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K+S Aktiengesellschaft

**Baader Helvea**

**Chemical North America Roadshow**

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# Successful year 2021 – Attractive prospects



# Significant increase in EBITDA in 2021\*

€750 million  
+ €220 million  
(REKS)

Actual 2021

③ Around €630 million  
Outlook December 2021

② €500 – 600 million  
Outlook August 2021

① €300 – 400 million  
Outlook May 2021

€240 - 340 million  
Outlook March 2021

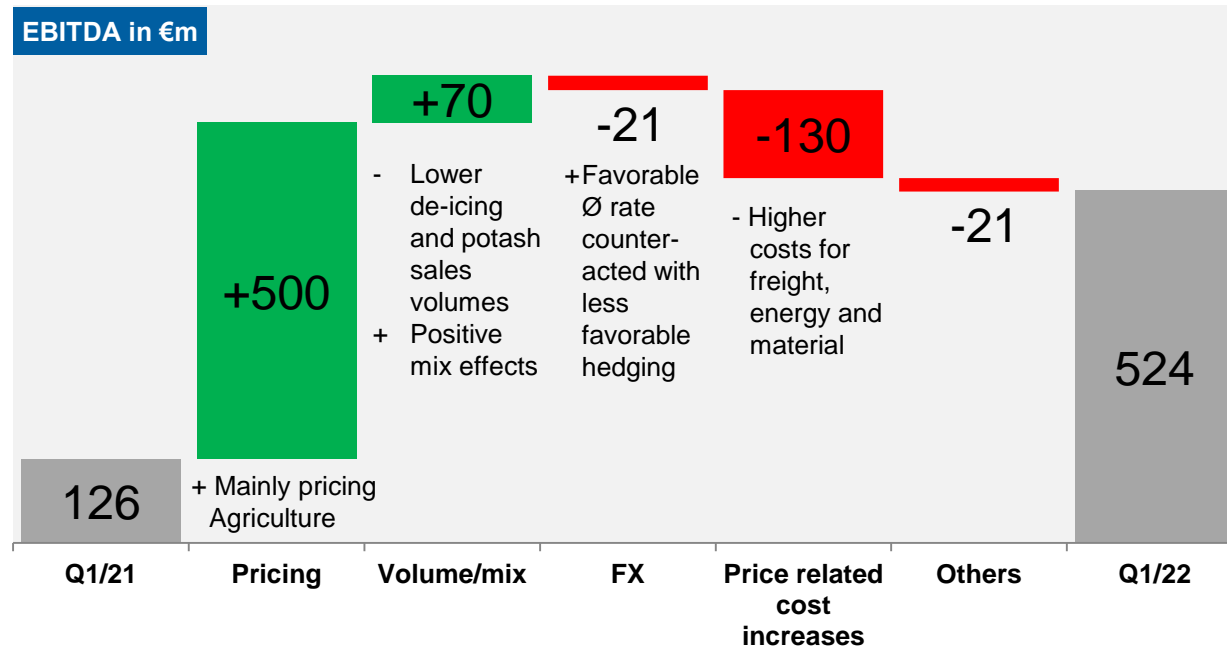


\*excluding the forecasted one-off gain of around €200 million from REKS

# Q1/22 EBITDA more than quadrupled YoY

## Highlights

- Q1/22 EBITDA increased to €524m (Q1/21: €126m)
- COVID-19:** Minor efficiency losses on the previous year's Q1 level
- Adj. net profit** increased to €313m (Q1/21: €49m; without reversal of impairment losses on assets in the amount of €180m)

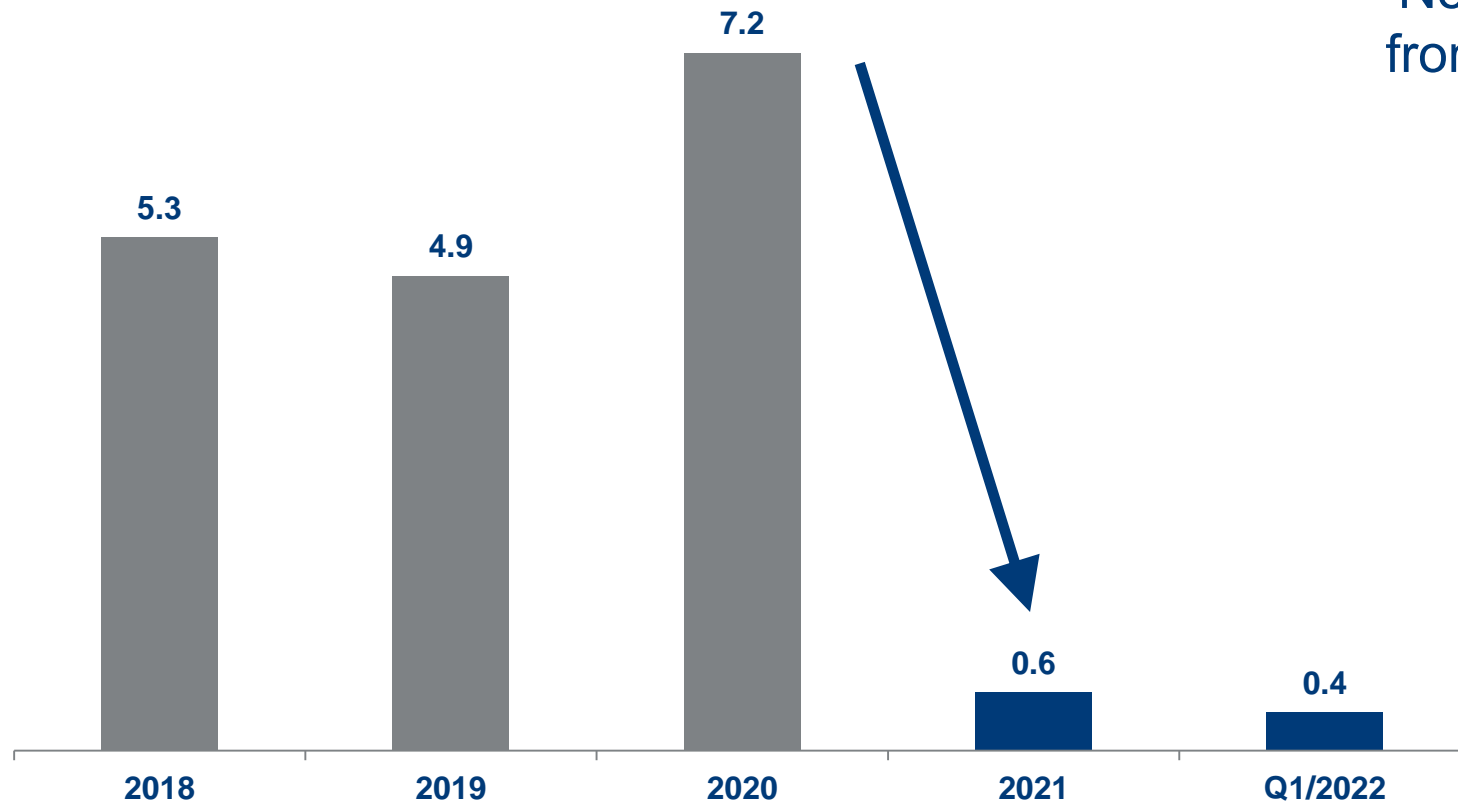


## Financials (continuing operations)

€ million	Q1/2021	Q1/2022	%
Revenues	733	1,212	+65
<i>t/o Agriculture</i>	469	944	> +100
<i>t/o Industry+</i>	264	268	+2
Scheduled D&A	65	101	+56
EBITDA	126	524	> +100
Adj. net profit; <i>excluding impairment effects</i>	49	313	> +100
Adj. EPS (€); <i>excluding impairment effects</i>	0.26	1.63	> +100
ROCE (%); <i>excluding impairment effects</i>	-33	16	-
Operating cash flow	82	254	> +100
Adj. FCF; <i>excluding one-off effects (CO<sub>2</sub>, factoring)</i>	-15	291	-
Adj. FCF	-15	103	-
Capex	48	49	+2
NFD/EBITDA (LTM)	8.3x	0.4x	-95

# Debt significantly reduced

Net financial liabilities / EBITDA (x times)



Years 2018 – 2020 including discontinued operations.

Net financial liabilities reduced from €3.2 billion end of 2020 to €520 million in Q1/2022



**Target:**  
Rating in investment grade range





# Rating Upgrade:

Standard & Poor's  
upgraded K+S by  
**two notches** from  
B+ (stable) to  
**BB (stable)**

# Trading update: Industry+



## De-icing salt business

- Slightly below-average Q1 after weather-related strong performance in Q1/2021



## Pharmaceutical industry

- Price- and volume-related increase



## Food industry

- Price- and volume-related increase



## Chemical industry

- Strong performance in Q1



## Consumer products

- Except for weather-related lower de-icing salt, strong performance as in the prior-year quarter due to high home consumption

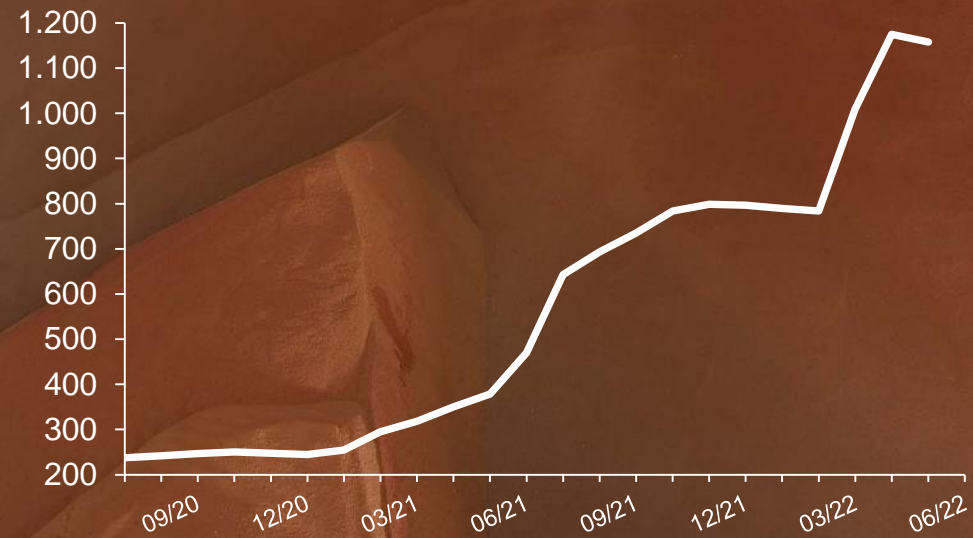


# Market Environment and Outlook



# Attractive market environment

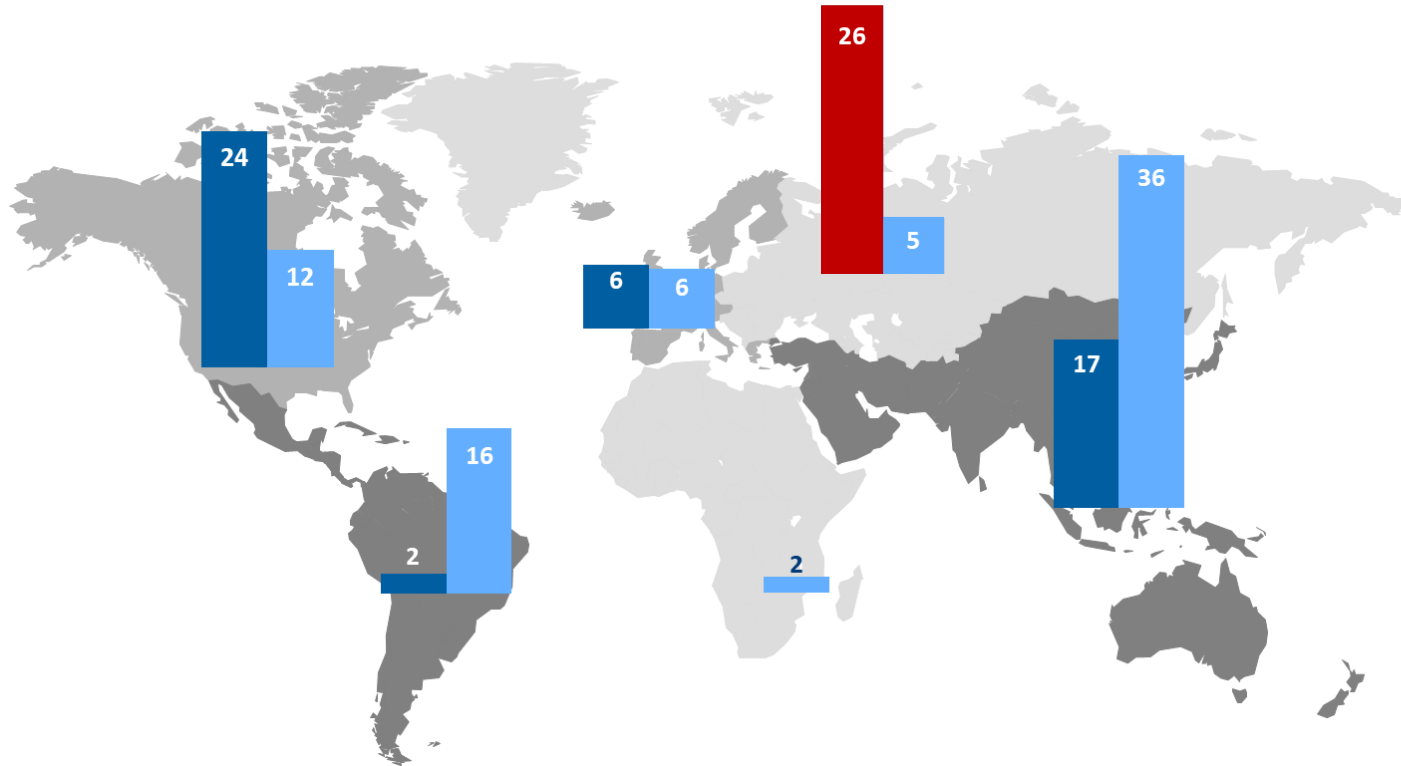
Brazil potash price in USD  
(MOP gran.)



- Potash prices in Brazil more than quadrupled; Europe also records significant increase
- High demand for fertilizers with supply at full capacity

# Substantial restraints of global potash supply

in million tonnes



2020

World potash production 75.3 mt

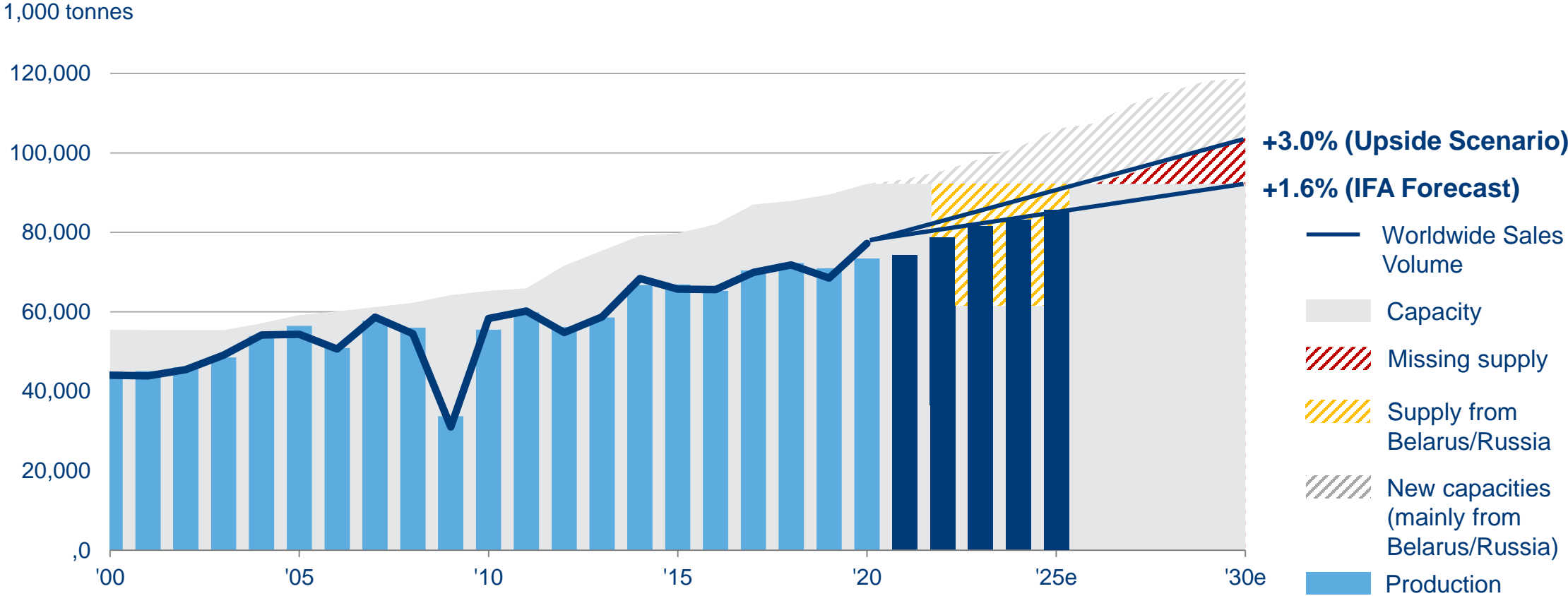
World potash sales volume 77.3 mt

- Russia and Belarus each account for 16% of global potash production
- Most projects for capacity expansion came from Russian potash producers
- 28% of global wheat exports come from Russia and Ukraine

Sources: IFA 2021, K+S Basis: Year 2020 – incl. Potassium sulphate and low-grade potash

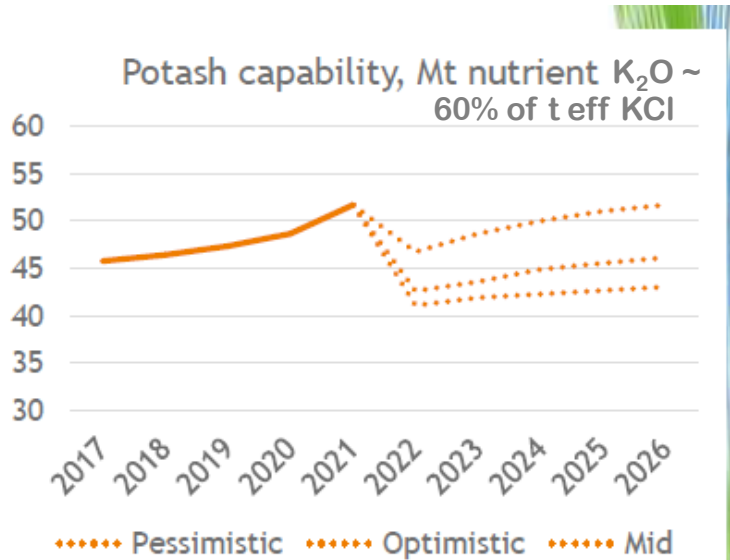
# Increasing demand for potash

New potash capacities needed to meet rising demand



Source: IFA, K+S; including potassium sulphate and low-grade potash of about 5 mt eff. (product)

# World potash supply: Geopolitical Effects



**Potash**  
Scenarios skewed to the downside based on sanctions and likely ability to export

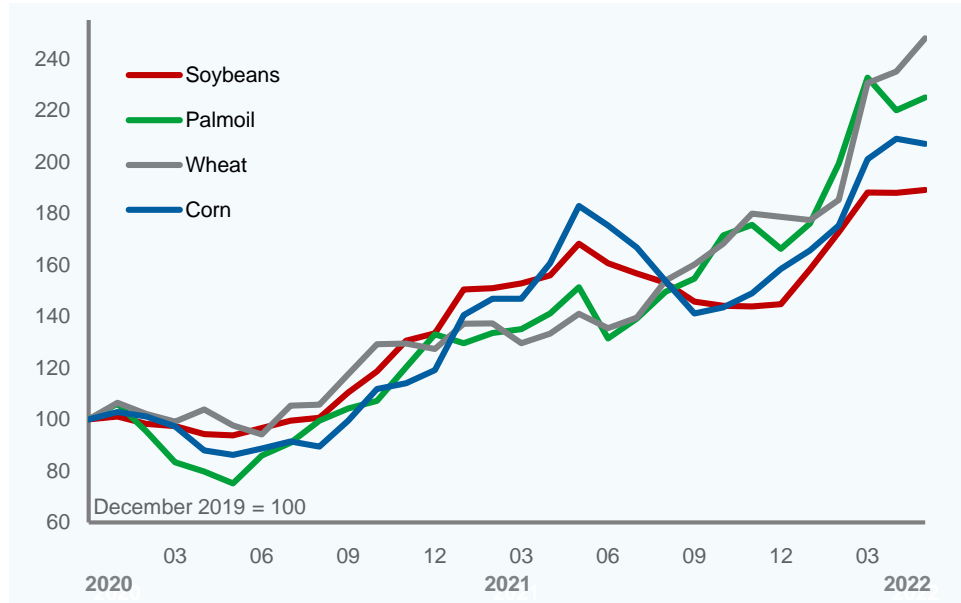
Source: IFA, May 2022

- Russia exports about 2/3 to "friendly countries"
- 1/3 go to "unfriendly countries"
- More than 80% of the currently forecasted expansion of potash production comes from Russia
- Different assumptions for the recovery of the world's potash supply
  - **Pessimistic scenario:** Extended conflict, Western sanctions are extended, USD sanctions are also spreading to some "friendly countries"
  - **Optimistic scenario:** Resolution in 2022, economic sanctions will be eased, Russian exports will mostly recover, Belarusian exports will partially recover
  - **Mid scenario:** All current sanctions remain in force, but some "friendly countries" resume/continue partial trade with Russia

➔ **Even in the optimistic case, global potash supply will not return to the level of 2021 until 2026**

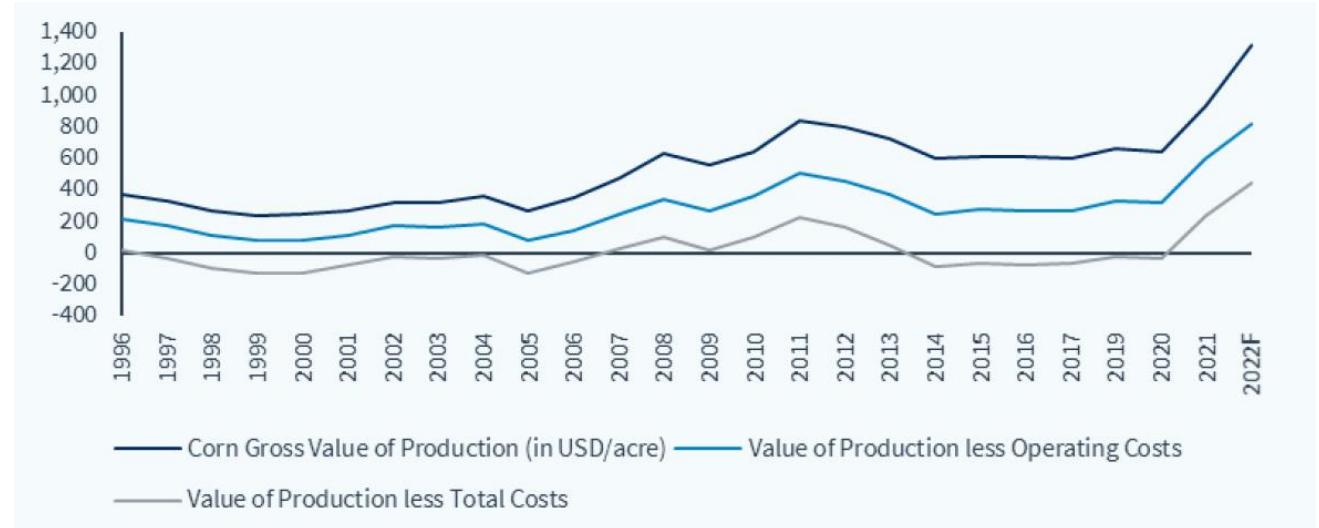
# Continued positive environment with farmer profitability at historical high level

Price development of important agricultural commodities since January 2020



Source: Worldbank; as of June 2022

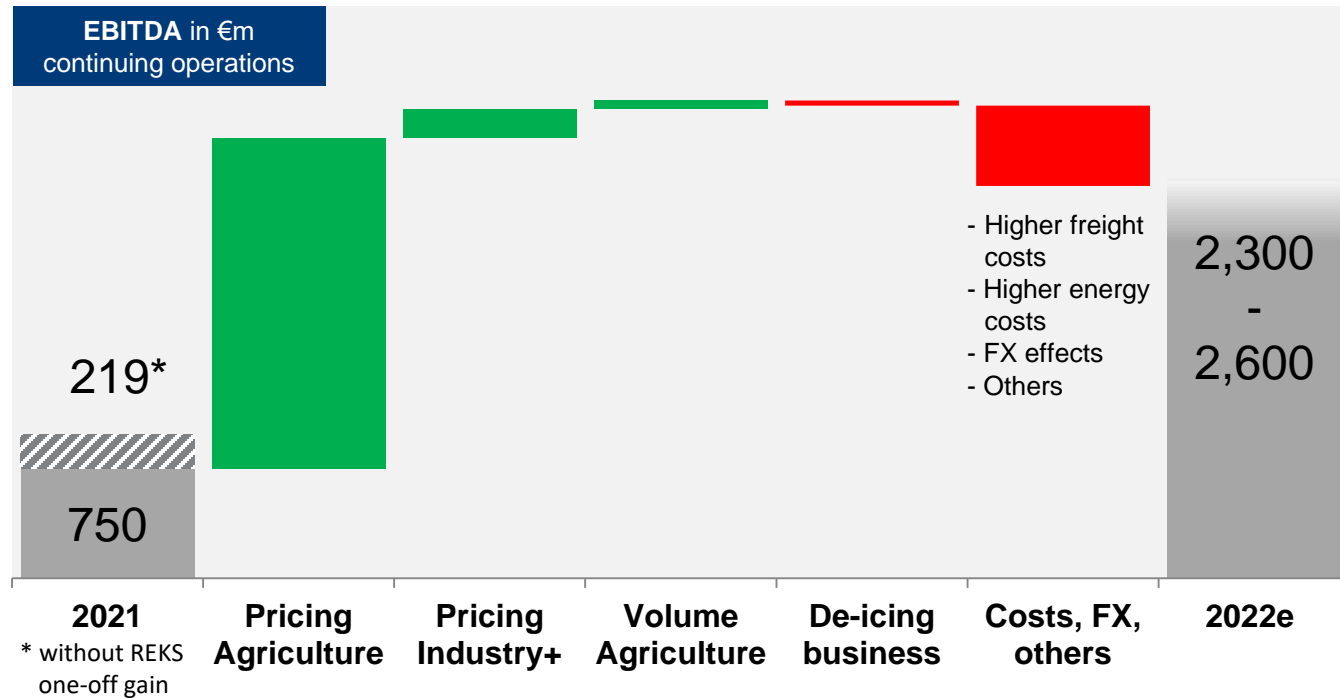
US corn farmer profitability in USD/acre since 1996



Source: USDA, Kepler Cheuvreux

- **Sharp increase in crop prices** significantly exceeds higher input costs; even leading to **farmer profitability at all-time highs** in some regions
- **Potash costs** only account for ~5% of total input costs

# 2022 EBITDA outlook raised to €2.3 to €2.6 billion



- Strong increase in average price in Agriculture product portfolio
- Cost increases for energy, logistics, and materials to be significantly exceeded
- Capex of a good €400 million (2021: €334 million)
- Assuming that there are no production restrictions in Germany due to bottlenecks in the availability of natural gas.

**FCF expected to range from €1 billion to €1.2 billion** without one-off effect of around €230 million for the repayment of factoring and purchase of CO<sub>2</sub>-certificates. (2021: €93 million; including €89 million attributable to REKS transaction)



# European energy supply

- Price secured for more than 90% of natural gas demand 2022 (impacts from warning level 2 to be analyzed)
- Prices secured for more than 70% of natural gas demand in 2023 and 2024 (impacts from warning level 2 to be analyzed)
- Like all industrial companies in Germany, we are dependent on the reliable supply of natural gas
- Canadian site Bethune independent of natural gas availability in Europe, German Wintershall plant of the Werra site runs with waste incineration plant





# Planned use of additional liquidity

- Repayment of factoring
- Purchase of CO<sub>2</sub> certificates for the years 2026 onwards already completed
- Dividend payment for the 2021 financial year
- Repayment of bond due in June 2022
- Accelerated Bethune ramp-up
- Investment in optimizing our existing business
- Building a crisis-proof balance sheet and liquidity position

# Guiding principles of strategy and management focus



## Financial ambition

- Earn cost of capital over a 5-year cycle
- At the same time, an EBITDA margin of > 20% is aimed for over this cycle
- From 2023, positive free cash flow even in the event of temporarily low potash prices

# Optimize the existing

70 %

## Agriculture



- Increase of marketing in USA ex Bethune
- Increase of trading business in Middle East, China and India
- Improved leveraging of local sales network

## Industry+



- Focus on potash product groups for industrial product sales
- Capacity expansion of high-purity salts
- Optimization of de-icing salt setup

## Supply Chain



- Warehouse and network optimization for European salt logistics
- Optimization of warehousing
- Optimization of infrastructure utilization

➔ **EBITDA impact: around €30 million p.a. from 2023**

# Clear focus of our sites

70 %

## Bethune



- Long-term ramp-up to up to four million tonnes of capacity
- Improvement of cost position
- Increase in granulated products

## Zielitz



- Improvement of the cost position
- Optimization of maintenance
- Increase in energy efficiency
- Increase in KaliSel production capacity

## Werra



- Optimization of product mix & production volumes
- Optimization of maintenance
- Increase in energy efficiency
- Increase in granulation capacity for potassium sulfate

## Neuhof-Ellers



- Improvement of the mineral content through AI
- Increase of the granulating capacity of kieserite

➔ **EBITDA impact: around €50 million p.a. from 2023**

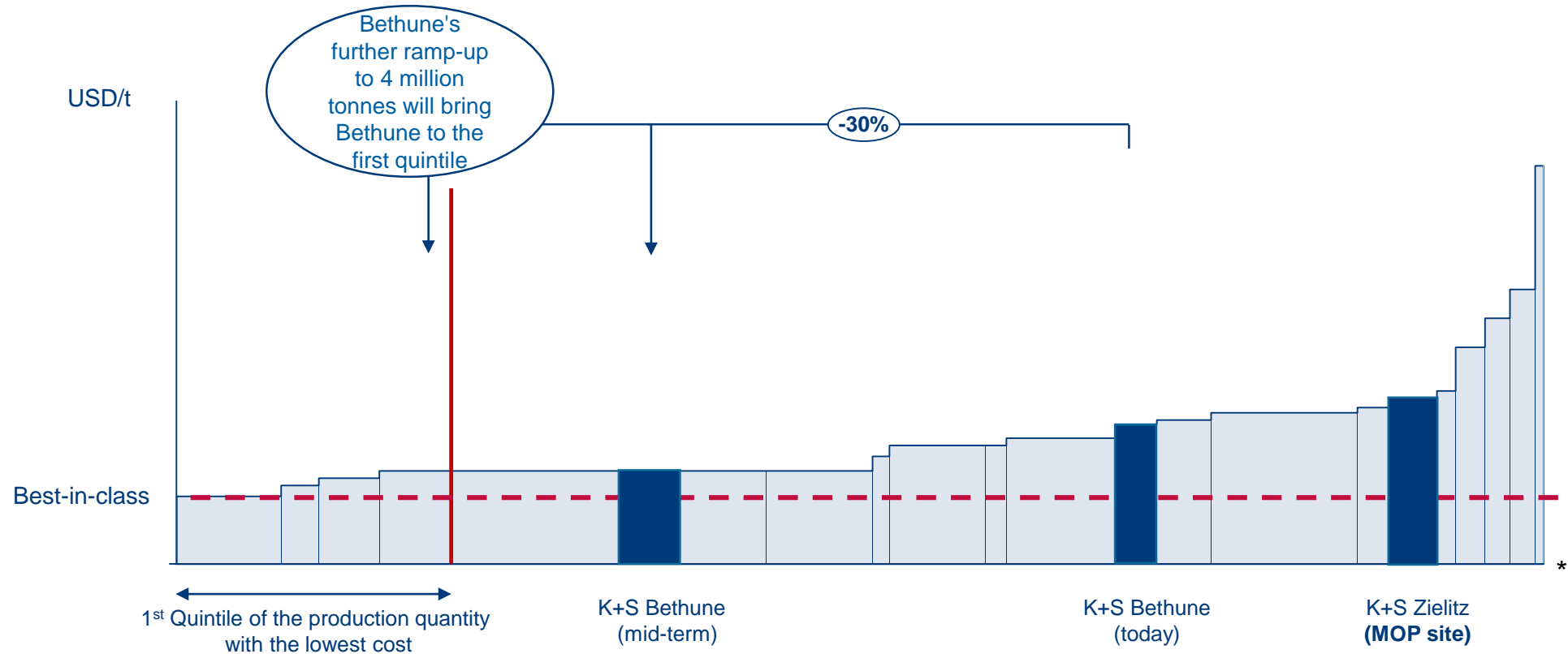
# Optimize the existing – site strategies

## Bethune



- 2022 expense budget has been increased by €50 million
- Additional capex proactively target
  - short-term acceleration as well as
  - longer-term ramp-up
- Hiring process for more than 70 additional people for the further ramp-up project mainly in the field of engineering, IT and operations has started
- The ramp-up project will not only increase production and reduce production costs, but improve environmental and sustainable impact

# Site costs (at mine gate) in comparison



Source: CRU Report 2019, K+S

\* Column width = Production capacity in million tonnes

Continuous ramp-up of Bethune as well as measures to optimize the portfolio business are increasingly improving our cash costs and therefore our competitive position.

# Housekeeping items / Financial calendar

## Additional information on 2022 FY outlook – continuing operations

- Tax rate: 30%
- Cash interest: ~ €-50m (2021: €-126m)
- CapEx: a good €400m (2021: €334m)
- D&A: ~ €400m

## Financial calendar

Half-Year Financial Report as of June 30, 2022	August 11, 2022
Bank of America Roadshow London – CEO	August 16, 2022
ODDO BHF Corporate Conference Frankfurt – IR	September 6, 2022

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