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K+S Aktiengesellschaft

Société Générale Roadshow Paris

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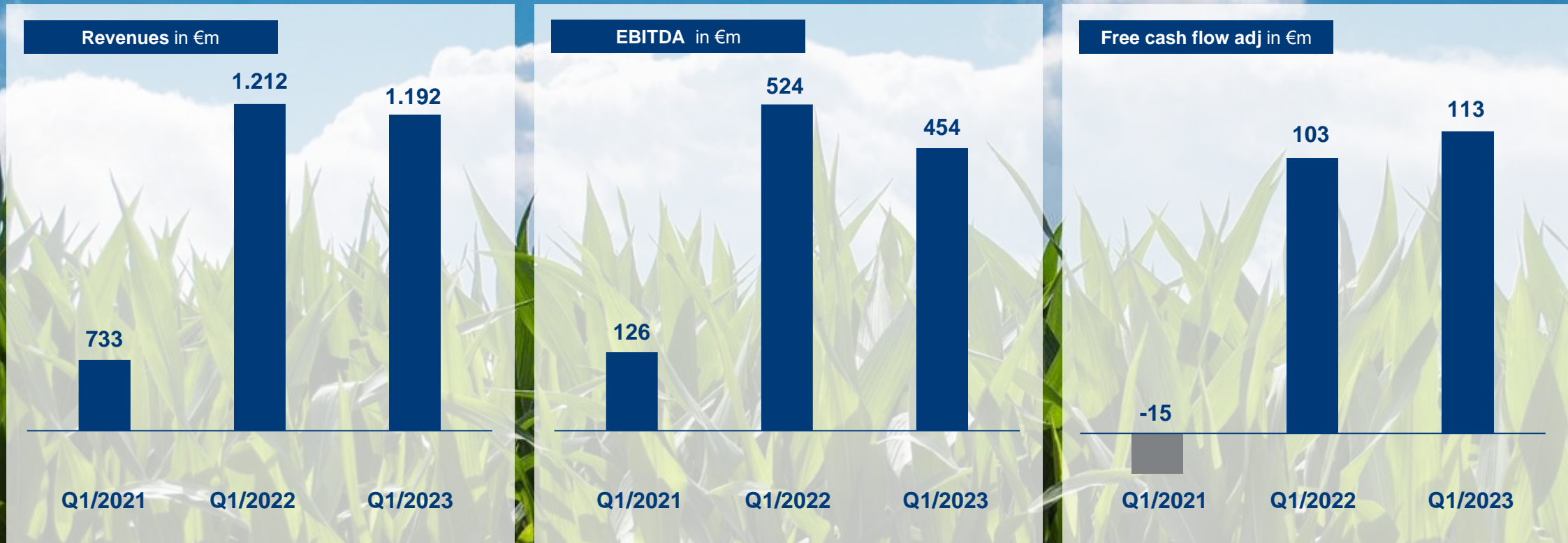
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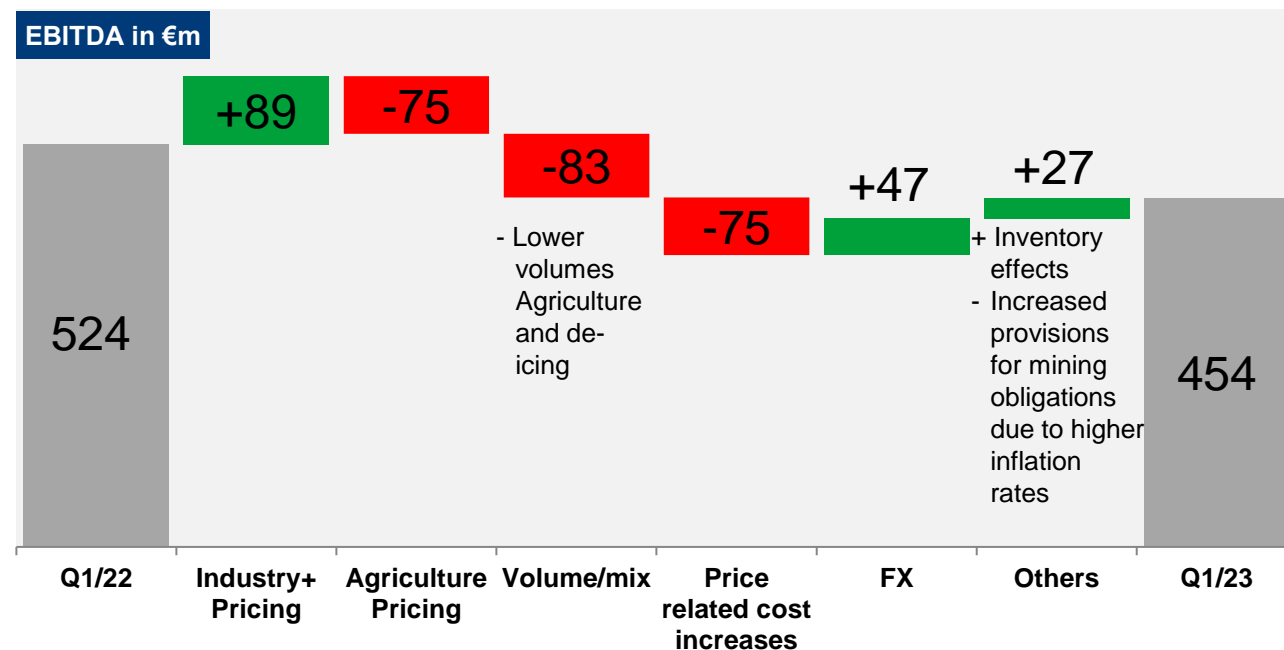
Good start into 2023 after record 2022...



Q1/23 EBITDA decreased YoY

Highlights

- Q1/23 EBITDA at €454m (Q1/22: €524m)
- Moderately lower average selling prices** and slight declines in sales volumes due to **delayed deliveries** in view of continued tight logistics and a persistent wait-and-see attitude on the part of customer
- Q1/23 **adj. FCF** at €113m (Q1/22: €103m) incl. inflation compensation premium and energy prepayments (total: mid double-digit million amount)
- Trade receivables** at end of Q1/23 on unusually high level



Financials

€ million	Q1/2022	Q1/2023	%
Revenues	1,212	1,192	-2
<i>t/o Agriculture</i>	944	861	-9
<i>t/o Industry+</i>	268	331	+23
EBITDA	524	454	-13
Scheduled D&A	101	108	+7
Adj. net profit	313	232	-26
Adj. EPS (€)	1.63	1.21	-26
ROCE (LTM; %)	42	24	-
Operating cash flow	254	221	-13
Adj. FCF	103	113	+10
Capex	49	78	+58
NFD/EBITDA (LTM)	0.4x	- *	-

* since Q3/2022: net financial asset position

ASP development in Agriculture customer segment

		2021	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23
Revenues	€ million	2,272.1	944.1	1,244.2	1,162.8	1,114.6	4,465.6	861.4
Europe	€ million	950.9	349.9	543.0	372.0	406.8	1,671.6	340.1
Overseas	USD million	1,562.5	666.5	746.5	796.3	722.3	2,931.6	559.3
Potassium chloride	€ million	1,349.3	625.3	849.2	779.5	722.5	2,976.5	545.6
Fertilizer specialties	€ million	922.8	318.8	395.0	383.3	392.1	1,489.2	315.8
Sales volumes	million tonnes eff.	7.62	1.79	1.87	1.56	1.89	7.11	1.73
Europe	million tonnes eff.	3.23	0.76	0.84	0.55	0.66	2.81	0.62
Overseas	million tonnes eff.	4.39	1.03	1.03	1.01	1.23	4.30	1.11
Potassium chloride	million tonnes eff.	4.69	1.11	1.18	0.95	1.20	4.44	1.10
Fertilizer specialties	million tonnes eff.	2.94	0.69	0.69	0.61	0.68	2.67	0.63
Average price	€/tonne eff.	298.0	527.0	663.9	744.5	592.2	628.1	498.9
Europe	€/tonne eff.	294.4	462.1	640.7	675.9	617.7	594.1	548.3
Overseas	USD/tonne eff.	356.0	644.3	727.2	787.3	585.6	682.4	505.6
Potassium chloride	€/tonne eff.	287.9	565.3	718.9	822.7	602.1	670.4	496.0
Fertilizer specialties	€/tonne eff.	314.2	465.0	570.2	623.9	576.6	557.8	504.0

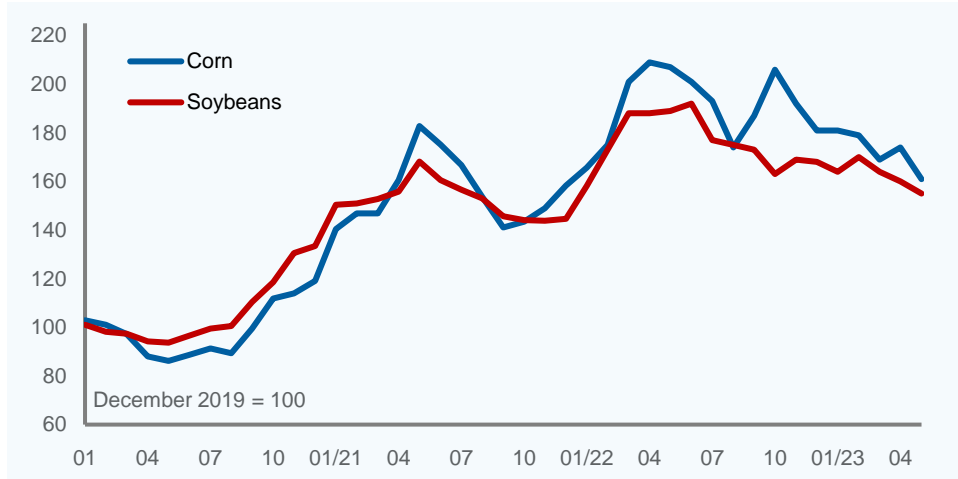
Outlook



Continued positive environment

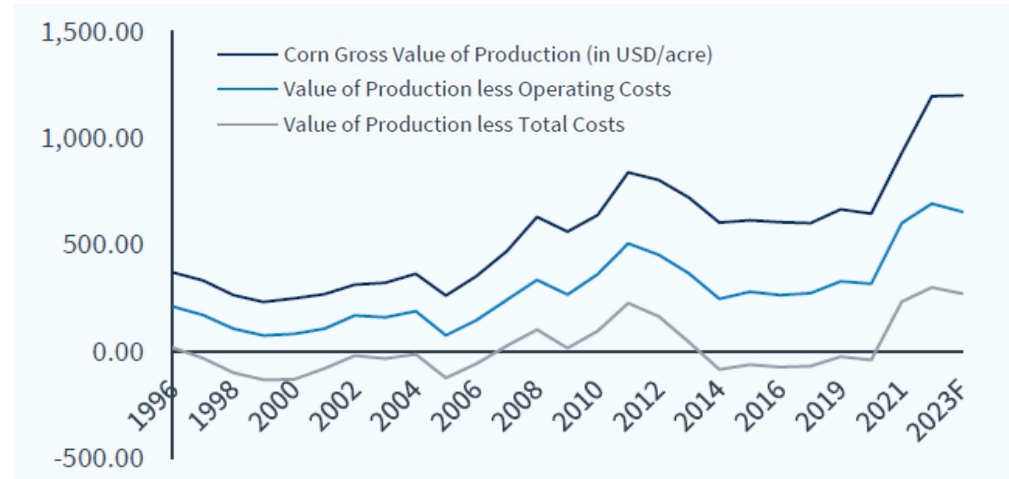
Farmer profitability at historically high level

Price development of agricultural commodities since 01/2020



Source: Worldbank

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

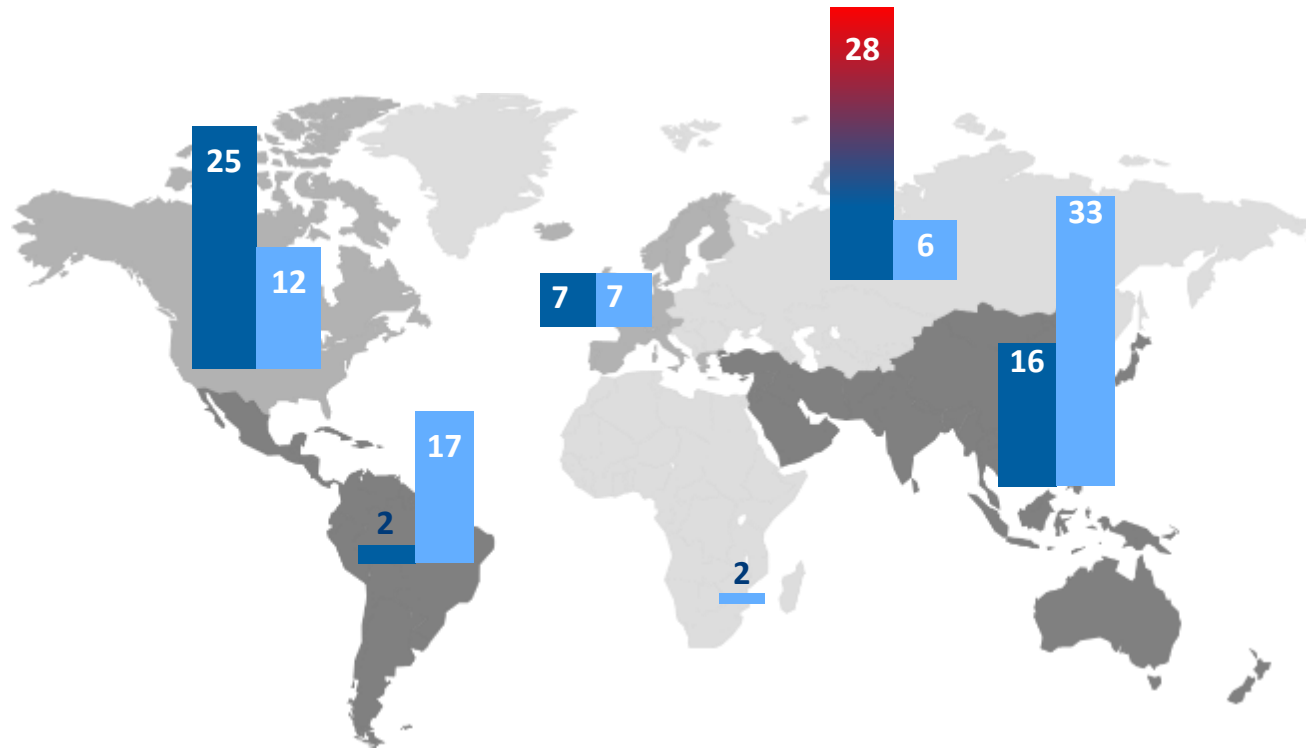


Source: USDA, Kepler Cheuvreux

- 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

World potash production and sales volumes by region

in million tonnes



- Even before limitation of Russian exports and sanctions against Belarus, the potash market was fully used at capacity limit.
- Russia's Uralkali 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	2022E*
World potash production	75.3 mt	77.9 mt	
World potash sales volume	77.3 mt	77.0 mt	~64 mt

* IFA figures for 2022 will be published in summer 2023; 2022: K+S estimate

Forecast: Scenario analysis for impact of China contract – acc. to ad hoc disclosure of June 14, 2023

- In case that the Chinese potassium chloride price radiates accordingly into the other markets and there is no price recovery in these markets from the levels then reached until the end of 2023, **this would result in total EBITDA of around €0.8 billion for K+S in 2023.**
- This would also have a negative impact on adjusted free cash flow, but to a lesser extent than for EBITDA.
- **However, the Company expects prices to recover in the second half of the year, which should result in EBITDA exceeding €0.8 billion.**
- In the **second quarter of 2023**, the conclusion of the China contract and lower prices in Brazil as well as lower sales volumes due to the wait-and-see attitude on the customer side will have a **negative impact on K+S's EBITDA with a low triple-digit million euro amount.**

The following aspects point to a potash price recovery in the second half of the year:

- In the past, the China potash contract has usually set a floor for the international potash price level.
- The existence of a price floor has led to a recovery in demand in the past.
- Stocks-to-use-ratios of agricultural products are historically low.
- Prices for agricultural products, which are above the long-term averages, and an easing on the cost side are giving farmers corresponding room for maneuver.
- Following reduced application in some regions – in part over several application periods – there is now a need to replenish the soil potash balance.
- An increase in demand for potash-containing products will face still constrained supply, as deliveries from Belarus and Russia continue to be limited.



Therefore, a greater clarity regarding the annual results (EBITDA) will only arise after movement of significant volumes in the important overseas market of Brazil.



Planned use of additional liquidity

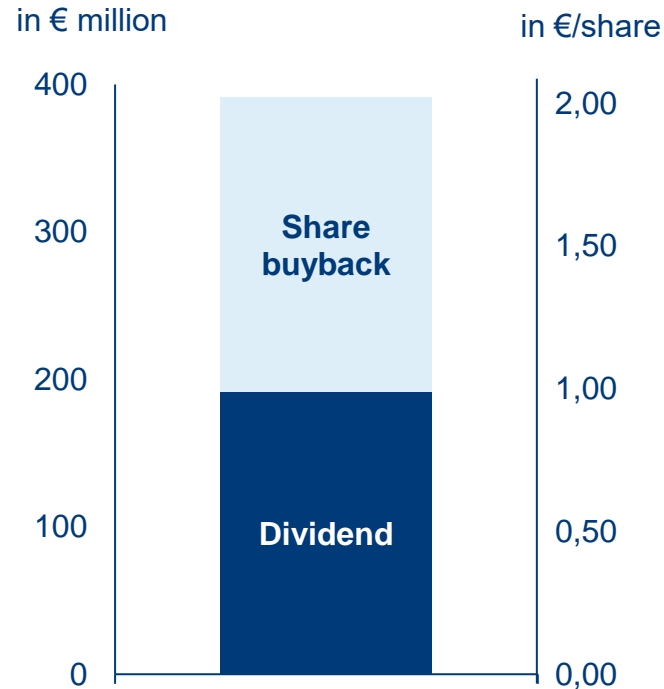
- Participation of shareholders for the 2022 financial year
→ €1.00 dividend per share (paid on May 15th, 2023)
and
→ additional share buyback of up to €200m (about €1.00 per share) which started on May 16th, 2023
- Investment in optimizing our existing business (Bethune, Werra 2060)
- Securing crisis-proof balance sheet and liquidity position (war/energy)
- Further development of our specialty portfolio in our existing business areas
- Energy transformation

Already done in 2022:

- Dividend payment for the 2021 financial
- Repayment of factoring
- Purchase of CO₂ certificates for rest of trading period
- Repayment of bond in 06/2022 and 01/2023

Shareholder's participation in the Company's success

Combination of dividend payment and share buyback



Total distribution

Dividend	€191.4 million
Share buyback	up to €200.0 million*

▶ up to **€391.4 million**, respectively about **€2 per share**

▶ this equals **> 40%** of the **adj. Free Cash Flow 2022**

* At K+S share closing price on 13 March 2023 of €20.38, this would result in a share buyback of up to about 5% of the share capital. To start after AGM 2023 and to last until end of February 2024, at the latest.

We announced our dividend policy in the strategy published in 2021. This provides for a basic dividend of 15 cents per share, with the possibility to be increased by a discretionary premium in the event of good economic development. At the time this dividend policy was set, the focus was on rapidly reducing the Company's debt, securing its financing capability, and creating a solid balance sheet. Following the sale of the OU Americas, net financial liabilities were still in the higher triple-digit million euro range and, at the potash price level at the time, debt reduction would have progressed much more slowly. Since the business development in 2022 has already had the effect for K+S to report a net asset position, we will revise the distribution policy for future decisions on shareholders' participation in the success of the Company.

Share buyback 2023

In addition to the dividend payment in the amount of €1 per share, the Supervisory Board and the Board of Executive Directors resolved a share buyback program in a **volume of up to €200 million** to return capital to the shareholders for the 2022 financial year. This combination shall meet the different interests of our shareholders.

The share buyback started on May 16, 2023, and is to be completed by February 15, 2024, at the latest.

Technical execution:

- The buyback is to be carried out via the stock exchange in electronic trading on the Frankfurt Stock Exchange (Xetra) as well as via European multilateral trading facilities.
- The purchase price per share bought back (excluding incidental acquisition costs) may not be more than 10% higher or lower than the price of a K+S share determined by the opening auction in Xetra trading (or a comparable successor system) on the trading day.
- In accordance with the Buyback Regulation, no more than 25% of the average daily share turnover on the trading facility on which the respective purchase is made may be purchased on any one day. The average share turnover is derived from the average daily trading volume of the 20 trading days prior to the specific purchase date.
- Following the share buyback, the shares are to be cancelled.

Details on the status of the share buyback can be found on our website: [Shares & Bonds - Key Data](#)



S&P recognizes our high creditworthiness

- The rating agency Standard & Poor's (S&P) upgraded the long-term rating of K+S to **BBB-** (previously: BB+).
- K+S is, therefore, now rated in the **investment grade** range again.
- The rating outlook is **stable**.
- S&P justifies the improvement with significant deleveraging as well as the cautious financial policy.
- This has already been the fourth upgrade of the K+S rating since fall 2021.

Housekeeping items / Financial calendar

Additional information on 2023 FY outlook – continuing operations

- Tax rate: 30%
- Cash interest: ~ €-20m (2022: €-53m)
- CapEx: mid triple-digit million (2022: €404m)
- D&A: ~ €450m

Financial calendar

Half-Year Financial Report; June 30, 2023	August 10, 2023
Commerzbank and ODDO BHF Corporate Conference, Frankfurt – CFO	September 5, 2023
Berenberg and Goldman Sachs German Corporate Conference, Munich – CEO	September 18, 2023
Baader Investment Conference, Munich – CEO	September 19-21, 2023

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