



4 June 2020

K+S Aktiengesellschaft

# dbAccess Berlin Conference

**Dirk Neumann**

Head of Investor Relations

**Alexander Enge**

Investor Relations Manager



# Social contribution

We ensure the supply of essential goods with our products.

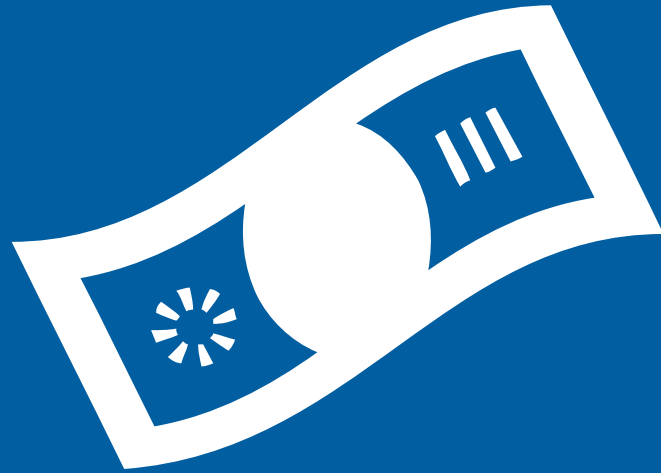
- High-purity pharmaceutical salts for medicine and use in dialysis and infusions
- Potassium salts for the preparation of a wide range of medicinal products
- Salts for the production of disinfectant materials, soaps and chlorine
- Table salt for food production
- Salts for feed and animal nutrition
- Potassium fertilizers for the agricultural production of food
- Waste disposal services with underground recovery and disposal



# Operational Measures

- Corona prevention teams established
- Shift times shortened and staggered
- Number of shift interactions reduced
- Respiratory masks used when in close proximity (e.g. when entering or leaving a mine)
- Gloves also used when operating machines and vehicles
- Additional disinfectant dispensers installed
- Rules of conduct sent to 3,000 suppliers
- External truck drivers only leave vehicle to secure loads
- → **Limited impacts on production**
- → **Supply chains stable**

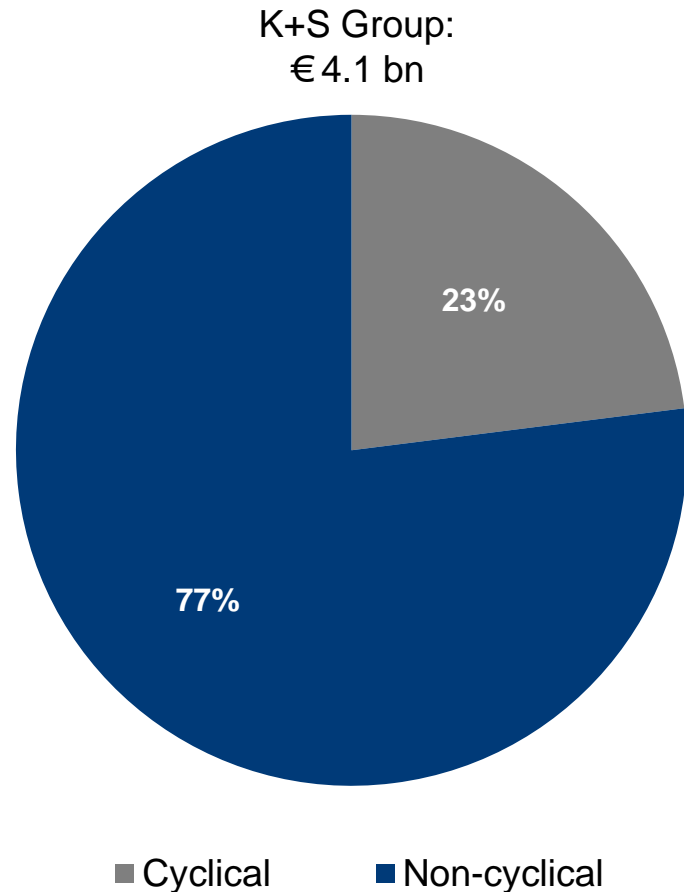
# Currently sufficient liquidity situation



- Short-term access to financial markets difficult due to Corona
- Sufficient leeway in our credit line agreed with banks
- Examination of government support programs to further secure short-term liquidity
- The next major financing instruments are due in May 2021

# K+S: Revenue exposure to GDP cycles

77% of group revenues are non-cyclical



**Non-cyclical:**  
Potassium Chloride  
Fertilizer Specialties  
De-icing  
Pharma  
Food, Culinary  
Complementary  
Animal Nutrition

**Cyclical:**  
Chemical  
Water softening  
Water and Pool  
Oil and gas  
Others

# Complete Sale OU Americas on schedule



## Unique position in the salt market

- Leading brands with high emotional customer loyalty
- Established customer-oriented network with 29 locations in North America and cost-effective production in South America
- Revenues: EUR 1.5 billion (2019)
- EBITDA: EUR 230 million (2019)
- Stable cash flows

- 
- Broad portfolio of interested parties
  - Investment banks mandated
  - Signing expected in 2020
  - Sale process is proceeding according to plan so far despite current conditions with regards to Covid-19
  - Present market conditions are no obstacle for the current phase of the process

# Realigning of K+S has started



- Restructuring project of administrative functions started
- Focus on the core business by selling non-core activities
- Future-oriented solutions in the environmental sector
- Capital expenditure under review
- Sustained positive free cash flows at all German production sites

➤ **The new K+S: lean and performance-oriented with a solid financial base**

# K+S: Focus remains on strengthening the balance sheet

Dec. 2019:

Net financial liabilities: EUR 3.1 billion

Net financial liabilities/EBITDA: 4.9x



Sale of OU Americas

OU Europe+ measures

Restructuring



## End of 2021

- Reduction of net financial liabilities by significantly more than €2 billion
- Stable cross over rating targeted



# Growth Areas

## K+S Growth Landscape

### Geo-expansion

Africa



Asia



### Fertilizer

Increase of fertilizer specialties



Ramp of low-cost commodities (Bethune)

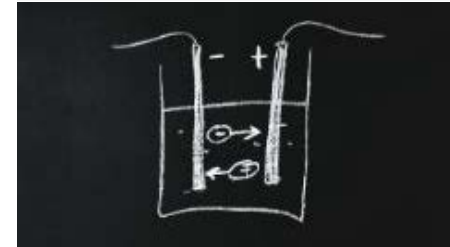


### Industry

Expand Pharma & Food portfolio



Chemical applications



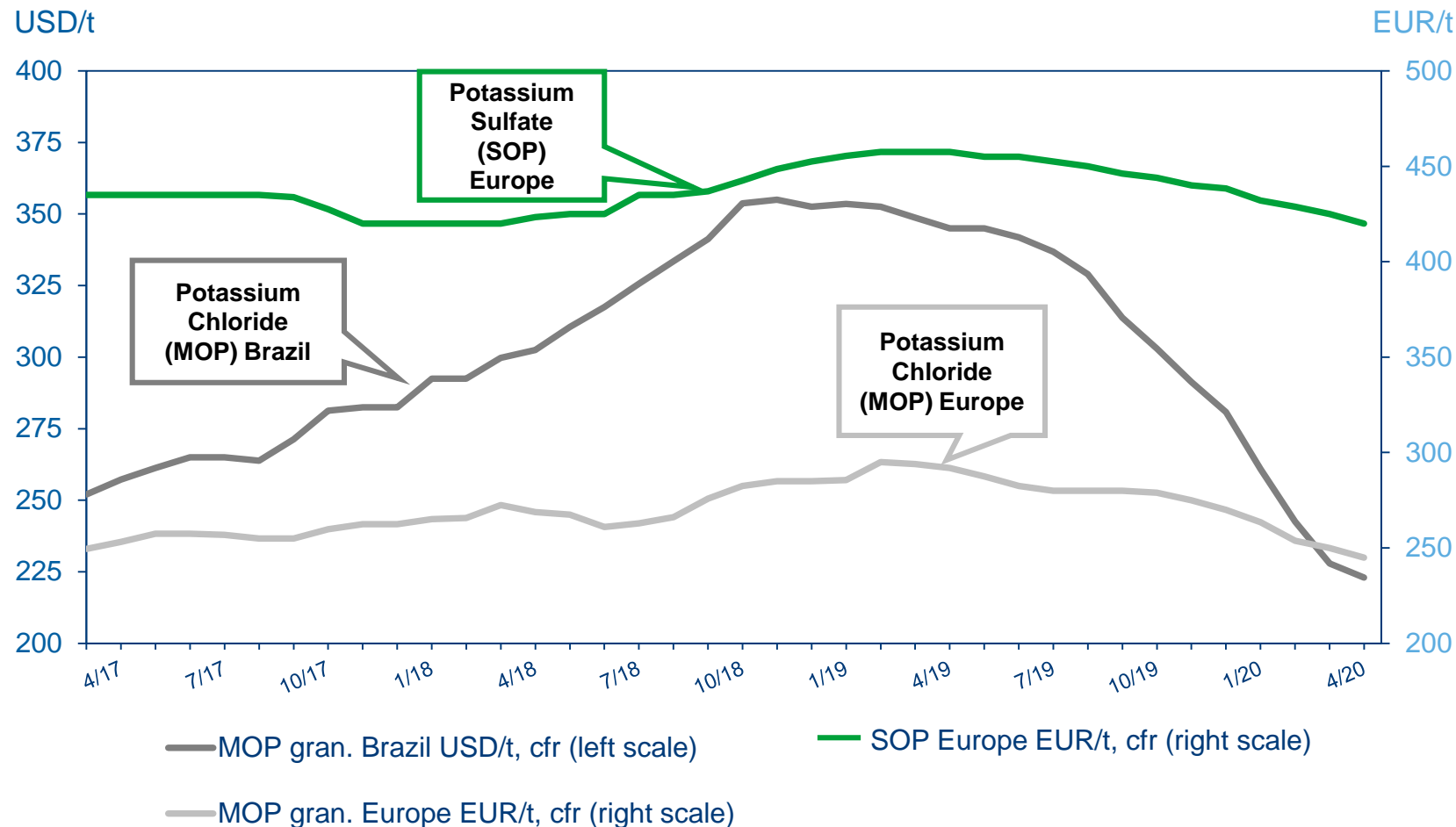
Growth areas and ideas cover core and adjacent businesses

# Current market assessment

# Customer Segment Agriculture



Stable specialty business and regional diversification paying-off



## Q1 2020

- Good spring fertilization in Europe due to favorable weather conditions
- High demand in Brazil
- Demand rebound in the USA
- Weak demand in SEA

## Outlook

- MOP prices bottoming out
- China contract gives price orientation and ensures higher utilization
- Overall normal SOP demand in Europe and stable prices

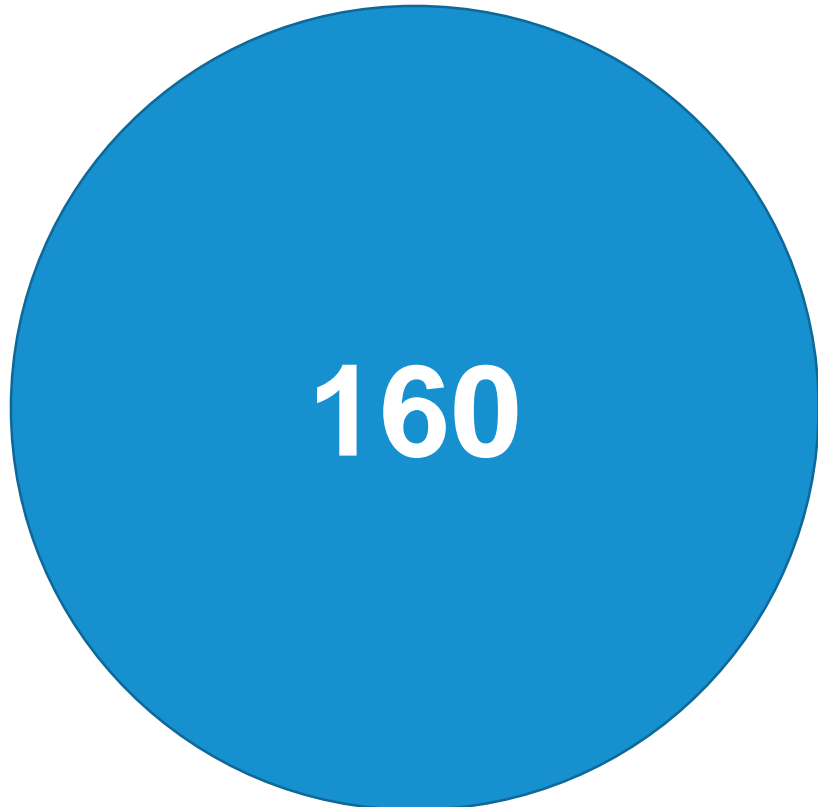
Source: FMB Argus Potash

# Customer Segment Agriculture



Between plan and Reality: Potash projects announced since 2006 (Greenfield)

Announced projects or in early development phases



Projects with a high probability of implementation by 2025



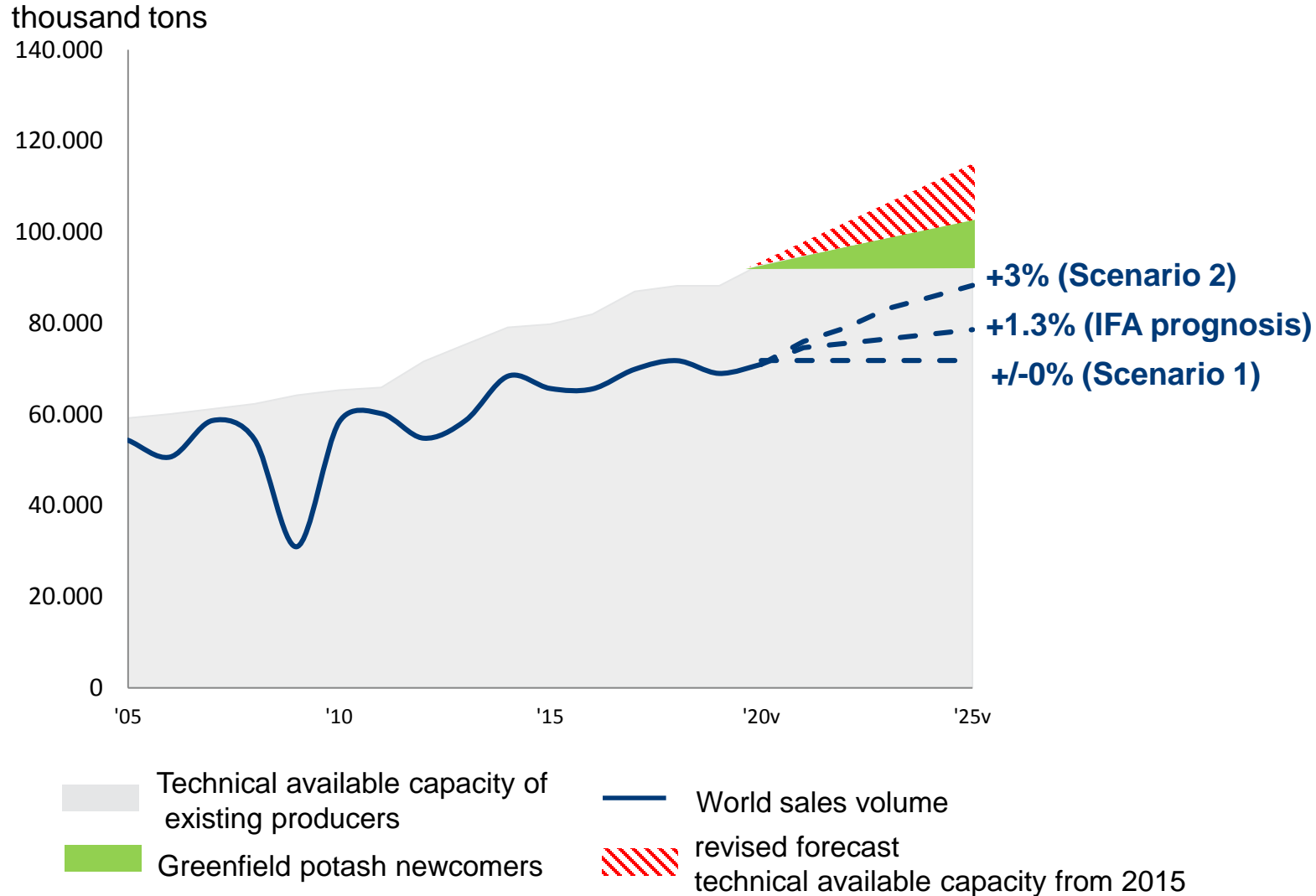
Projects in ramp-up phase



# Customer Segment Agriculture



What is behind the greatly feared oversupply?



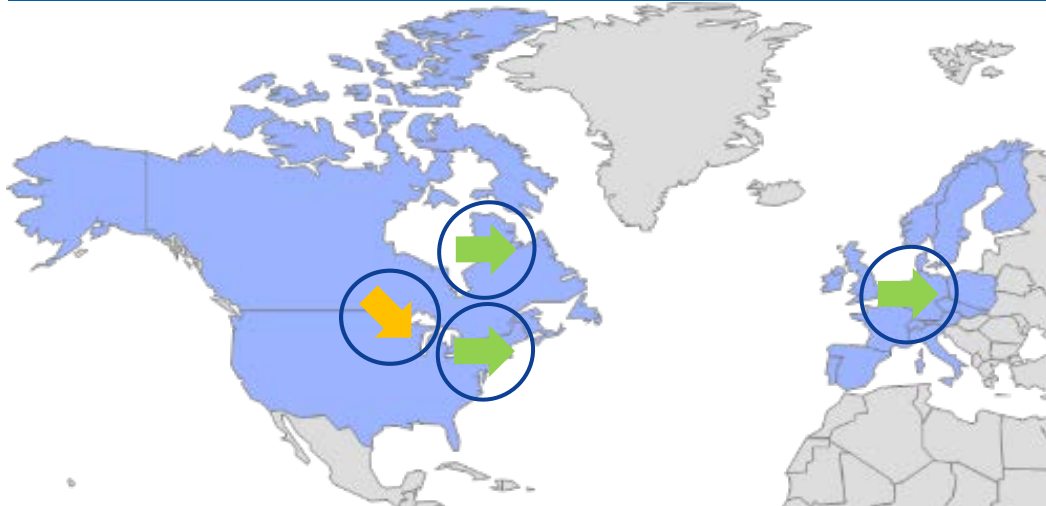
- Only 5 years ago, the technically available capacity in 2025 was estimated to be 12 million tons higher than today
- Even now, greenfield projects by potash newcomers will still account for a significant share of the total until 2025
- Non-utilization of capacity by existing producers not taken into account
- Global capacity load should level off at the long-term average by 2025

Source: IFA, K+S; including potassium sulfate and potash varieties with a lower K<sub>2</sub>O content of about 5 million tonnes eff.

# Trading update: Communities



## Pricing trends in customer segment Communities



### Q1/20 update:

- Sales volume almost 50% below the high level of the previous year.

### Outlook:

- High customer inventory levels
- However, multi-year contracts help us to keep prices stable
- Some contracts in higher price regions (e.g. Canada) already settled at the end of 2019
- For Q4/20 we expect prices to decline moderately yoy across all regions
- Expected sales volumes ~ 8 million tonnes for 2020 (Ø-year: 12.5 – 13.0 million tonnes)

# Current Trading Customer Segments Industry + Consumers

## Industry



- Broad portfolio of products containing potassium- and salt
- Broad variety of industries supplied
- Resilience against GDP drop

## Consumers



- Good progress in the rollout of the German premium table salt brand Saldoro®
- Stable or even higher demand situation in times of Covid-19

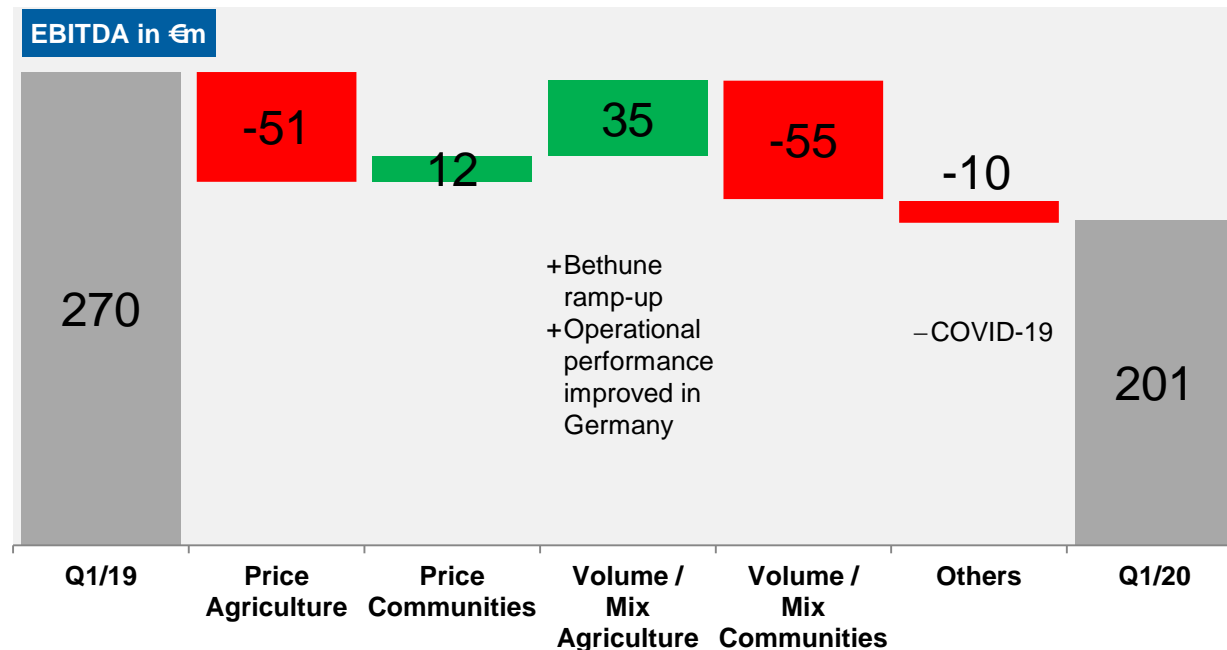
# Financials



# Strong Q1/20 EBITDA despite difficult market environment

## Highlights

- Q1/20 **EBITDA** down to € 201m (Q1/19: € 270m)
- FCF** € 204m in Q1/20
- COVID-19**: Minor efficiency losses due to protective measures and short shutdowns of small sites

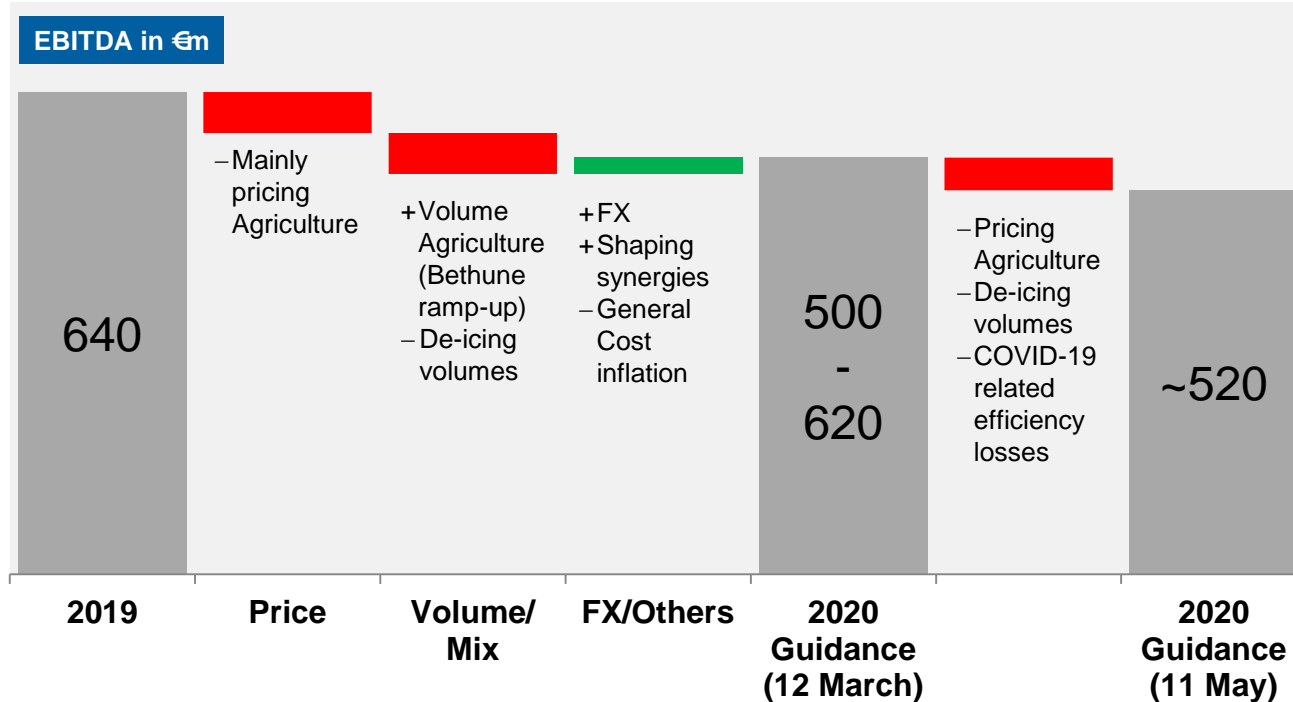


## Financials

€million	Q1/19	Q1/20	%
Revenues	1,264	1,089	-14
<i>t/o Europe+</i>	692	645	-7
<i>t/o Americas</i>	571	444	-22
D&A	100	108	+8
EBITDA	270	201	-26
<i>t/o Europe+</i>	177	114	-36
<i>t/o Americas</i>	108	102	-5
Adj. net profit	108	26	-76
Adj. EPS (€)	0.56	0.13	-76
Operating cash flow	324	255	-21
Adj. FCF	233	204	-12
CapEx	73	88	+21
NFD/EBITDA (LTM)	4,6x	5,1x	-

# Outlook 2020<sup>1</sup>

<sup>1</sup>Impacts from Corona-related shutdowns not included;  
no effects from restructuring or sale of OU Americas included



## Main assumptions

- FY/20 Agriculture ASP expected to be slightly above Q1/20 level (€239/t)
- Below average de-icing salt business across all regions
- Stable earnings for Industry and Consumer segment expected
- Positive Shaping effects should slightly overcompensate for cost inflation
- COVID-19-related efficiency losses due to protective measures

We expect free cash flow to be at **break even**

# Appendix

# Housekeeping Items / Financial Calendar

## Additional information on Outlook FY 2020

- Tax rate: ~30%
- Financial result: ~€-140m-€-150m
- CapEx: significantly up
- D&A: ~€450m
- Reconciliation (EBITDA): €-60m to €-80m
- Customer segment Agriculture:  
Sales volume: >7.0mt (2019: 6.3mt)
- Customer segment Communities:  
Sales volume: ~8mt (2019: 12.7mt)

## Financial Calendar

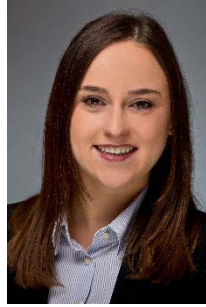
K+S (virtual) Annual General Meeting, Kassel

10 June 2020

# IR Contact Details



**Dirk Neumann**  
Head of Investor Relations  
Phone: +49 561 / 9301-1460  
Fax: +49 561 / 9301-2425  
d.neumann@k-plus-s.com



**Christiane Martel**  
Roadshow Management  
Phone: +49 561 / 9301-1100  
Fax: +49 561 / 9301-2425  
christiane.martel@k-plus-s.com

**K+S Aktiengesellschaft**  
Bertha-von-Suttner-Str. 7  
34131 Kassel (Germany)

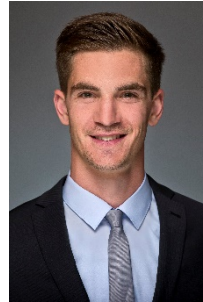
e-mail: [investor-relations@k-plus-s.com](mailto:investor-relations@k-plus-s.com)  
homepage: [www.kpluss.com](http://www.kpluss.com)  
IR-website: [www.kpluss.com/ir](http://www.kpluss.com/ir)



**Julia Bock, CFA**  
Senior Investor Relations Manager  
Phone: +49 561 / 9301-1009  
Fax: +49 561 / 9301-2425  
julia.bock@k-plus-s.com



**Lutz Ackermann**  
Senior Investor Relations Manager  
Phone: +49 561 / 9301-2422  
Fax: +49 561 / 9301-2425  
lutz.ackermann@k-plus-s.com



**Alexander Enge**  
Investor Relations Manager  
Phone: +49 561 / 9301-1885  
Fax: +49 561 / 9301-2425  
alexander.enge@k-plus-s.com



**Janina Rochell**  
Investor Relations Manager  
Phone: +49 561 / 9301-1403  
Fax: +49 561 / 9301-2425  
janina.rochell@k-plus-s.com

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