

March 11, 2021



K+S Aktiengesellschaft

# Annual Press Conference

2020 Financial Year

Dr. Burkhard Lohr  
CEO

Thorsten Boeckers  
CFO

## Agenda

- Corona pandemic
- Package of measures
- 2020 financial year
- Market assessment
- Outlook



**The spoken word applies.**

**Please note the cut-off period: 11 March, 2020, 9:00 a.m.**

Dear Ladies and Gentlemen,

I kindly would like to welcome you to our virtual Annual Press Conference. We appreciate your great interest and to reach out to you in good health.

We have informed you already last Tuesday, that we have obtained an unqualified audit opinion on the 2020 financial statements. Normally, this is not worth mentioning. Against the background of the ongoing audit by the German Financial Reporting Enforcement Panel, however, this is an important fact for us. After all, it confirms our conviction that the “triggering event” of the impairment loss on assets was in the third quarter of 2020 and that it was properly recorded and conducted in compliance with all relevant regulations.

**Successfully mastering the challenges of the pandemic**

- Extensive prevention measures
- Successful crisis management
- Hardly any impact on production



**K+S is systemically relevant**



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Ladies and Gentlemen,

Certainly, 2020 was a year none of us will ever forget. The corona pandemic deeply impacted society, politics, and the economy. It was also an exceptional year for us. From one moment to the other, we had to implement many changes. Making a mine corona-safe is not easy at all. Therefore, the occupancy of our mine elevators was reduced, the shift system was adjusted more flexibly, and we even produced our own disinfectant in our Analytics and Research Center. Just remember that at the beginning of the crisis, it was not only bathroom tissue but especially disinfectants that were scarce. Within record time, we developed solutions and made pragmatic decisions to

keep our business running. Our crisis management has been absolutely successful. Production at our plants has not only been maintained, but even increased. Nevertheless, this affected the efficiency of our processes. We lost around 40 million euros in EBITDA for the year as a whole.

Still, I would like to say at this point: Our employees have done a great job! As Chairman of the Board of Executive Directors - and of course, my colleagues on the Board of Executive Directors share this opinion - I feel very proud of this.

Once again, we've proven that people in mining stand together. Even in these difficult times, we have always continued to be the reliable partner our customers expect us to be. In this way, we have also made a major contribution: Supporting the system-relevant basic supply of the population as well as important key industries in the areas of pharmaceuticals, food production, animal feed, and agriculture. A concrete example: For the administration of the corona vaccine, our high-purity pharmaceutical salt is an essential additional component, acting as a transportation medium for the active ingredient.

**Consistent implementation of the package of measures**

- Sales agreement signed for the Americas operating unit ✓
- Joint venture with Remondis (REKS) in the waste management business ✓
- Restructuring: administrative costs reduced by 30%, resp. €60 million p. a. ✓
- Synergies > €150 million realized ✓
- Operating improvements at the production sites ✓

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We mastered all tasks we could have handled ourselves in 2020. We consistently implemented our package of measures and achieved important milestones for the promised reduction in debt:

- Most importantly, we signed an agreement for the sale of our Americas operating unit to Stone Canyon Industries.
- With our new joint venture in the waste management business, REKS, we have taken a major step in the strategic realignment and implementation of future-oriented solutions in the environmental sector.
- Within record time, we completed the restructuring of our administration. We are saving now 60 million euros per year which equivalent to 30 percent of our previous administrative costs. Unfortunately, the downsizing was accompanied by the loss of around 300 full-time positions, which we managed in a socially responsible manner and in close consultation with our social partners. Through a voluntary program and a transfer company, we almost completely avoided compulsory redundancies.
- As promised, we realized more than 150 million euros of synergies in Procurement, Logistics, Production, Sales and Marketing in 2020.
- Last but not least, we have further optimized production at our sites, increased efficiency and production volumes, while reducing costs at the same time.

**Agreement on the sale of the OU Americas**



▪ Buyer:	<b>Stone Canyon Industries</b>
▪ Sales price:	<b>USD 3.2 billion</b>
▪ Multiple:	<b>12.5 times EBITDA (2019)</b>
▪ Closing:	<b>in summer 2021 at the latest</b>
▪ Net proceeds:	<b>approx. €2.5 billion</b>

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Ladies and Gentlemen,

At the beginning of October, we signed the agreements for the sale of our North and South American salt business with Stone Canyon for a very attractive price of 3.2 billion US dollars. Many observers did not expect us to achieve this during the pandemic. When the transaction closes in the summer at the latest, we will generate net proceeds

of around 2.5 billion euros. This represents a giant step toward reducing our high level of debt.

### K+S and REMEX combine their strengths in joint venture

**K+S**

- Capacities (underground, tailings piles) for disposal and recycling to meet growing demand
- Obligation for backfilling and tailings piles covering
- Extensive know-how in tailings piles and UTVU TD (underground recovery/disposal) management
- Many years of experience in approval procedures



**REMEX®**

- Market access to all relevant waste types and established distribution structure
- Comprehensive material flow management
- Know-how in recycling technologies

➤ Value creation through combining capabilities beyond the addition of individual business models (1+1 = >2) and generating a true champion in waste management

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Shortly before Christmas, we introduced our new joint venture with the Remondis subsidiary REMEX. We thereby want to create a real champion in the waste management business. With REKS, we are establishing a powerful company to which K+S will contribute its operation and unique infrastructure of highly modern waste management facilities, combining it with REMEX's extensive distribution network.

REKS is highly significant for our strategic realignment and is a great example for intelligently leveraging our unique infrastructure.

### Strong partnership in waste management business



**REMONDIS**  
**REMEX®**

+

**K+S**  
Entsorgung

=

 **REKS**



- Intelligent use of our infrastructure
- Transformation of environmental obligations into a sustainable business model
- Long-term prospects for covering tailings piles
- Attractive growth potential
- Closing of transaction expected in summer 2021
- Cash inflow: approx. €90 million
- One-off gain: approx. €200 million

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REKS provides our customers with wide-ranging solutions for the safe recovery and disposal of waste. We therefore perform important waste management services for society. Our optimized utilization of residual materials also protects natural resources. Moreover, it grants us the best possible access for the supply of the materials we will need for the future covering of the tailings piles at our German potash sites. As you can see, this cooperation is of great importance to us for many reasons.

We expect the transaction to be completed this summer. At the time of closing, we will generate a cash inflow of around 90 million euros, as part of the package of measures to reduce debt. Moreover, we will generate a one-off book gain of around 200 million euros from the contribution of the K+S shares to REKS.

**Strong performance in production**



- 2020: sales volumes in the Agriculture customer segment increased by 1 million tonnes to 7.3 million tonnes
- Bethune: almost 2 million tonnes produced for the first time; high product quality
- Average cost per tonne reduced to below €200 across all plants

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I briefly mentioned it at the beginning: We have not only managed to maintain our production during the corona pandemic, but even increased our production volumes compared to the previous year. This is very much due to our efforts to continuously optimize production at all our sites. Apart from production increases at our domestic sites, our latest potash plant Bethune in Canada also made very good progress. For the first time, almost two million tonnes of potash were produced. This was achieved at best product quality. At the same time, we have fortunately reduced average costs across all plants to below 200 euros per tonne.

Due to higher production volumes, we succeeded in meeting the stronger demand of our customers and increased sales volumes in the Agriculture customer segment by a total of one million tonnes to more than 7 million tonnes.

**Environmental issues: Important milestones**



- **Amendment to the state treaty: important milestone for long-term storage of saline wastewater underground**
- **Tailings pile expansions at Wintershall and Zielitz provide long-term prospects for both sites**



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We have also achieved further important milestones in environmental issues. At the end of last year, the state parliaments of Hesse and Thuringia approved the amendment of the state treaty on the cross-border mining of potash salts by an overwhelming majority. This is an essential prerequisite for our future waste management concept at the Werra plant. As you know, we intend to finally discontinue injection at the end of this year and begin with the storage of saline solutions in the Springen mine field at the beginning of 2022. Through processing the saline wastewater from the production at the Werra plant, the salt concentration is sufficiently increased to be disposed into the old Springen mine sections without any difficulties. We are continuing to work intensively on obtaining the necessary permits for this purpose. Other important milestones last year were the permits granted for the tailings pile expansions at the Wintershall and Zielitz sites. This provides us with the necessary long-term planning security for our potash production there.

Our Annual Press Conference will be focusing on the financial figures now, and I would like to hand over to my colleague and CFO Thorsten Boeckers, who will provide you with deeper insights into the 2020 financial year. Thorsten, please...

... Thank you Burkhard! I would also like to welcome you to our Annual Press Conference today.

## Impairment on assets



- Publication on 4 November 2020: long-term assumptions for potash prices and cost of capital needed to be adjusted
- Non-cash impairment loss on assets of ~ €2 billion accounted for in Q3 financial statements
- Business model remains intact
- Audit by the German Audit Office for Accounting announced on 17 February 2021
- Final impairment loss as of 31 December 2020: €1.9 billion
- On 9 March 2021: impairment loss confirmed with an unqualified audit opinion

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At the beginning of November 2020 we informed the public about the non-cash asset impairment requirement in the Europe+ operating unit. This was necessary because we had to adjust the long-term assumptions for the potash business. This mainly related to the long-term development of potash prices. In addition, an adjustment to the cost of capital was necessary. According to the audited consolidated financial statements as of December 31, 2020, the impairment loss amounts to €1.86 billion and is thus around €140 million lower than previously expected. The lower net impairment is mainly the result of more specific assumptions for the individual calculation components in the course of preparing the financial statements.

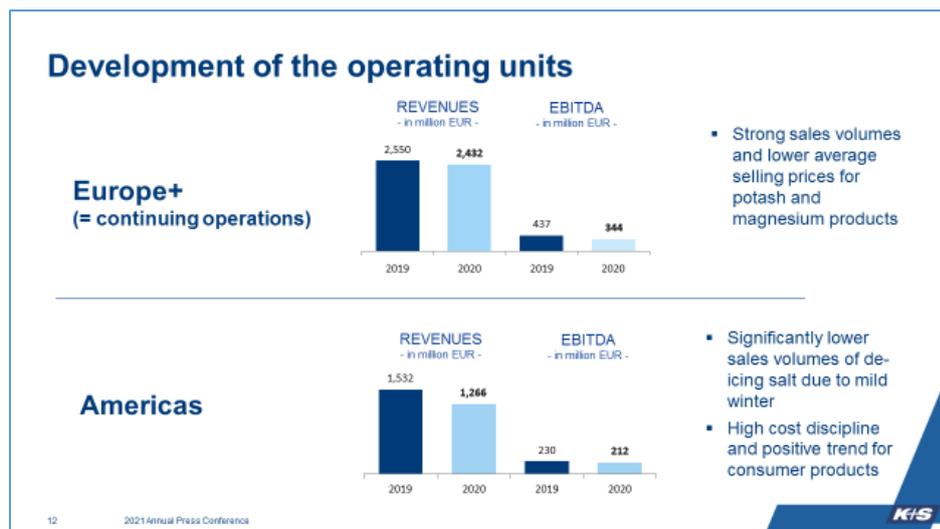
At the request of BaFin, the German Financial Reporting Enforcement Panel (DPR) is conducting an examination of this impairment. We will of course comply with the request to provide documents and further information. Nevertheless, and here I would like to repeat what Burkhard Lohr said earlier: We are firmly convinced that this impairment was made by us properly and in compliance with all relevant accounting standards. The unqualified audit opinion supports our assessment.



Let us now turn to the key figures for the 2020 financial year. Once again, the general conditions on the potash market were difficult. The recovery in potash prices in the months following the long-awaited conclusion of contracts with China was unfortunately weaker than expected. Additionally, the mild winter in North America and Europe resulted in significantly lower sales volumes in our de-icing salt business. The fourth quarter in particular was the weakest we have ever recorded - on both sides.

There were also unexpected developments in terms of costs. The necessary preventive measures associated with the corona pandemic cost us around 40 million euros. We also incurred further one-off expenses of around 40 million euros for the restructuring of our administration. This was partially offset by a one-off gain generated through REKS. We consequently achieved an EBITDA of 445 million euros. Revenues decreased by 9 percent compared to 2019 and adjusted free cash flow was slightly negative.

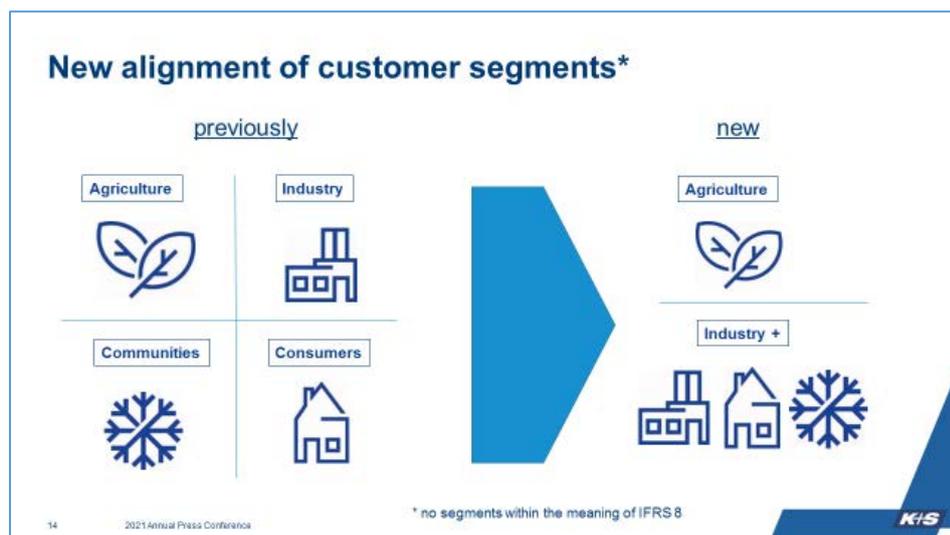
At -1.8 billion euros, adjusted Group earnings after tax were significantly negative due to the impairment loss. Therefore, there will be no proposal for a dividend for the 2020 financial year to the Annual General Meeting.



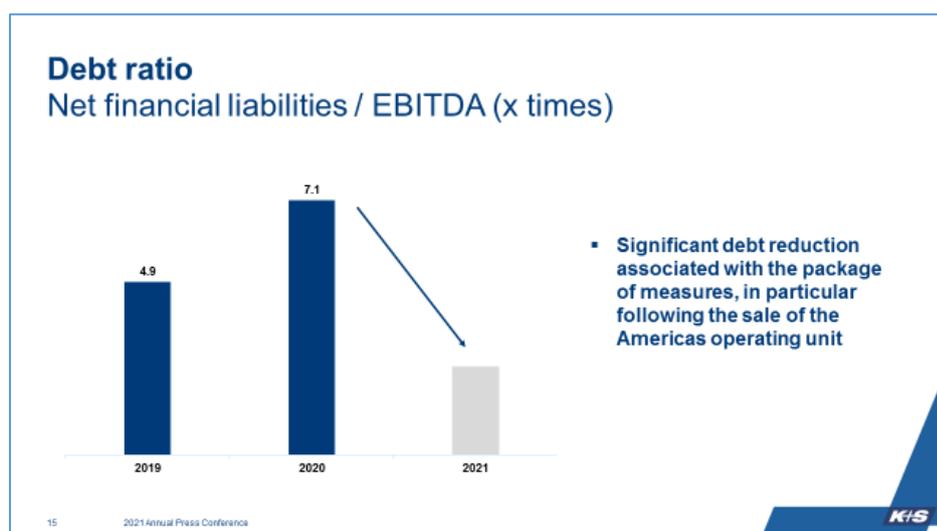
Let's look at the development of the operating units. Despite strong sales volumes, revenues and EBITDA at Europe+ were slightly down year-on-year. This was mainly attributable to lower average selling prices for our potash and magnesium products. In the Americas operating unit, the significantly weaker sales of de-icing salt due to the mild winter in particular resulted in lower revenues. Good cost discipline and a positive trend in consumer products could slightly offset these effects.



The former Americas operating unit has been reported as a discontinued operation since the 2020 financial statements due to the anticipated sale. Slide 13 presents the reconciliation of revenues and EBITDA to continuing operations. The EBITDA from continuing operations amounting to 267 million euros provides the basis for our 2021 forecast, which is presented later.



Due to the upcoming sale of the OU Americas, we have also made organizational adjustments to our customer segments. Previously, our business was divided into four customer segments, as presented here on the left side of the slide. Following the sale, the Communities and Consumers business is being reduced, so we are now combining these segments with our Industrial business to form the newly created Industry+ customer segment. The Agriculture customer segment, however, remains unchanged, as the sale of Americas has no impact on this.



As presented earlier, we will generate proceeds of around 2.5 billion euros following the closing of the sale of the Americas operating unit. This amount will be exclusively

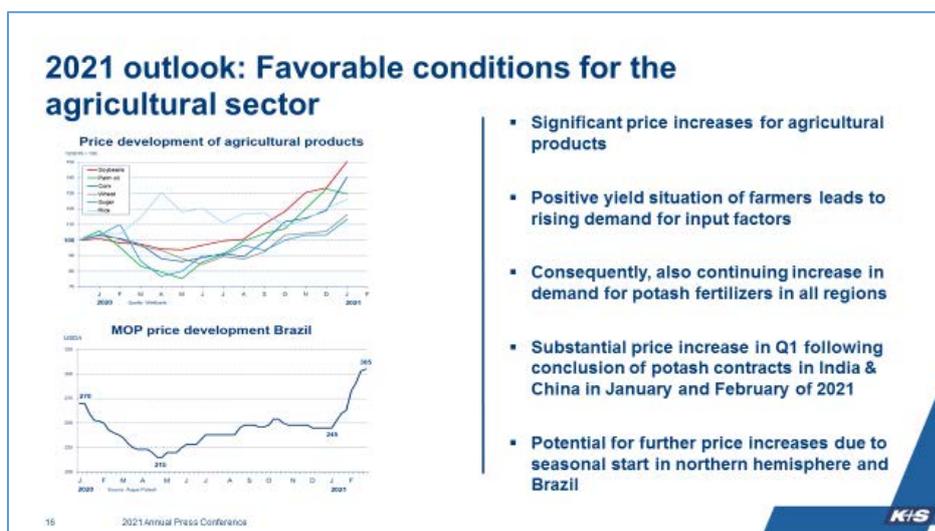
used to reduce our debt. Our debt ratio, which was 7.2 times EBITDA as of the balance sheet date, will therefore improve significantly in the near future.

That concludes my look at the financial figures for 2020 and I will now hand back to Burkhard Lohr.

Thanks Thorsten!

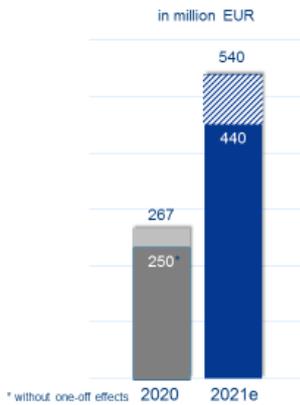
Ladies and Gentlemen,

we now come to our outlook for the current year 2021.



The general conditions for our business improved at the beginning of the year. Crop prices, for example, have risen sharply. This has also improved, and will continue to do so, the yield situation of farmers, which will in turn lead to an increased demand for the required inputs. This is also reflected in the continuing strong demand for our potash fertilizers in all regions. Since the conclusion of contracts in India and China at the beginning of the year, potash prices have recently risen again more sharply. We also see potential for further price increases in the course of the year due to the spring fertilizing season that is now beginning in our regions and the start of the season in Brazil.

## EBITDA forecast for continuing operations for 2021



- Moderately higher average price for potash and magnesium fertilizers
- Sales volume in the Agriculture customer segment expected to be >7.5 million tonnes (2020: 7.3 million tonnes)
- Strong de-icing salt business in Europe in Q1/2021
- Sales volumes in de-icing salt business: >2.5 million tonnes expected (2020: 0.9 million tonnes)
- One-off gain from REKS joint venture expected to amount to around €200 million

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We are therefore optimistic of achieving slightly higher average prices for our fertilizers in the current year compared with the previous year. Sales in the Agriculture customer segment should also continue to rise. The favorable winter conditions in Europe in January and February have already resulted in a strong de-icing salt business, so that we also expect significantly improved sales figures for the year as a whole.

Overall, we expect the increase in EBITDA from continuing operations to range between 440 million and 540 million euros in the current year. This includes the one-off book gain of around 200 million euros generated at the closing of the REKS joint venture.

## Outlook

- Significant reduction in financial liabilities associated with the sale of the Americas operating unit
- "New K+S": efficient and lean supplier of fertilizers and specialties with an intact, sustainable business model
- Continued high cost discipline as well as optimization of cost and capital expenditure structure
- All production sites to generate positive free cash flow even in difficult conditions
- Broad product range, only potash producer with production sites on two continents
- Key elements of the further developed corporate strategy to be presented at the Annual General Meeting in May 2021

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Dear Ladies and Gentlemen,

Before we answer your questions, let me finish by summarizing the most important points:

- With the sale of the Americas operating unit we will significantly reduce our currently still high financial liabilities.
- At the same time, K+S will be an efficient and lean supplier of fertilizers and specialties with a solid and sustainable business model.
- We will continue to focus on our strict cost discipline and constantly optimize our cost and capital expenditure structure.
- Even in the event of lower potash prices and weak demand for de-icing salt due to weather conditions, all our production sites should be able to generate a positive free cash flow.
- K+S offers a broad range of products and is the only potash producer with production sites on two continents. From our point of view, this provides a good basis for supplying system-relevant products to numerous industries in the future as well and for making a decisive contribution to securing the world's food supply.

Furthermore, I would like to announce that we are further developing our corporate strategy. We will present the key principles of this strategy at our Annual General Meeting in May. Thank you very much for your attention. We now look forward to your questions.

