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K+S Aktiengesellschaft

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Rapid Debt Reduction and Value Generation



Sale of the Americas operating unit

- Closing completed on April 30
- Net proceeds ~ €2.6 billion
- Book gain ~ €742 million

Financial debt reduced significantly by ~ €1.7 billion

- > €1 billion credit facilities, promissory notes, commercial papers
- Successful buy-back of bonds ~ €560 million
- KfW facility terminated (has never been drawn)

Balance Sheet streamlined

- Net Financial Debt / EBITDA 2.0x
- Equity Ratio ~ 48%

REKS antitrust clearance procedure ongoing



- We continue to expect an approval can be granted.
- Transaction in 2021 still possible.
- But the review might also take longer.
- Therefore, 2021 outlook now only based on operating business:

EBITDA 2021

- We increase our expectation to €630 million (previous guidance: €500 to 600 million excluding REKS transaction).

FCF 2021

- We increase our expectation to a neutral free cash flow (previous guidance: €-180 million excluding REKS transaction).

Final FREP findings: No adjustments to valuations necessary

Valuation of the Potash and Magnesium Products CGU subject to the examination of the 2019 and H1/2020 financial statements by the Financial Reporting Enforcement Panel (FREP – DPR)



Q3 2021

- **Full reversal of last year's impairment loss**
- Write-up results from significantly more optimistic expectations for the potash business and the price development related to this

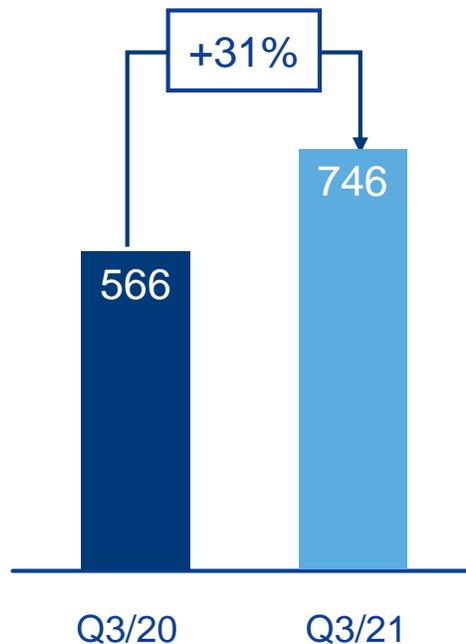
November 25, 2021

- ✓ **Final examination findings received from FREP do not result in adjustments to valuations**
 - Preliminary findings that the value in use of the CGU had not been reliably determined is no longer included. What remains of the findings:
 - Information (e.g. changes in assumptions and uncertainties in estimates) in connection with the impairment test was not reported appropriately
 - No impairment test was carried out for the interim financial statements of K+S AG as of 30 June 2020 for the net book value of the Potash and Magnesium Products CGU, although there were indications that the net assets could be impaired.
 - It was not published with sufficient clarity that the H1/2020 FCF mainly resulted from non-operating/ working capital measures (e.g. factoring)
 - K+S has been requested by the FREP to agree/disagree with the findings by December 9, 2021.
 - By agreeing, the FREP-proceedings would be terminated.

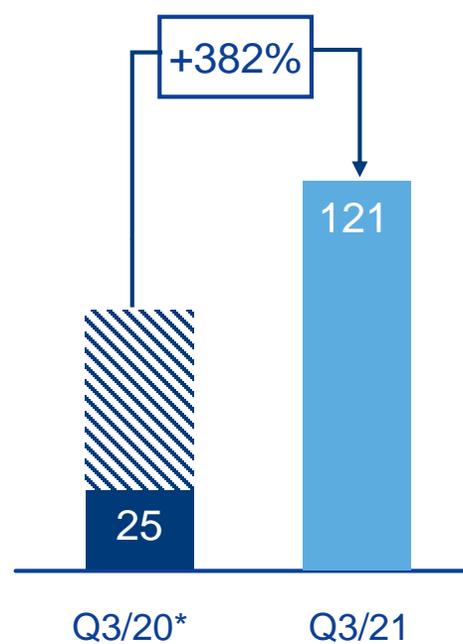
EBITDA more than quadrupled in Q3

Continuing operations

Revenues Q3
- in € million -



EBITDA Q3
- in € million -



Agriculture

- ASP: 300 €/tonne (Q3/20: 238 €/tonne)
- Sales volume: 1.76 mt (Q3/20: 1.66 mt)

Industry+

- Normalized demand
- Good early fills season with de-icing salt
- Sales volume: 1.73 mt (Q3/20: 1.35 mt)

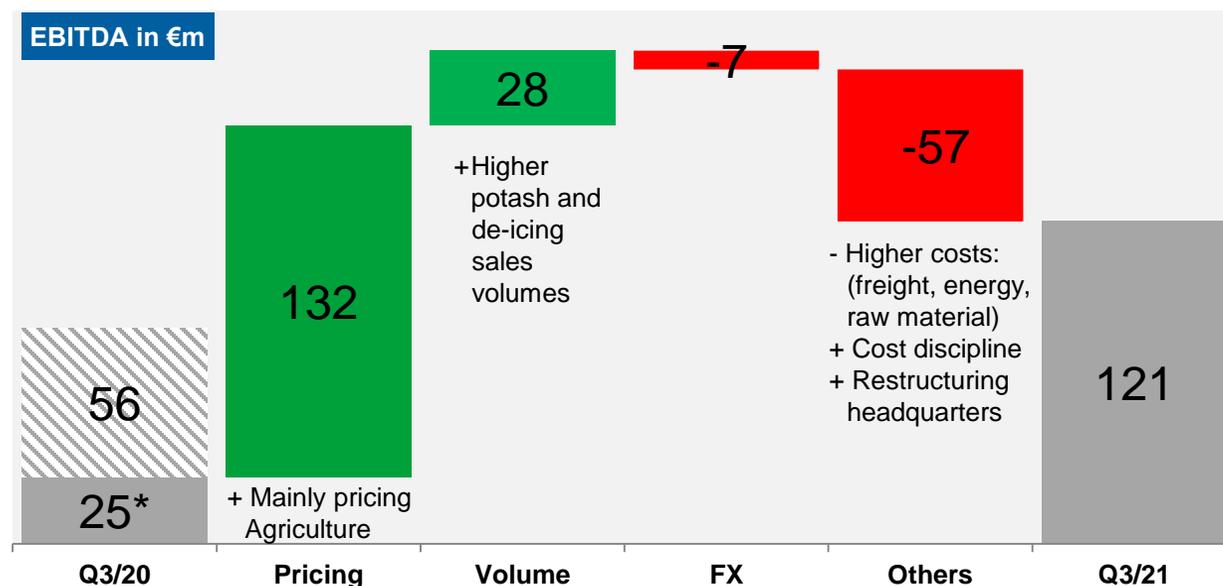
Free cash flow

- € -69 million (Q3/20: € -42 million)

Q3/21 EBITDA more than quadrupled YoY

Highlights

- Q3/21 **EBITDA** increased to €121m (Q3/20: €25m, excluding positive non-cash, one-off effect of € 56 million)
- COVID-19**: Minor efficiency losses on the previous year's Q3 level
- Adj. net profit** positive at €1.285m (Q3/20: €-1,757m); thereof €1,420m (Q3/20: €-1,792m) related to value fluctuations in PPE



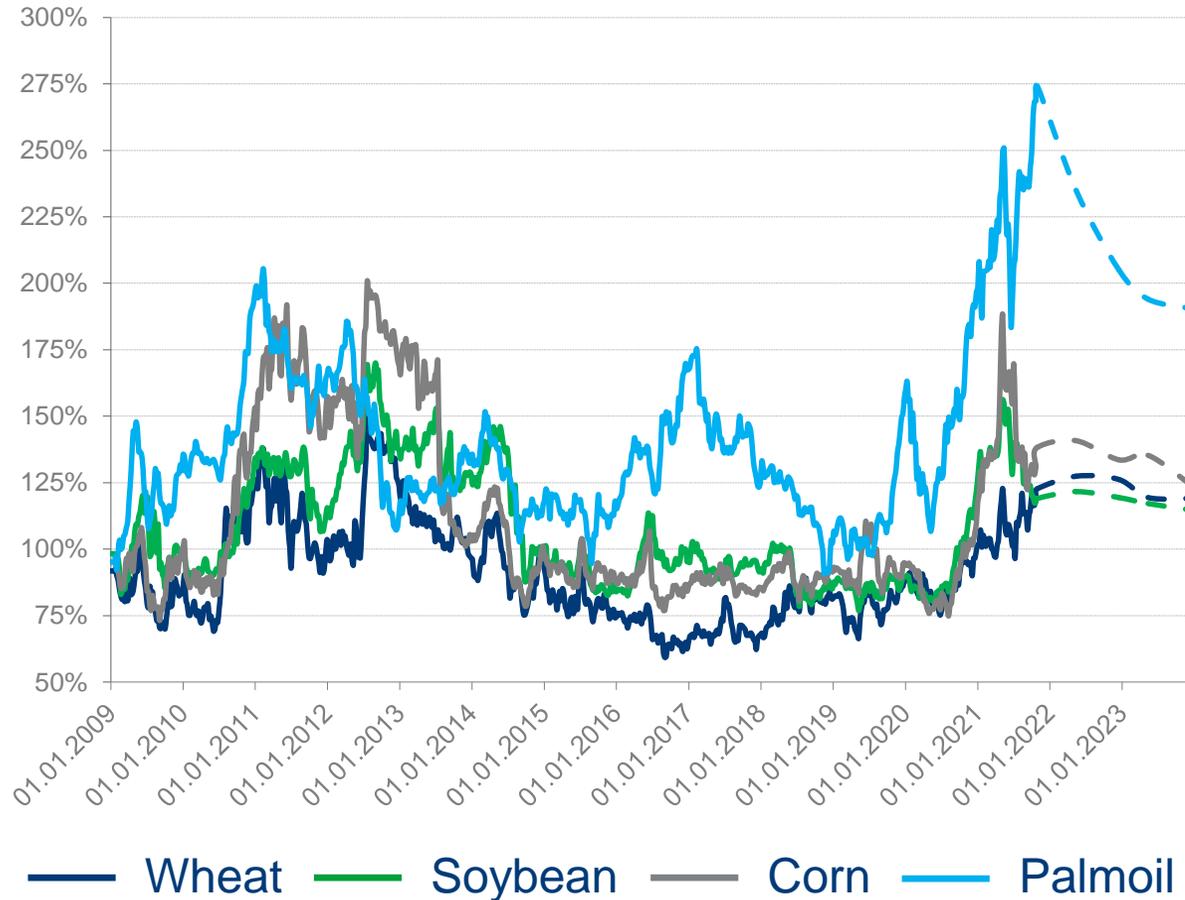
Financials (continuing operations)

€ million	Q3/2020	Q3/2021	%
Revenues	566	746	+32
<i>t/o Agriculture</i>	373	529	+42
<i>t/o Industry+</i>	193	217	+12
D&A	87	74	-15
EBITDA	25*	121	+384
Adj. net profit	-1,757	1,285	-
<i>t/o reversal of impairment losses on assets</i>	-1,792	1,420	-
Adj. EPS (€)	-9.18	6.71	-
<i>t/o reversal of impairment losses on assets</i>	-9.35	7.42	-
Operating cash flow	58	14	-24
Adj. FCF	-42	-69	-64
Capex	114	88	-23
NFD/EBITDA (LTM)*	5.7x	2.0x	-

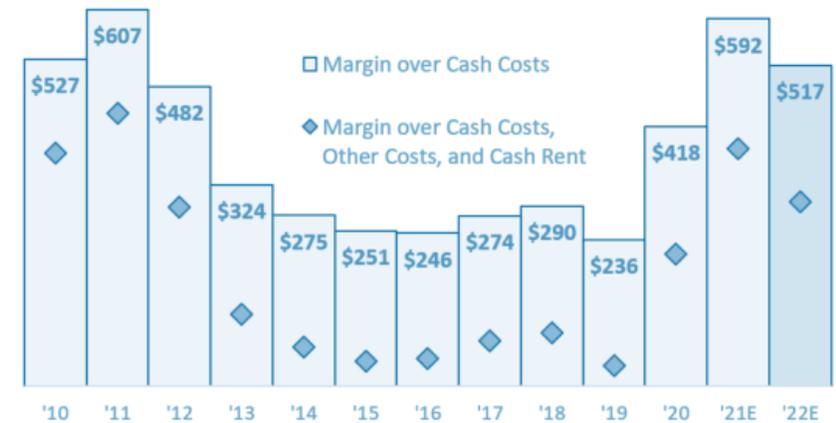
* excluding positive non-cash, one-off gain of €56 million

Affordability concerns? Farm economics still attractive!

Futures, indexed, Bloomberg, as of 4 November 2021



U.S. Corn Farmer Profitability Outlook per acre*



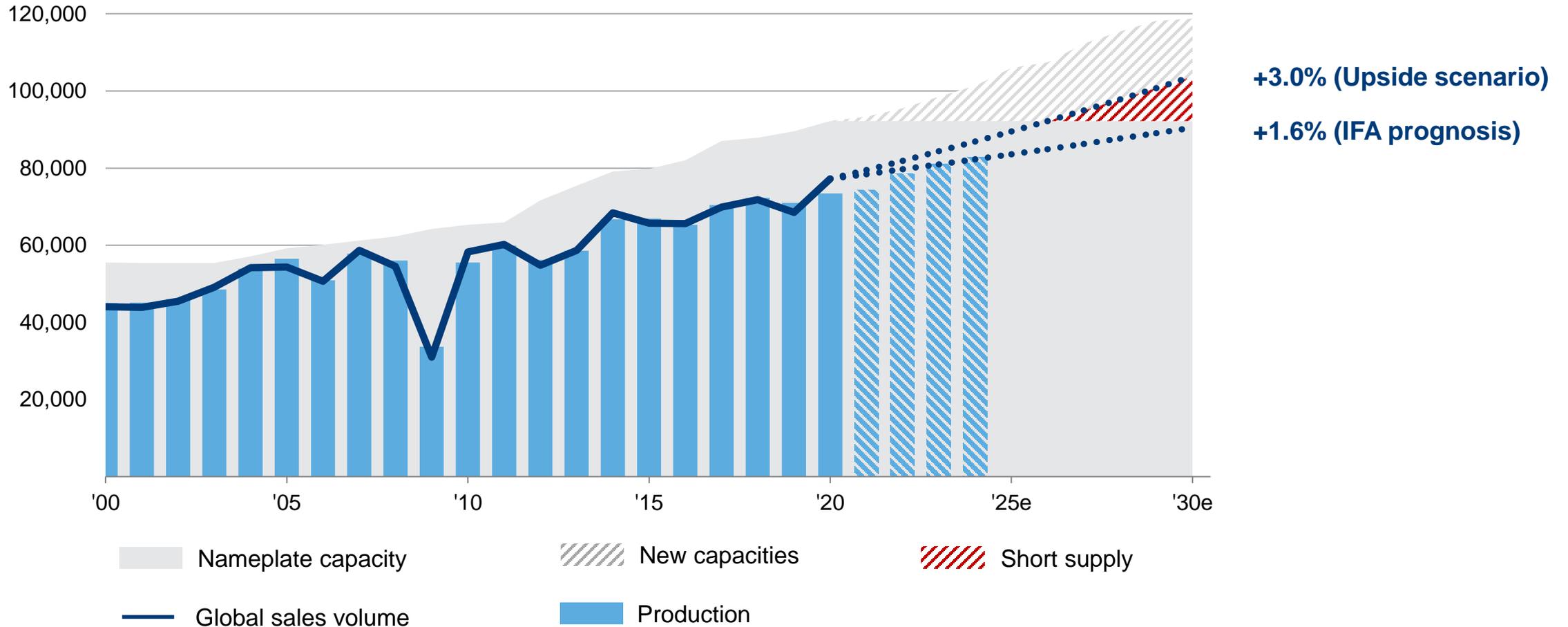
U.S. Soybean Farmer Profitability Outlook per acre*



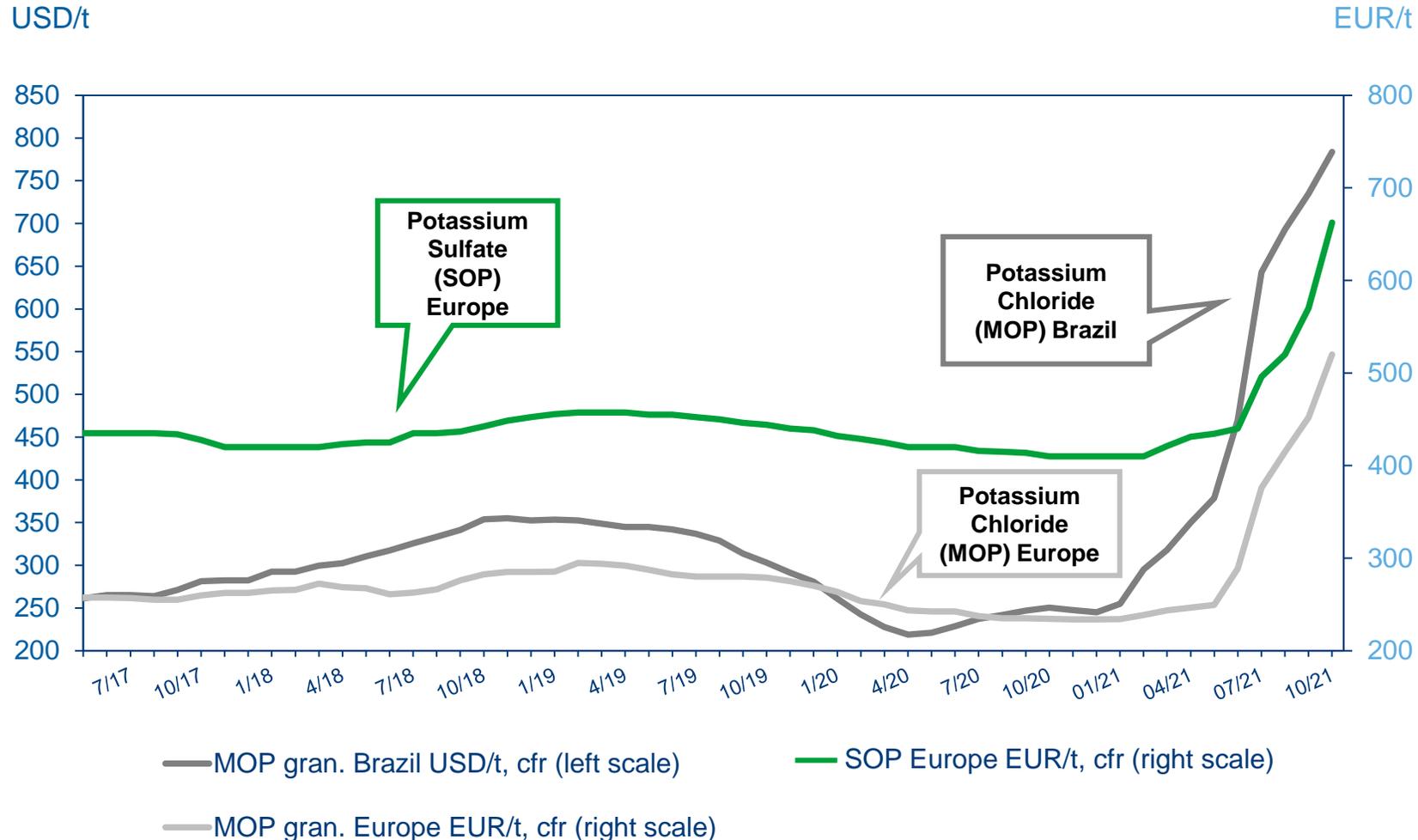
→ While farmer profitability is expected to decline in 2022 after the post-record level of 2021, mainly due to higher input costs, it should still be at an attractive level compared to recent years.

New potash capacities necessary to meet rising demand

thousand tonnes



Agriculture customer segment in Q3/21



Q3/2021

- Price hike in Brazil continued on the back of very strong demand
- Concerns about supply due to US sanctions against Belarus
- Positively influenced European and specialty market

Outlook 2021

- World potash sales incl. 5 mt specialties meanwhile expected slightly above last year's record level (2020: about 76 mt), further growth limited by supply
- FY ASP expected tangibly higher than 9M/21

Source: FMB Argus Potash

Q3 trading update: Industry+



De-icing salt business

- Strong performance in Q3
- Good early-fills business



Pharmaceutical industry

- Increase after COVID-19-related declines in previous year



Food service

- Still burdened by COVID-19-effects



Chemical industry

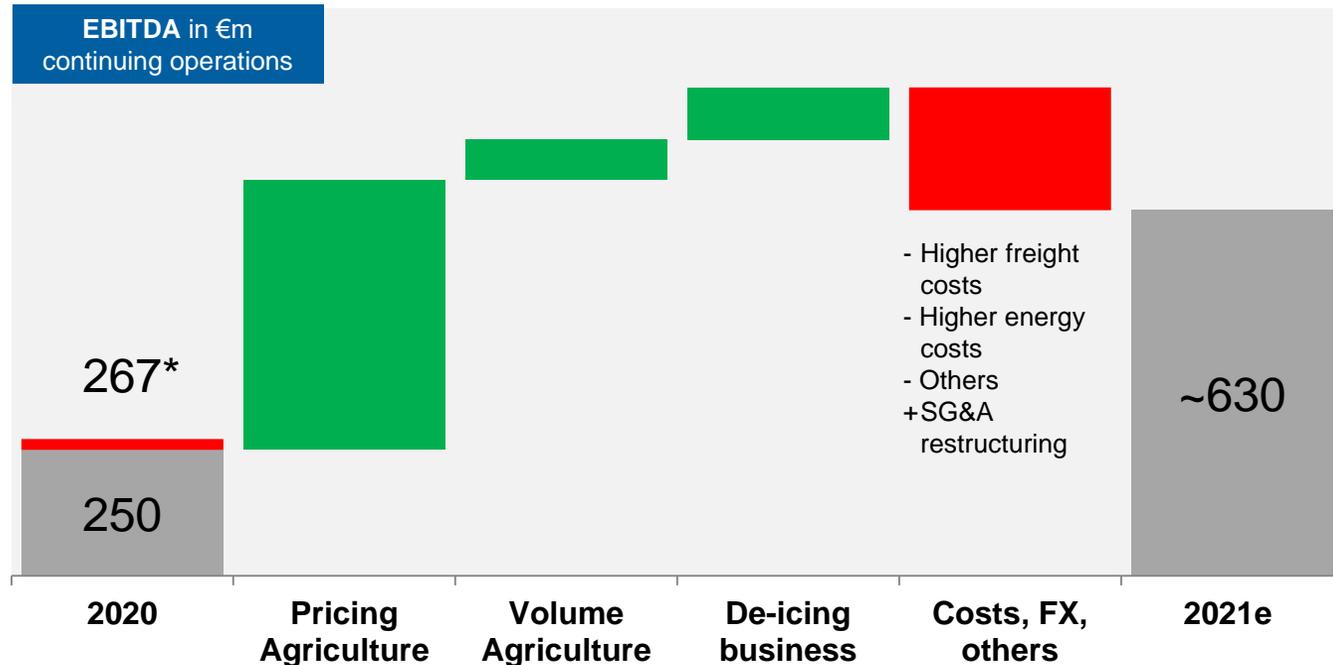
- Increase after COVID-19-related declines in previous year, higher prices for industrial potash



Consumer products

- Normalization after strong prior quarter benefitting from increased home consumption

2021 EBITDA outlook raised to €630 million



- Significantly higher average price in Agriculture product portfolio
- Sales volume in the Agriculture customer segment expected to be >7.5 million tonnes (2020: 7.3 million tonnes)
- Sales volumes in de-icing salt business: >2.6 million tonnes expected (2020: 0.9 million tonnes; normal year: 2-2.5 million tonnes)

FCF including cash-in from sale of the OU Americas expected significantly above €2 billion; excluding this, FCF now expected neutral in 2021 (2020: €-109.9 million)

Sneak preview 2022

- **EBITDA of €1 billion* in reach**
- **Significantly positive FCF**

Cost inflation included:

- freight rates, especially containers
- gas prices/energy costs
- price of raw materials, e.g. for pallets, packaging or maintenance material, also influencing capex
- personnel costs

Our new dividend policy

Current situation:

- Still high environmental expenditures
- K+S still in restructuring phase

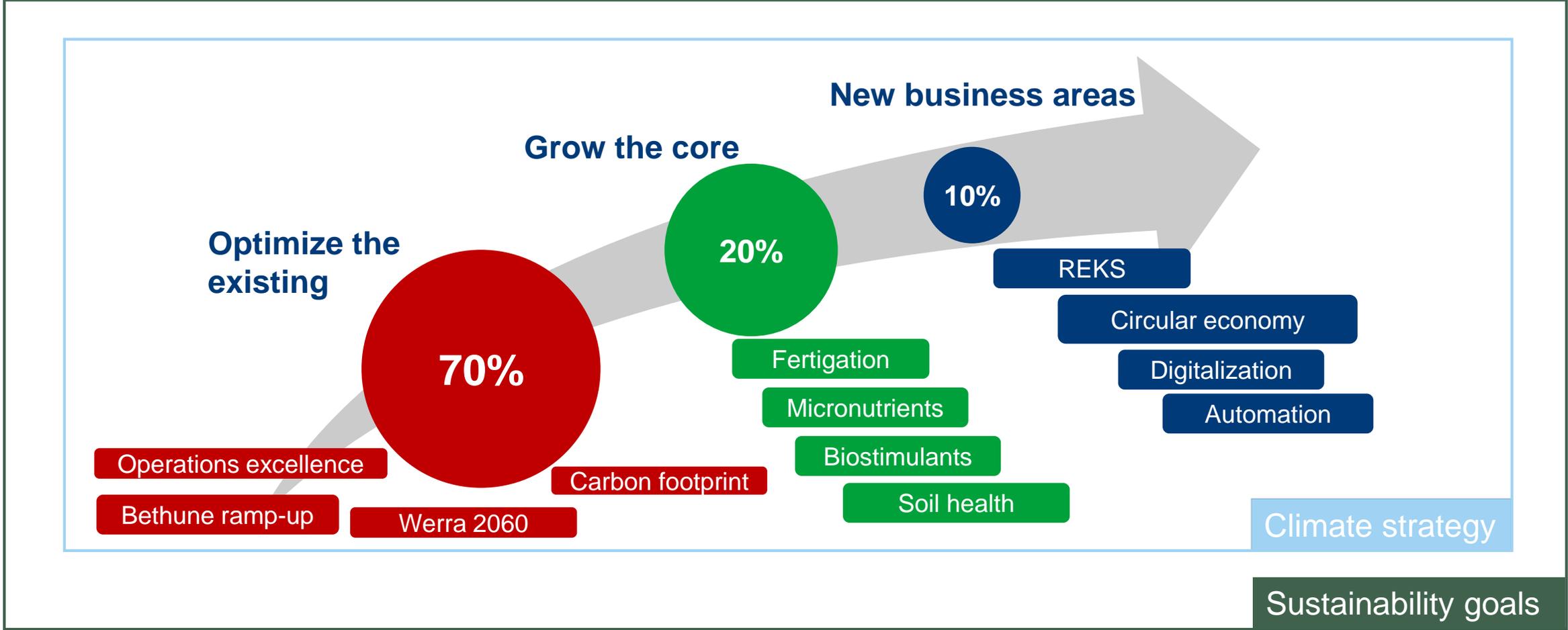
Considerations:

- Shareholders should participate in K+S's success through attractive dividend
- Strategic measures aimed at increasing total shareholder return
- The dividend policy is intended to:
 - ... provide continuity for shareholders
 - ... be easy to understand and clearly communicable
 - ... adequately signal and take into account the future years of ongoing restructuring
 - ... demonstrate a disciplined capital deployment policy

**Discretionary
premium**
upon balance
sheet structure,
outlook etc.

**Base
dividend:**
0.15 € / share

Guiding principles of strategy and management focus



- Financial ambition
- ROCE > WACC over a cycle of 5 years
 - At the same time, an EBITDA margin of more than 20% is targeted over this cycle
 - Positive free cash flow from 2023 even in the event of low potash prices

Strategic classification of salt business

Global market position of the continuing K+S salt business

- After sale of OU Americas, reduced global relevance and reach
- Risk of new competitors entering the market (e.g., Ciech, Varnitsa)
- Continued high dependence on de-icing salt business with simultaneous global warming
- Financial and management capacities still scarce:
 - ➔ **Focus on business areas with a better opportunity/risk ratio and greater importance for the overall portfolio**
 - Focus on **operational and tactical improvements**, e.g., portfolio, costs, efficiency
 - **Major strategic considerations** (market consolidation, opening up new markets, e.g., Asia) **are no longer in focus**

Bethune: Commodity site with cost leadership

70%

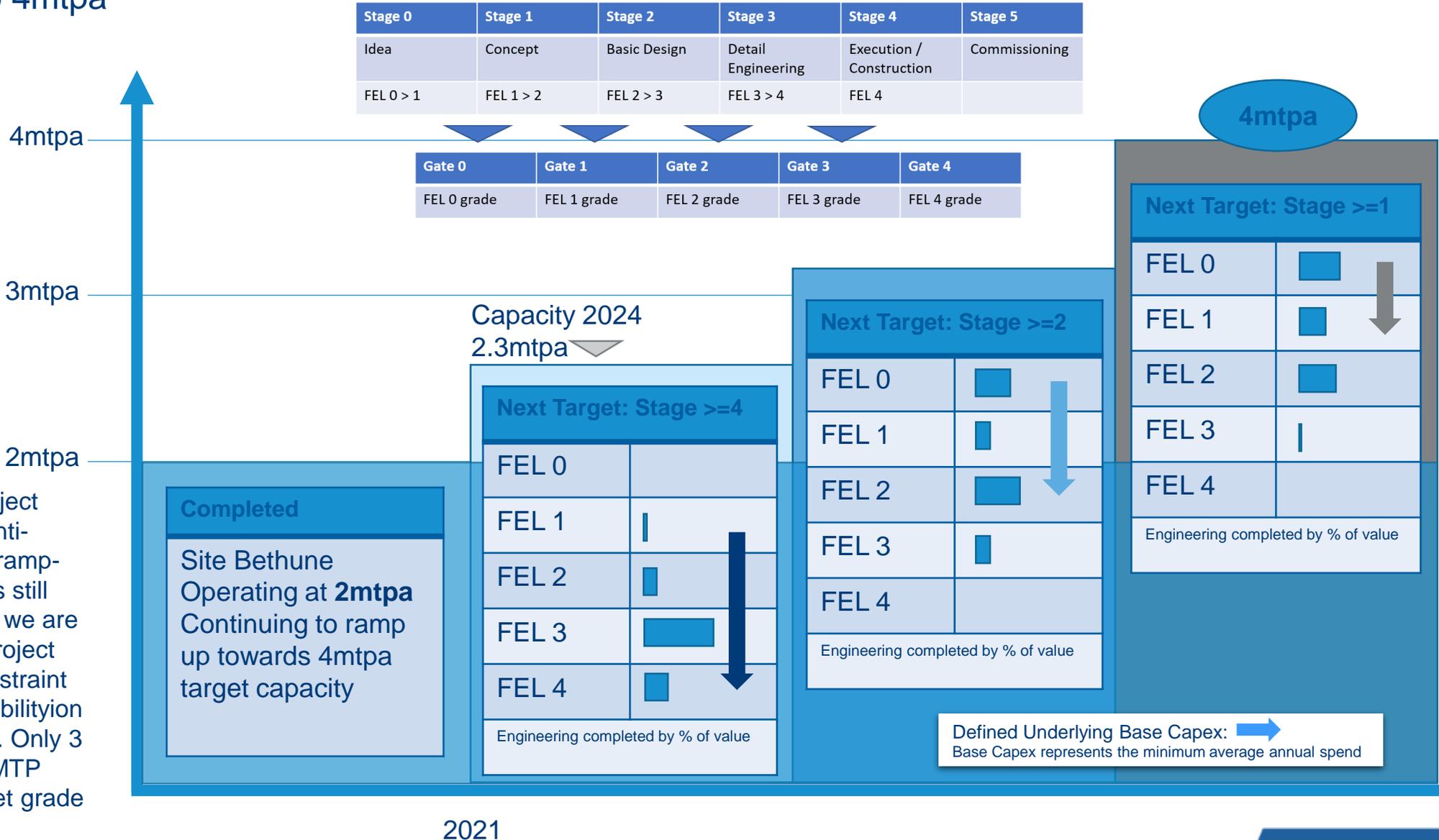


- **Growth on the way to 4mt pa** is achieved through secondary mining & cooling pond technology
- **Improvements in efficiency** through automation, start of secondary mining and reduction of energy input per tonne of end product
 - **Reduction of energy and water consumption** (introduction of technologies with low greenhouse gas emissions).
 - **Increased brine concentration**
 - **Improvement of plant components** in factory and loading operations
 - **Improve plant performance, availability, and capacity utilization (OEE)**
 - **Reduction of costs per cavern**

Bethune

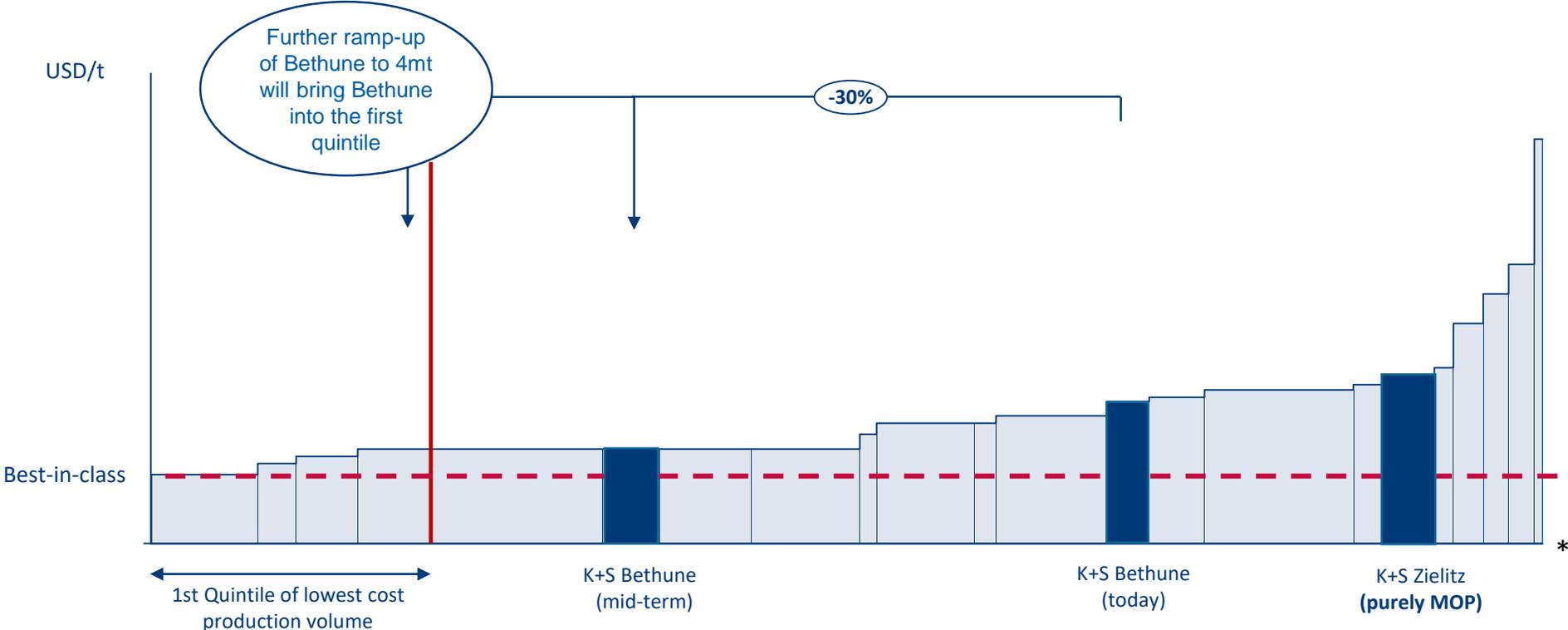
Ramp-up to 4mtpa

Timing: This project represents a continuous capacity ramp-up. Since K+S is still cash constrained, we are managing the project from a cash constraint budget with flexibility on completion time. Only 3 years forward (MTP cycle) are budget grade



2021

Site costs (FOB) in comparison



Source: CRU Report 2019, K+S

* column width = production capability in million tonnes

Continuous ramp-up of Bethune increasingly improves our cash costs and thus our competitive position

Zielitz:

Clear focus on potash products

70%



- **Focus on innovative strategic future projects and concepts:**
 - **Operations Excellence (cash cost reduction)**
 - **Autonomous mining** and process control systems
 - **Renewable energy**, H₂ and CO₂ infrastructure
- **Expansion of KCl 99** to become the industry leader in this specialty
- **Feasibility studies for expansion into other specialties**, such as pharma KCl, SOP, NOP

Werra:

World's largest potash, magnesium and sulphur specialties plant



1. Optimize portfolio

- Maximize **CMS** (Epsom Salt)
- Increase **granulated products**
- Increase of **SOP** production
- **New specialties**, incl. green fertilizers

2. Future proof

- Increase **extraction rate**
- Reduce **process water**
- Reduce **solid by-products**
- Reduce **energy consumption**
- Reduce **CO₂ emissions**

3. Licence to operate

- Improvement of the **permit situation**
- **Tailings pile coverage**

Neuhof:

Specialties plant for the European market



Increase plant lifetime

1. Efficiency

- Increase **extraction rate**
- Reduction in **chemical consumption**
- Increase **own power generation**
- Reduce **energy usage**

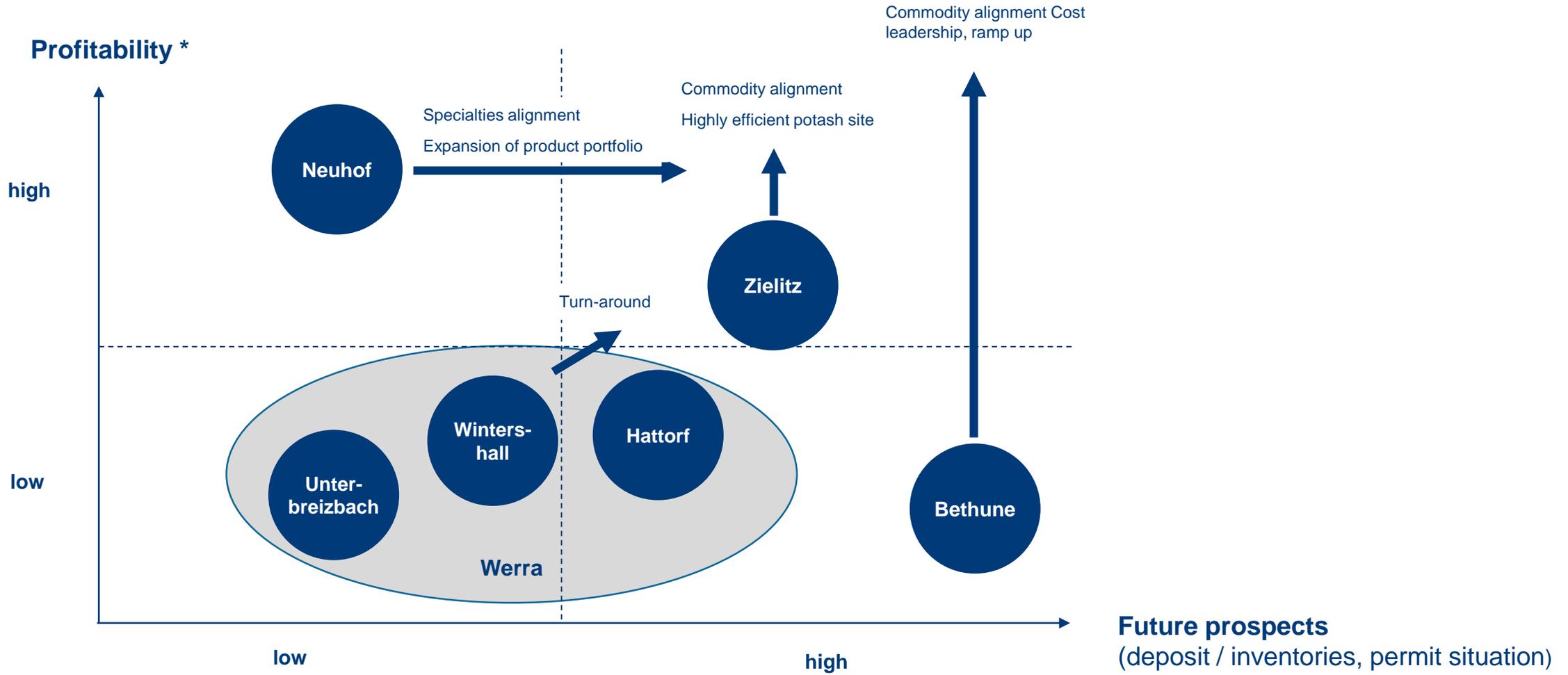
2. Optimize portfolio

- Increase **kieserite production**
- Increase **granulated products**

3. Future proof

- Improvement **CO₂ footprint**
- **Tailings pile coverage**

Strategic direction of the potash primary sites



* based on 2020 results

Centers of excellence for focus topics

	Bethune	Zielitz	Neuhof	Werra
Increase extraction rates			X	
Autonomous mining		X		
Process automation	X			
Energy efficiency and CO ₂ footprint reduction	X			
New business models e.g., CO ₂ , H ₂ , energy		X		

Optimization of K+S salt sites

Generally

- **Focus on cost optimization; manage capex at base level; maintenance and operational improvement measures with ROI \leq 3 years**

Shaping concepts for commodity vs. specialty sites

- Concentration of de-icing salt volumes at low-cost sites
- Optimization logistic concept including reduction of warehouses/network
- Focus on industrial salt at Frisia Zout

Ashburton:

- K+S Salt Australia is currently working on the final feasibility study for the project. The report should be available shortly.
- We also expect the environmental and mining permits for the project by the end of this year.
- Consensus estimates that the potential annual salt production of the Ashburton project would be around 4.5mt p.a. with USD 400mn project costs to complete.
- After having the permits and results of the feasibility study, management will decide according to the strategic classification of the salt business: invest or sell the project at a premium.

Operations Excellence at K+S: Sales, Marketing and Supply Chain

Digitalization throughout the value chain

Application and use of cloud data and AI-based algorithms

- Improve net backs (e.g. pricing, product allocation)
- Production planning (margin optimized production portfolio)
- Sales and service Platforms for agriculture (e.g. roll out MY K+S)

Product Offering and Portfolio

Portfolio expansion with higher value specialities for both Agriculture and Industry

- Grow industrial potash, e.g. KCl 99, Epsom salt, Pharma KCl
- Value-adding product variations based on the existing portfolio, e.g. green potash, improved applicability, water-soluble fertilizers, value-adding blends

Regional Expansion

Establish local sales offices in selected regions, increased grass root activities, agronomical services

- Getting closer to the customer in selected markets

Supply Chain Excellence

Efficiency gains in supply chain and logistics

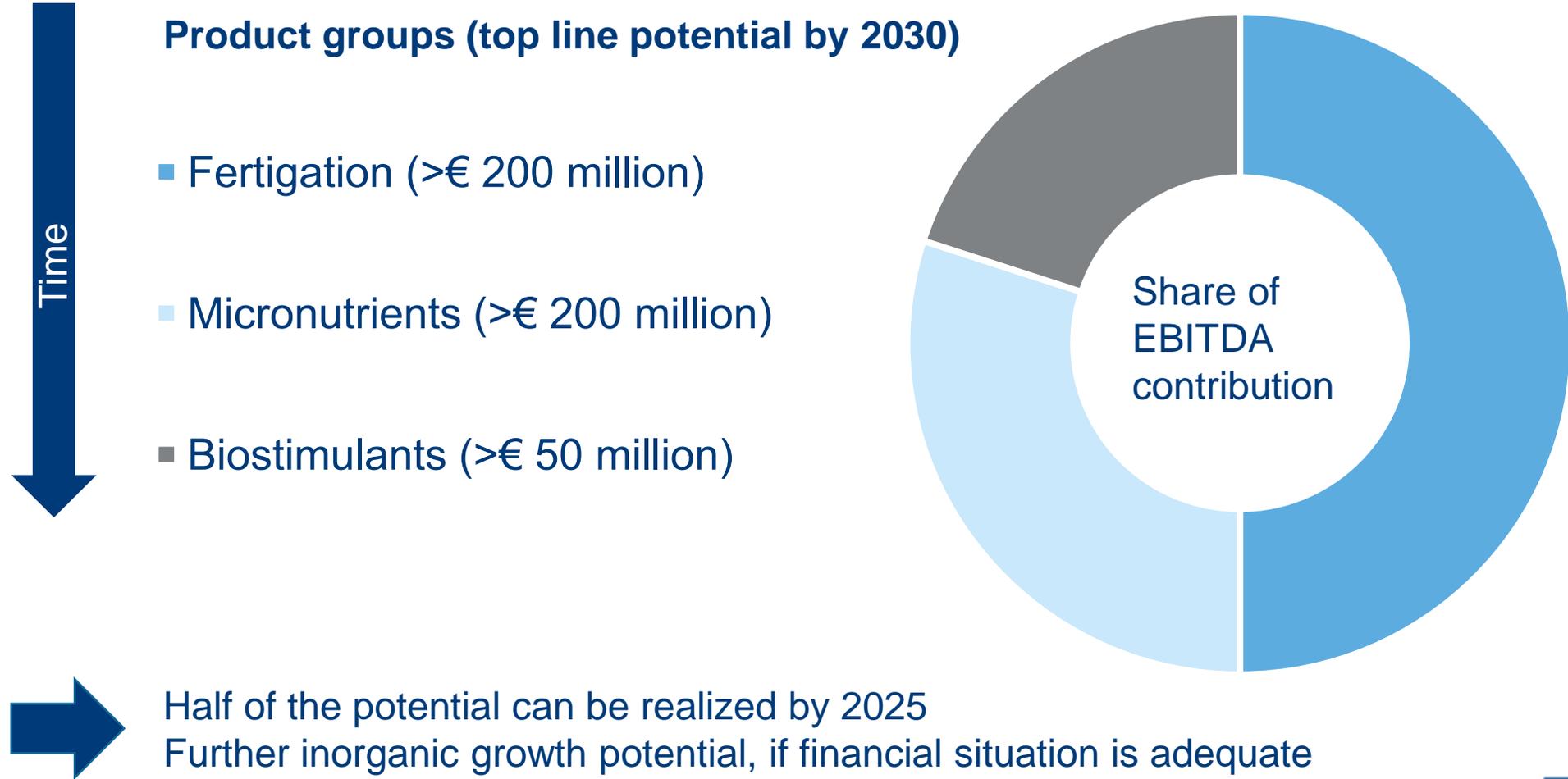
- Optimization of our logistics and supply chain network, e.g. warehouse optimization
- Working capital improvements through planning and supply chain optimization

Share of additional EBITDA contribution by 2023



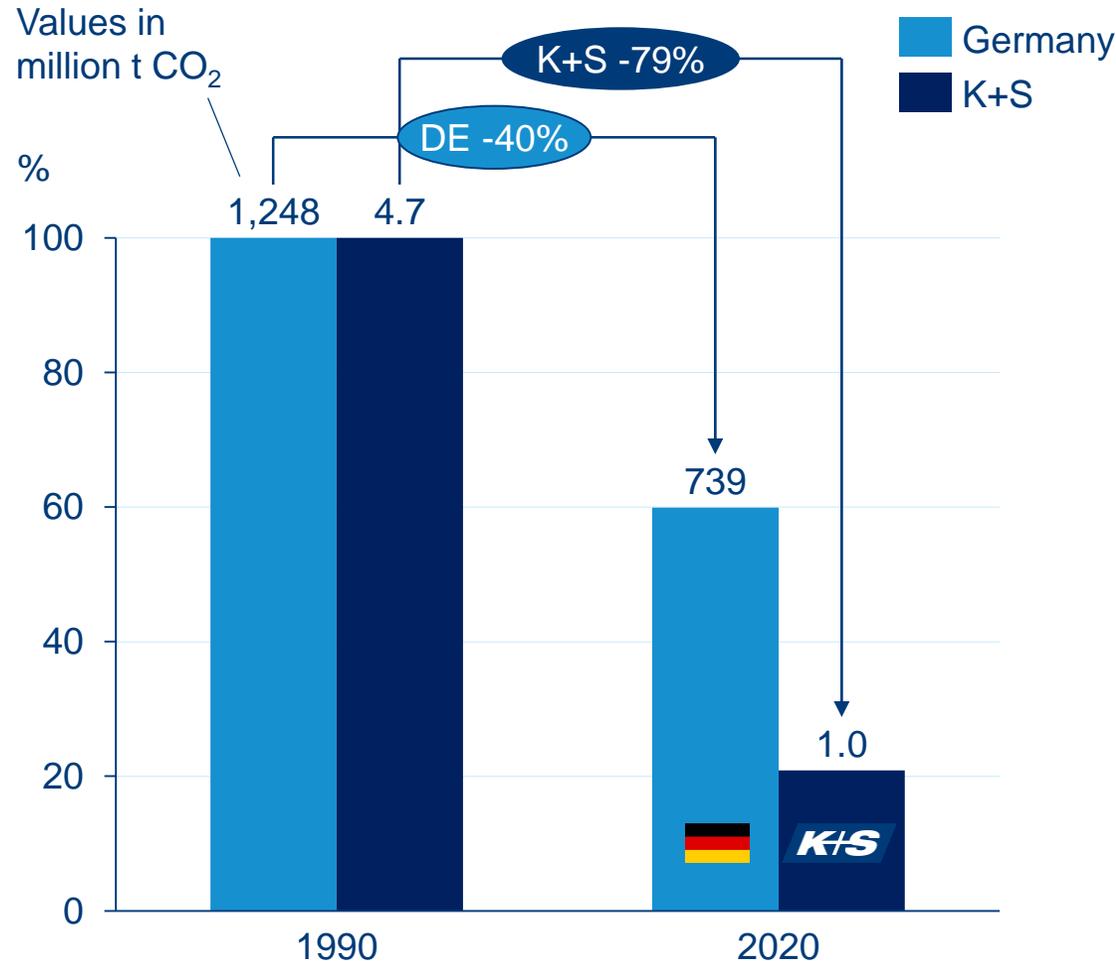
Grow the core: Contribution of the product groups

20%



K+S Climate Strategy

80% reduction of GHG emissions (1990 – 2020) already achieved by a change of fuels, increase of energy efficiency and closing of sites



Short-term goal:

Introduction of a “K+S climate protection fund” from 2022 to reduce our CO₂ emissions.

Mid-term goal:

Reduction of our CO₂ emissions by 10% by 2030 compared to 2020.

Long-term goal:

K+S supports the goals of the "Paris Agreement": Climate neutrality in 2050 can be achieved with a supportive regulatory framework. K+S therefore calls for a worldwide **level playing field** (until then carbon leakage protection is required), strong energy **infrastructure**, transitional **funding** and **affordable renewable energies**.

(Note: The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C.)

Housekeeping items / Financial calendar

Additional information on 2021 FY outlook – continuing operations

- Tax rate: 30%
- Financial result: on the level of last year (2020: €-106m)
- CapEx: < €400m (2020: €428m)
- D&A: ~€300m

Financial calendar

Citi's Basic Materials Conference (virtual) – IR	1 December 2021
Scotia Bank Asian Pacific Roadshow (virtual) – CEO	8 December 2021
Scotia Bank US Roadshow (virtual) – CEO	9 December 2021
Kepler Cheuvreux German Corporate Conference (virtual) – CFO	18 January 2022

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