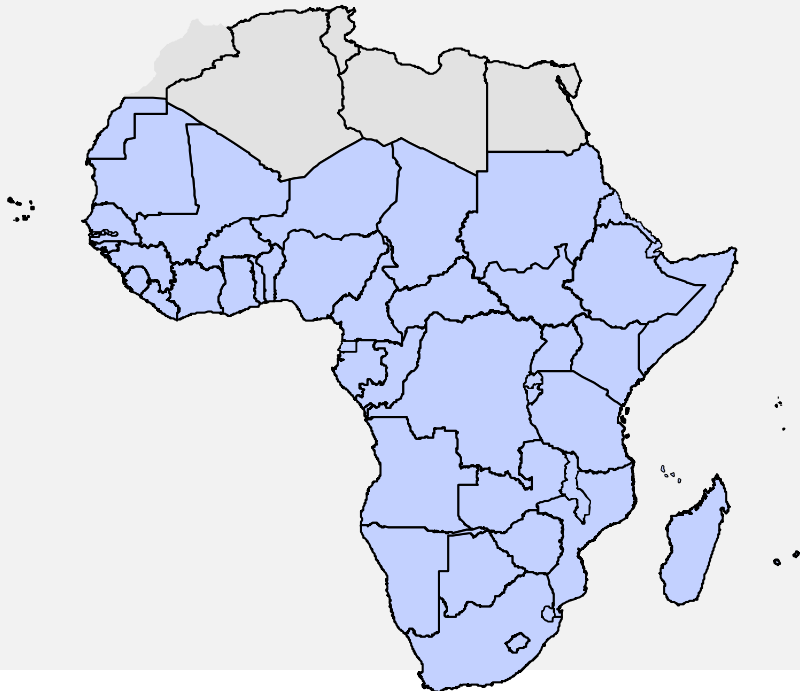


Growth areas and ideas cover core and adjacent businesses

Sub Saharan Africa is the Brazil of tomorrow

The Sub-Saharan Africa region has a huge agricultural potential with the need to boost fertilizer usage and crops yields to overcome malnutrition

Sub-Saharan Africa (SSA) at a glance



Growth option description

- Build a digital trading platform to serve SSA fertilizer market as a bulk blend fertilizer distributor
- Start in Uganda and roll-out platform concept in SSA region to serve 20% of arable land by 2030
- Steady investment to extend business from 2018 onwards

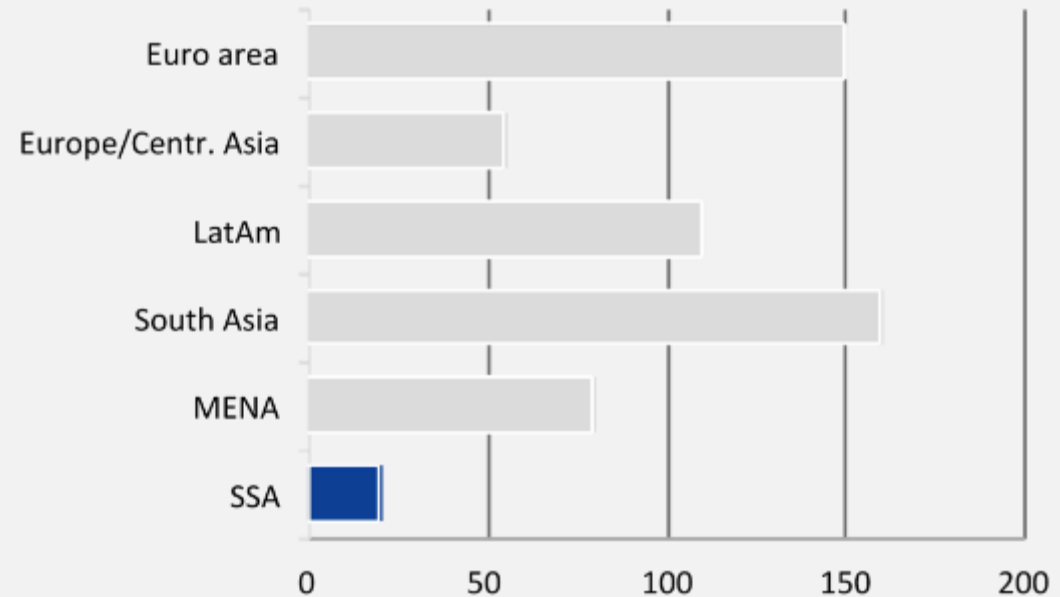
Sub Saharan Africa has a huge potential

Huge agricultural potential

- Farmers apply 135kg of fertilizers per hectare of arable land globally, in Brazil ~100kg, but in Sub-Saharan Africa only 8kg¹
- Current yields are low relative to their potential
- → Knowledge and financing options required for farmers
- → This opens the opportunity for K+S to support local farmers

Very low fertilizer usage

Kg fertilizers per hectare of arable land, 2009-2011²

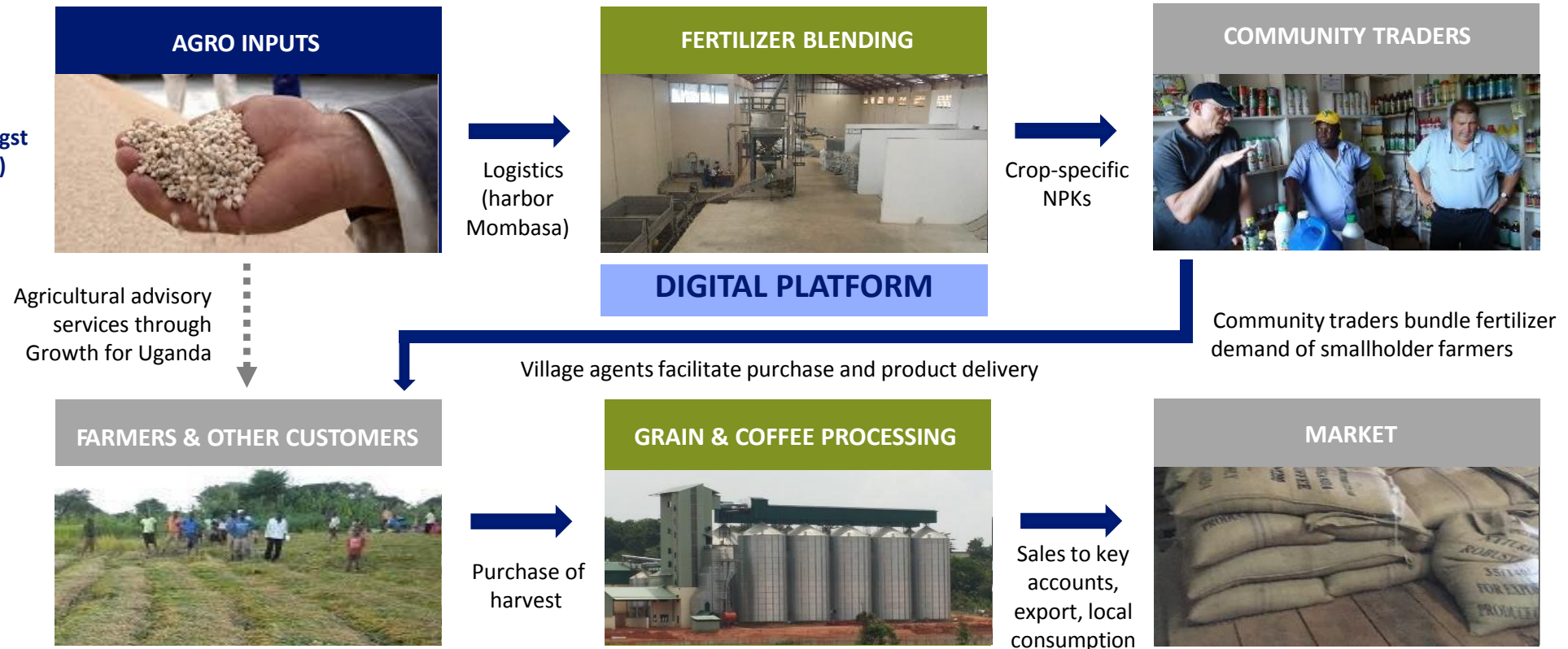


¹Source: FAO, Gro Intelligence (2015); ²Source: Deutsche Bank Research, 2014

Implementing a digital platform into the value chain

How it works

- K+S provides farmers with consulting, financing and insurance services via its digital platform
- Additional parties, such as logistic provider, last-mile agents and end-product trader are platform partners



K+S sustainability KPIs and targets 2030 - People



PEOPLE

Goal	KPI	Target until 2030 at the latest
Health & Safety	Lost time incident rate (LTIR)	0 Vision 2030
Diversity & Inclusion	Employees' favorable perception of inclusive work environment (percent)	>90
Human Rights	Sites covered by a human rights due diligence process (percent)	100

K+S sustainability KPIs and targets 2030 - Environment



ENVIRONMENT

Goal	KPI	Target until 2030 at the latest
Water	Deep well injection of saline waste water in Germany (m ³ p.a.)	0 Starting January 2022
	Additional reduction of saline process water from potash production in Germany (m ³ p.a.)	-500,000 Excluding reduction by KCF facility and end of production SI
Waste	Amount of residue used for other purposes than tailings or increased amount of raw material yield (million tonnes p/a)	3
	Additional area of tailings piles covered (ha)	155
Energy & Climate	Carbon footprint for power consumed (kg CO ₂ /MWh) (percent)	-20
	Specific greenhouse gas emissions (CO ₂) in logistics (percent)	-10



K+S sustainability KPIs and targets 2030 - Business ethics



BUSINESS ETHICS

Goal	KPI	Target until 2030 at the latest
Sustainable Supply Chains	Critical suppliers aligned with the K+S Group Supplier Code of Conduct (SCOC) (percent)	100 by end of 2025
	Spend coverage of the K+S Group SCoC (percent)	> 90 by end of 2025
Compliance & Anti-Corruption	All employees reached by communication measures and trained appropriately in compliance matters (percent)	100 by end of 2019

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