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K+S Aktiengesellschaft

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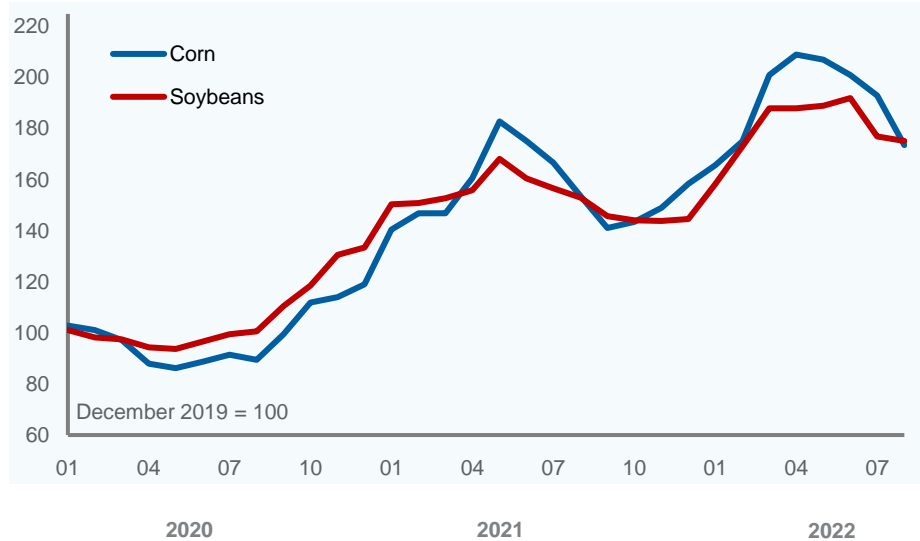
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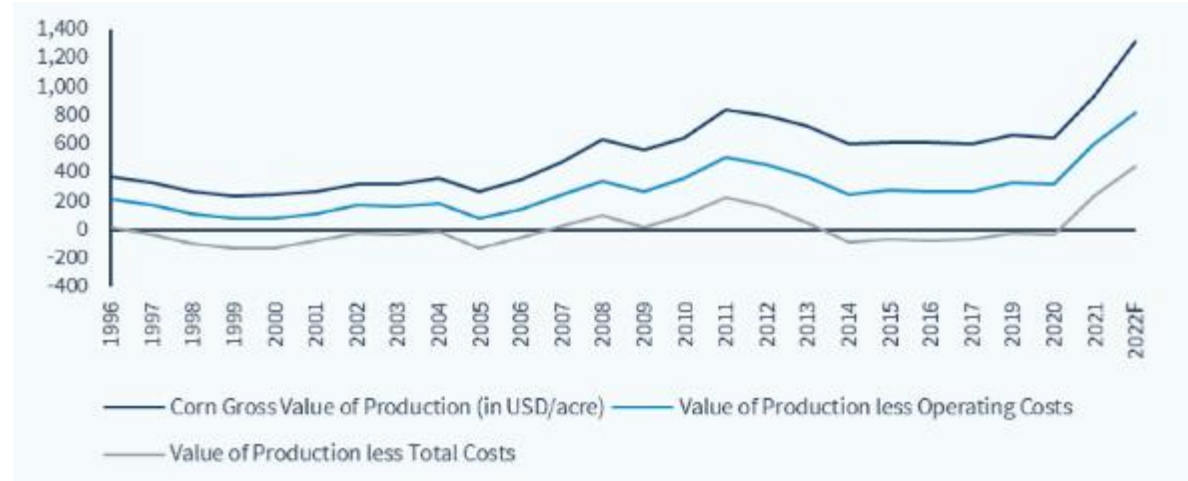
# Low stocks-to-use ratios and unfavorable climate around the world keep agricultural commodity prices up and farmer profitability at high level

Price development of agricultural commodities since 01/2020



Source: Worldbank; as of September 2022

US corn farmer profitability in USD/acre since 01/1996



Source: USDA, Kepler Cheuvreux

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

# Strong increase of ASP in Agriculture customer segment

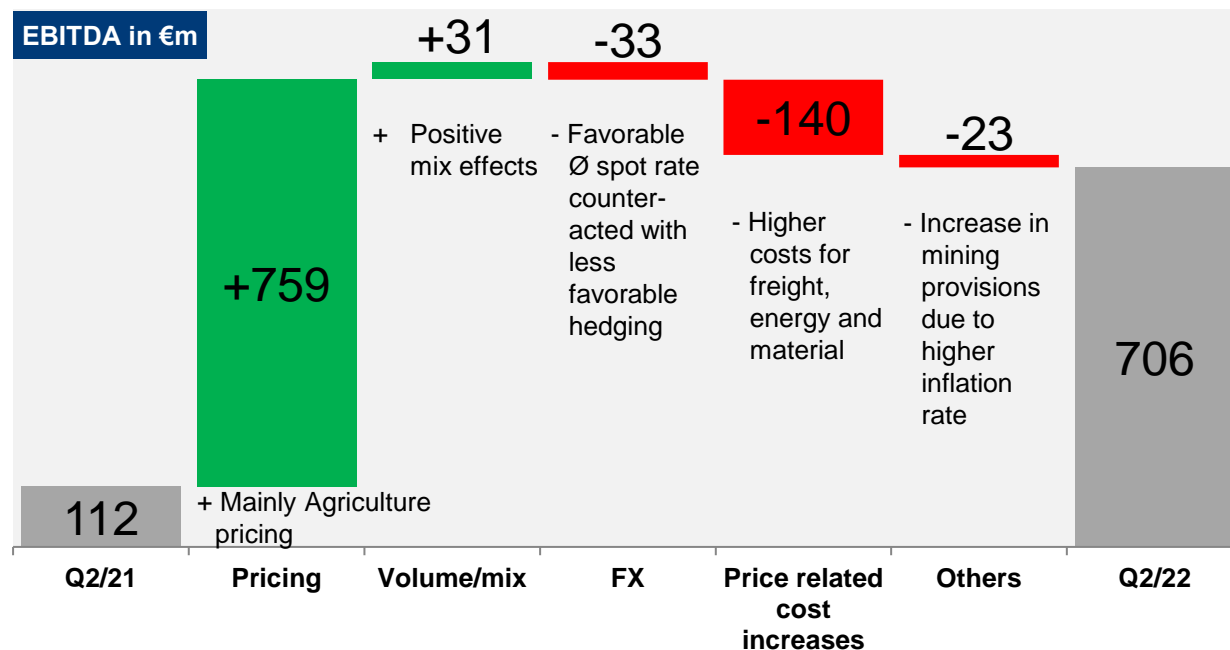
## Development of revenues, sales volumes, and average prices by region

		Q1/2021	Q2/2021	H1/2021	2021	Q1/2022	Q2/2022	H1/2022
<b>Revenues</b>	€ million	<b>469.0</b>	<b>473.7</b>	<b>942.7</b>	<b>2,272.1</b>	<b>944.1</b>	<b>1,244.2</b>	<b>2,188.3</b>
Europe	€ million	250.6	202.1	452.7	956.1	349.9	543.0	892.9
Overseas	USD million	263.1	327.5	590.6	1,546.7	666.5	746.5	1,413.0
Potassium chloride	€ million	252.5	278.1	530.6	1,349.3	625.3	849.2	1,474.5
Fertilizer specialties	€ million	216.5	195.6	412.1	922.8	318.8	395.0	713.8
<b>Sales volumes</b>	million tonnes eff.	<b>2.01</b>	<b>1.89</b>	<b>3.90</b>	<b>7.62</b>	<b>1.79</b>	<b>1.87</b>	<b>3.66</b>
Europe	million tonnes eff.	0.97	0.77	1.74	3.23	0.76	0.84	1.60
Overseas	million tonnes eff.	1.04	1.12	2.16	4.39	1.03	1.03	2.06
Potassium chloride	million tonnes eff.	1.24	1.21	2.45	4.69	1.11	1.18	2.29
Fertilizer specialties	million tonnes eff.	0.77	0.68	1.45	2.94	0.69	0.69	1.37
<b>Average price</b>	€/tonne eff.	<b>233.3</b>	<b>250.0</b>	<b>241.8</b>	<b>298.0</b>	<b>527.0</b>	<b>663.9</b>	<b>597.0</b>
Europe	€/tonne eff.	258.4	263.8	260.7	295.7	462.1	640.7	556.4
Overseas	USD/tonne eff.	253.0	292.8	273.3	352.4	644.3	727.2	685.6
Potassium chloride	€/tonne eff.	204.4	229.7	216.6	287.9	565.3	718.9	643.9
Fertilizer specialties	€/tonne eff.	285.3	286.0	284.2	314.2	465.0	570.2	517.3

# Q2/22 EBITDA saw six-fold increase YoY

## Highlights

- Q2/22 EBITDA increased to €706m (Q2/21: €112m)
- COVID-19: Minor efficiency losses on the previous year's Q2 level
- FCF at €+131m despite jump in WC tie-up (Q2/21: €-68m)
- Adj. net profit increased to €436m (Q2/21: €11m; without reversal of impairment losses on assets in the amount of €147m), also benefitting from positive financial result from the evaluation of mining provisions levelling out neg. EBITDA-effects from mining provisions

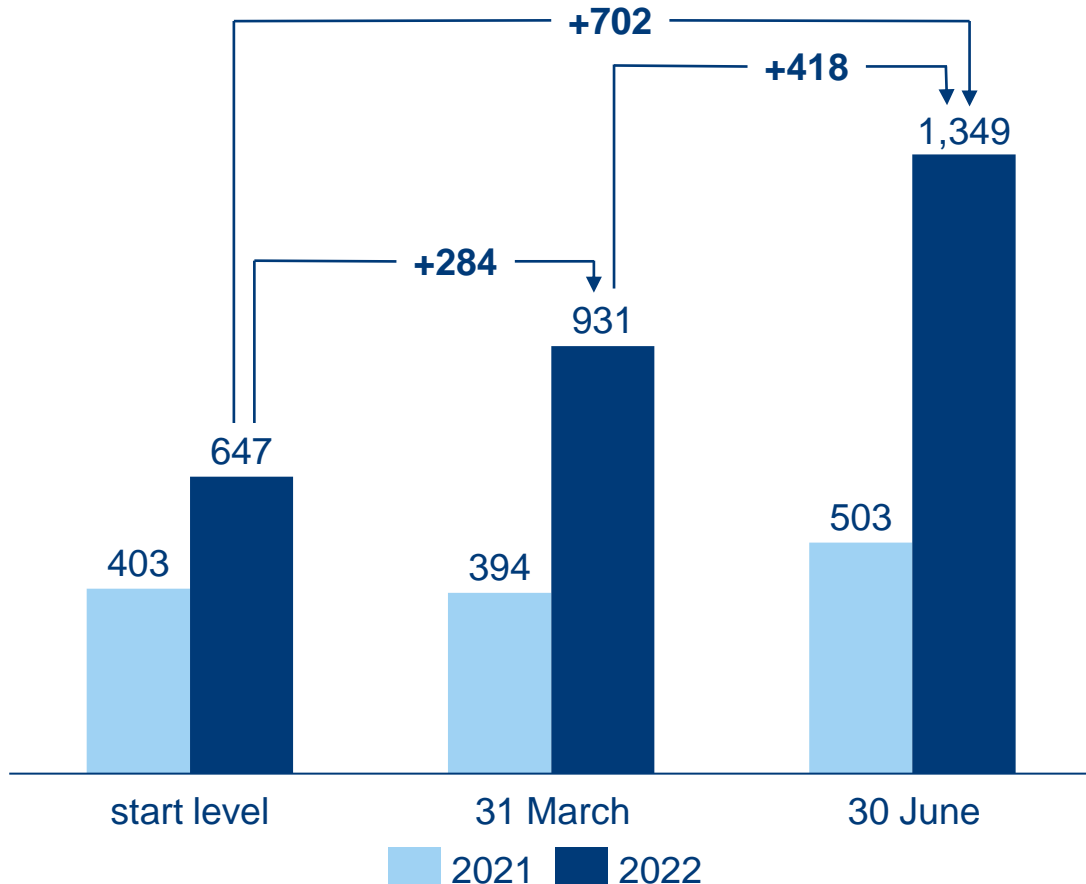


## Financials (continuing operations)

€ million	Q2/2021	Q2/2022	%
Revenues	664	1,510	> +100
<i>t/o Agriculture</i>	474	1,244	> +100
<i>t/o Industry+</i>	191	266	+39
EBITDA	112	706	> +100
Scheduled D&A	67	108	+61
Adj. net profit; <i>excluding impairment effects in PY</i>	11	436	> +100
Adj. EPS (€); <i>excluding impairment effects in PY</i>	0.05	2.28	> +100
ROCE (%); <i>excluding impairment effects</i>	1	24	> +100
Operating cash flow	-2	232	-
Adj. FCF; <i>excluding one-off effects (CO<sub>2</sub>, factoring)</i>	-28	163	-
Adj. FCF	-68	131	-
Capex	87	76	-13
NFD/EBITDA (LTM)	2.0x	0.2x	-90

# FCF burdened by tie-up of working capital

## Working Capital development (in €m)



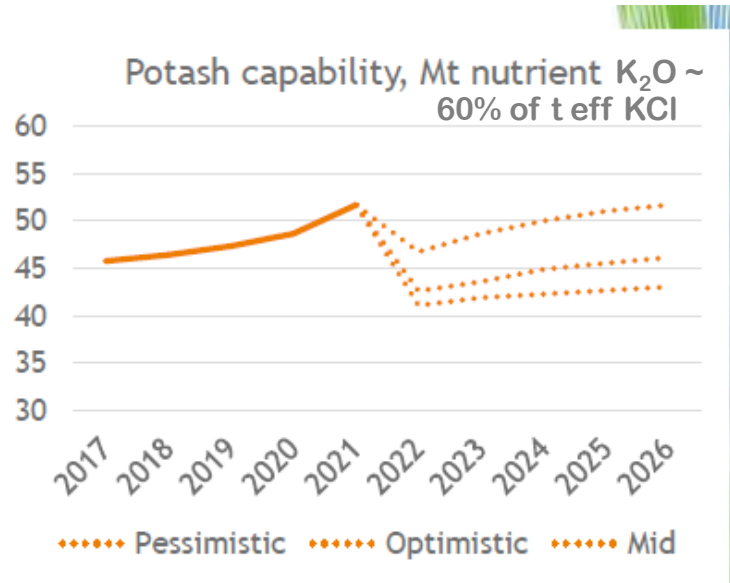
- During Q2/22, we saw a build-up of working capital of €418m to €1,349m (Q2/21: build-up of €109m)
- During H1/22, we saw a build-up of working capital of €702m to €1,349m, thereof €109m due to lower use of factoring (H1/21: build-up of €101m)
- This working capital build-up was due to a higher level of receivables and inventories evaluated at higher costs
- Beyond this, H1/22 FCF was benefitting from higher EBITDA, lower cash interest, lower cash capex, but burdened by higher cash taxes

- ▶ **Q2/22 Adjusted FCF increased to €131m (Q2/21: €-69m)**
- ▶ **H1/22 Adjusted FCF increased to €234m (H1/21: €-83m)**
- ▶ **Without consideration of the reduction of factoring and the purchase of CO<sub>2</sub> certificates, Q2 FCF stands at €163m and H1 FCF at €454m**

# Successful H1/2022 – Attractive prospects



# World potash supply according to IFA: 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"
- 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"
  - **Mid-scenario:** All current sanctions remain in force, but some "friendly countries" resume/continue partial trade with Russia
  - **Optimistic scenario:** Resolution in 2022, economic sanctions will be eased, Russian exports will mostly recover, Belarusian exports will partially recover

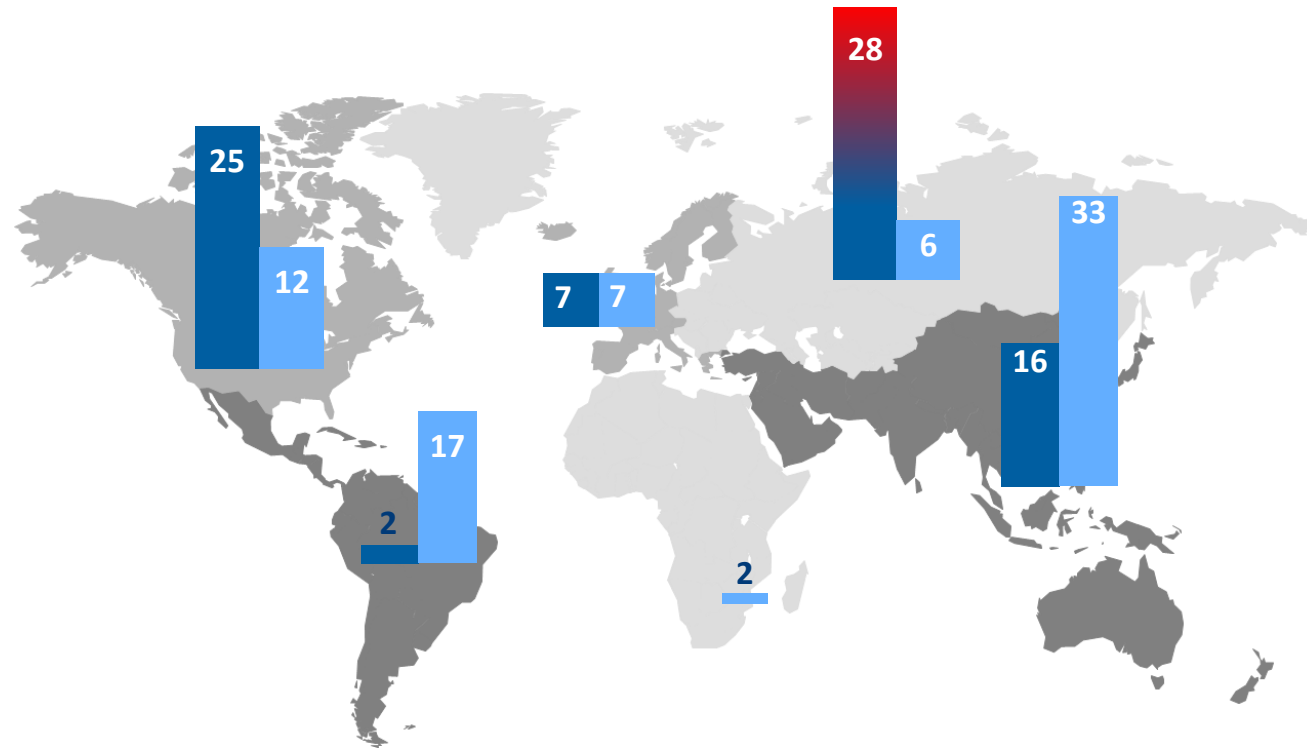
➔ **Even in the optimistic case, global potash supply will not return to the level of 2021 before 2026**



# World potash production and sales by region



in million tonnes



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

Sources: IFA 2021, K+S

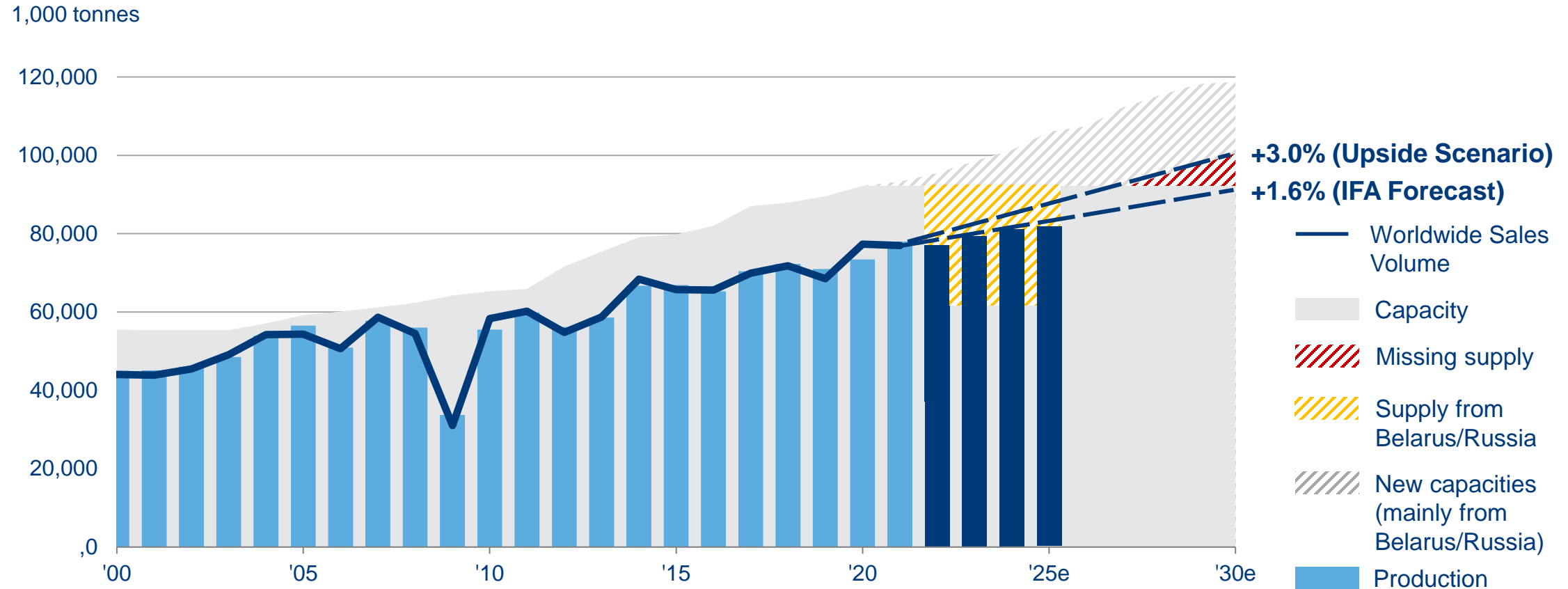
Basis: Year 2021 – incl. Potassium sulphate and low-grade potash

	2020	2021
World potash production	75.3 mt	77.9 mt
World potash sales volume	77.3 mt	77.0 mt

# 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 mln t eff. (product)

# Assumptions on gas situation

## Pricing

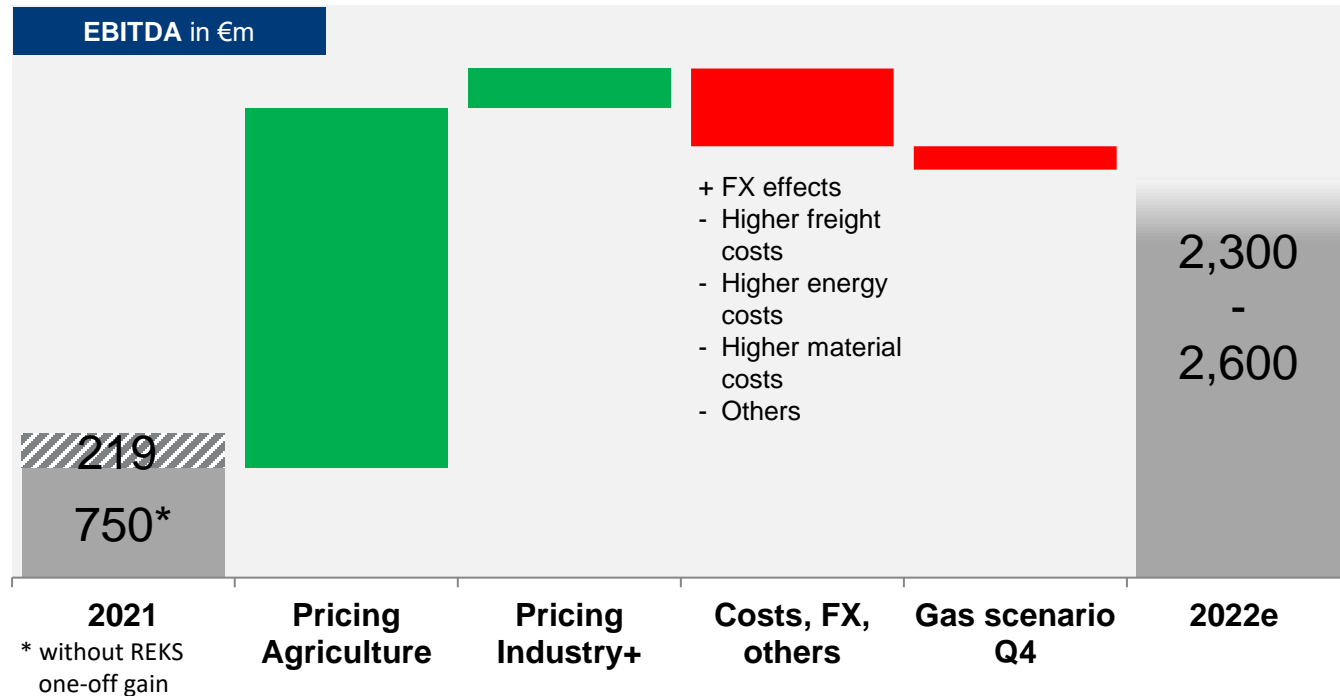
- §26 EnSiG to be called out as of October 1
- Levy: 50€/MWh, assuming this will also be applied on contractually fixed volumes
- Long-term contracts stay in place

## Availability

- Q4 scenario: 25% lower gas availability at all German sites
- Certain compensation possibilities with electricity or other fossil energy sources, no constraints for these

**Σ EBITDA impact could sum up to low triple-digit million amount**

# 2022 EBITDA outlook remains at €2.3 to €2.6 billion – even with described gas scenario



- Even stronger increase in Agriculture ASP makes up for now assuming the described gas scenario for Q4 with 25% less availability and \$26 EnSiG with levy of 50€/MWh with a combined negative EBITDA effect of a low triple digit million amount
- Cost increases for energy, logistics, and materials to be significantly exceeded
- Agriculture sales volumes now expected at about 7.5mt (2021: 7.6mt) due to availability of gas and logistics as well as relatively high illness rates

Also including described gas scenario, we continue to expect FCF 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)

# Guiding principles of strategy and management focus



## Financial ambitions

- 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

## Clear focus of our sites



### 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
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### Neuhof

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

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

## Werra

- Optimize production processes
- Reduce liquid residues
- Reduce solid residues
- Increase energy efficiency
- Reduce CO<sub>2</sub> emissions
- Improve competitiveness



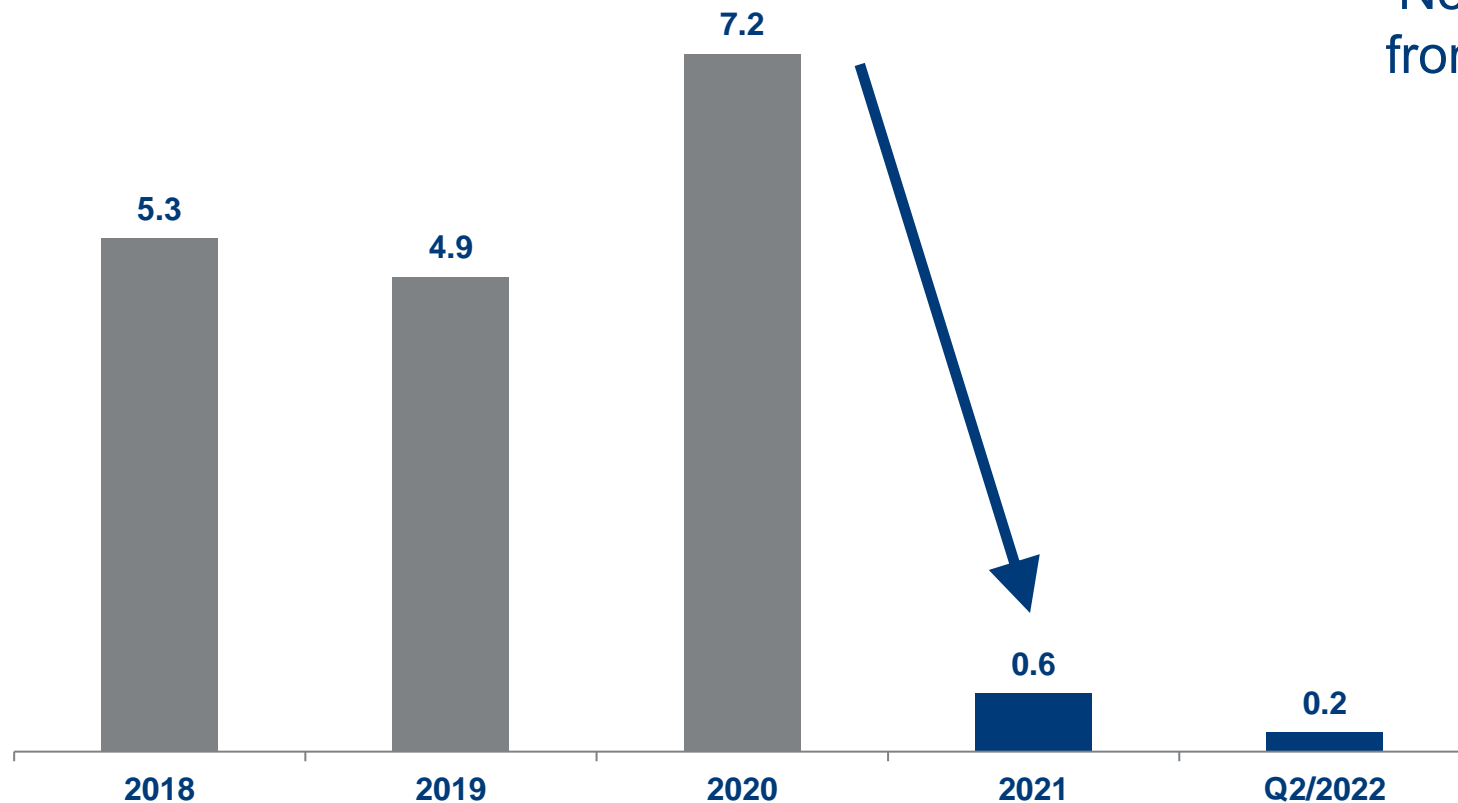


# Planned use of additional liquidity

- ✓ Repayment of factoring (done in H1/22)
- ✓ Purchase of CO<sub>2</sub> certificates for the rest of the trading period (done in H1/22)
- ✓ Dividend payment for the 2021 financial year (done in H1/22)
- ✓ Repayment of bond in June 2022
  - Repayment of bond in early 2023
  - Investment in optimizing our existing business
  - Building a crisis-proof balance sheet and liquidity position (war/energy)
  - March 2023: Decision on participation of shareholders

# 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 €426 million in Q2/2022



**Target:**  
Rating in investment grade range

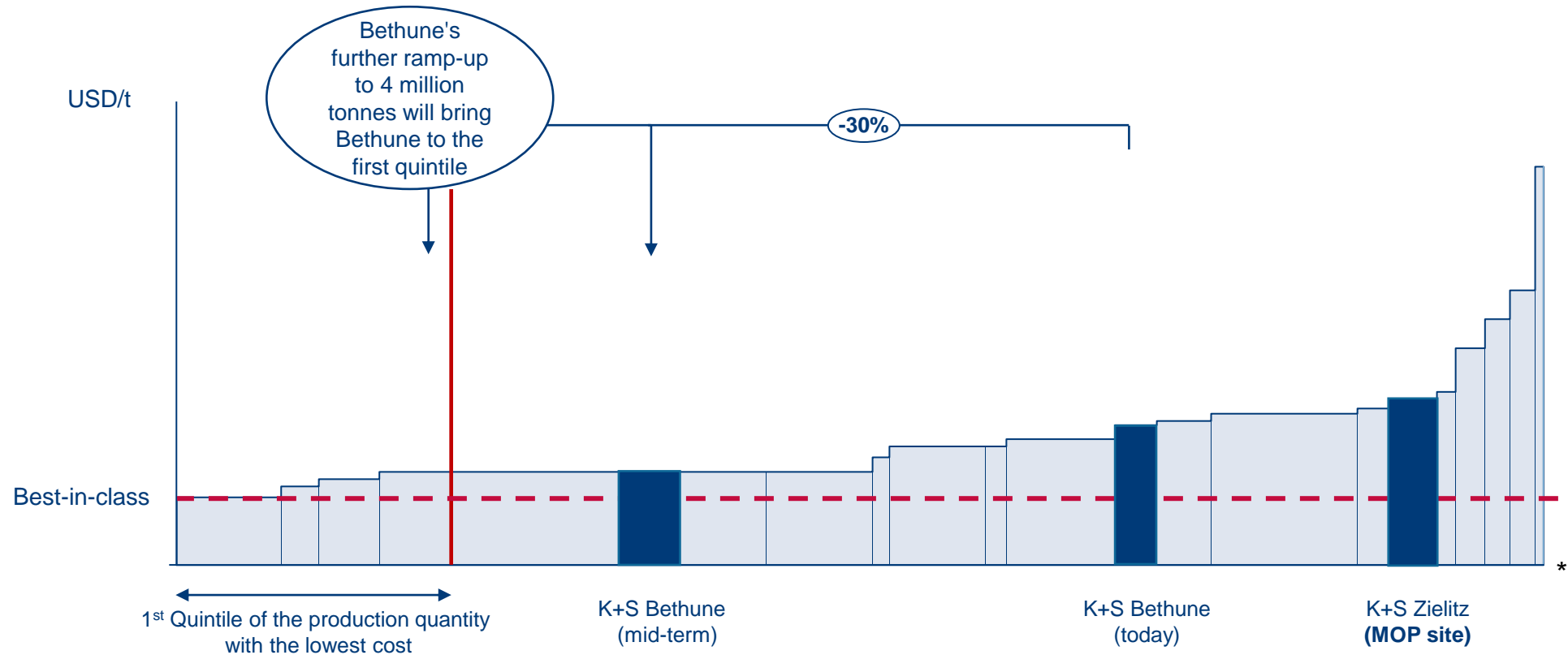




# Rating Upgrade:

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

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

## Financial calendar

Berenberg and Goldman Sachs 11th German Corporate Conference, Munich – IR	21 September 2022
Baader Investment Conference, Munich – IR	21-22 September 2022
Quarterly Report; September 30, 2022	10 November 2022
Kepler Global Agricultural Forum, virtual - CEO	14 November 2022
DZ Bank Equity Conference, Frankfurt – CEO	21 November 2022
Eigenkapitalforum, Frankfurt – IR	28 November 2022
Bank of America Global Research Materials & Infrastructure Conference, London – IR	29 November 2022
Citi's Basic Materials Conference, New York – IR	30 November 2022
Annual Report	15 March 2023
Quarterly Report; March 31, 2023	9 May 2023
Annual Shareholders' Meeting	10 May 2023
Quarterly Report; June 30, 2023	10 August 2023

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