



13 March 2020

K+S Aktiengesellschaft

# UBS Roadshow, Frankfurt

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## New focus

- Complete sale of OU Americas
- Comprehensive realignment and restructuring of K+S
- Noticeable cost reduction
- Advanced efficiency and productivity measures
- Future-oriented solutions in the environmental sector
- Sustainable positive free cash flow contribution from all sites

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

# Complete Sale OU Americas



## Unique position in the salt market

- Leading brands with high emotional customer loyalty
- Established customer-oriented network with 28 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
  - Initial talks held
  - Investment banks mandated
  - Signing expected in 2020

# Restructuring and crystallizing values



- **Bethune is an integral part of the company's future asset sale currently **not planned****
- Restructuring of administrative functions
- Focus on the core business by selling non-core activities (e.g. Sale of Baltic Train or K+S Entsorgung Schweiz)
- Future-oriented solutions in the environmental sector
- Capital expenditure under review
- Sustained positive free cash flows at all German production sites

# 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



## Most important work done



**Increased product quality in Bethune**



**Avoided shutdowns caused by wastewater**



**Generated significant positive free cash flow**



**Leveraged synergies of EUR >100 million**



## Deterioration of conditions in the second half of the year



Sluggish demand for potassium chloride overseas



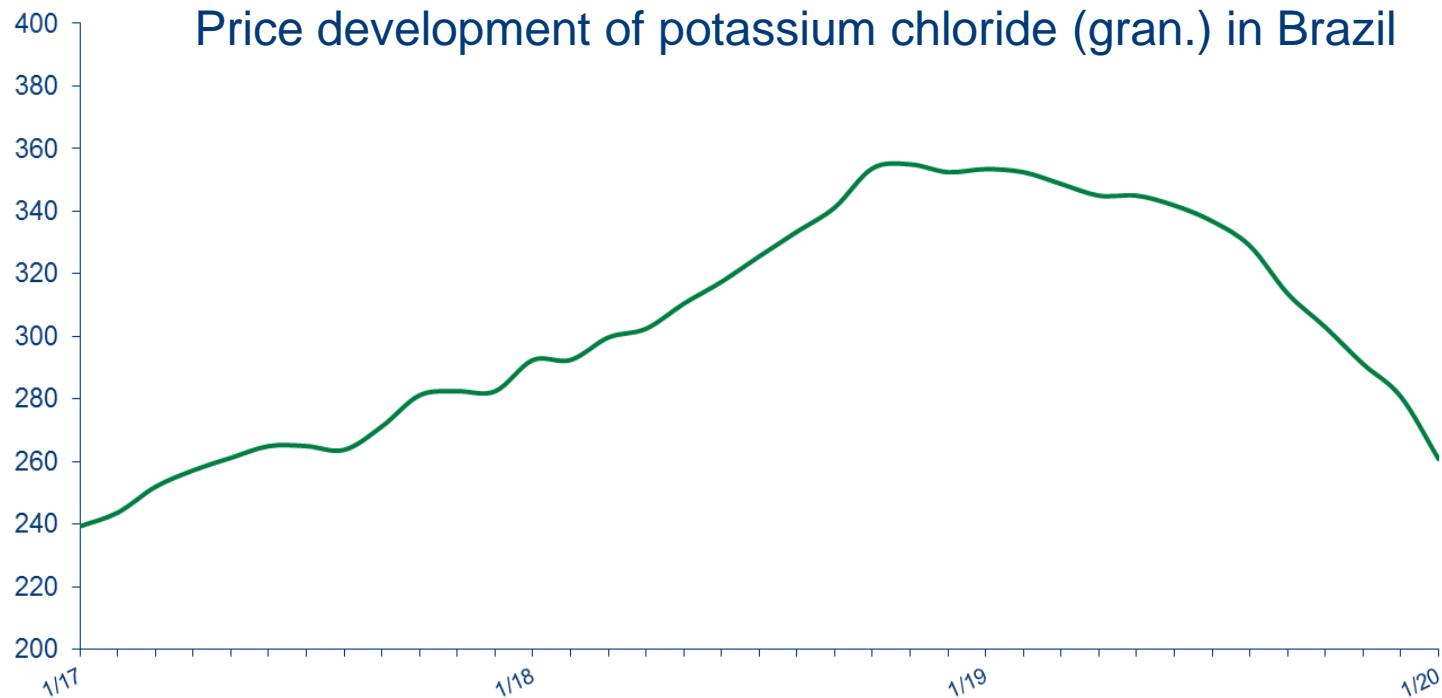
Production cutbacks in the entire potash industry



Winter below expectations

# Difficult business environment for potassium chloride

USD/t



Source: Argus Media FMB

## H1 2019

- Good global demand for potassium chloride despite unfavorable weather conditions; almost stable price level after significant increases in the course of 2018

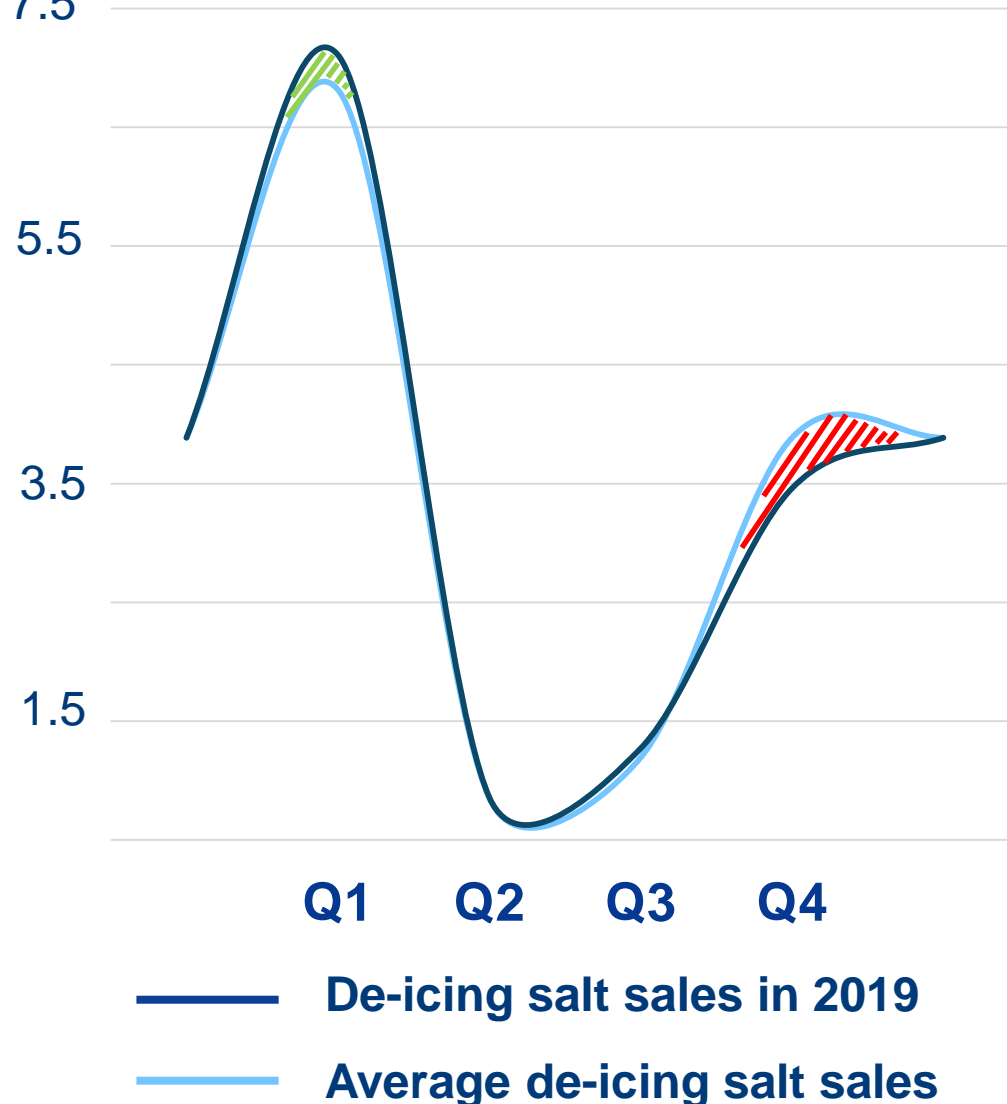
## H2 2019

- Persistent geopolitical turbulence
- Temporary import stop in China
- Subdued overseas demand for potassium chloride and, as a result, price decreases
- **Own production cuts of 0.6 million tonnes, potash industry 3-4 million tonnes**



# Winter above average in Q1, below average in Q4

Million t 7.5



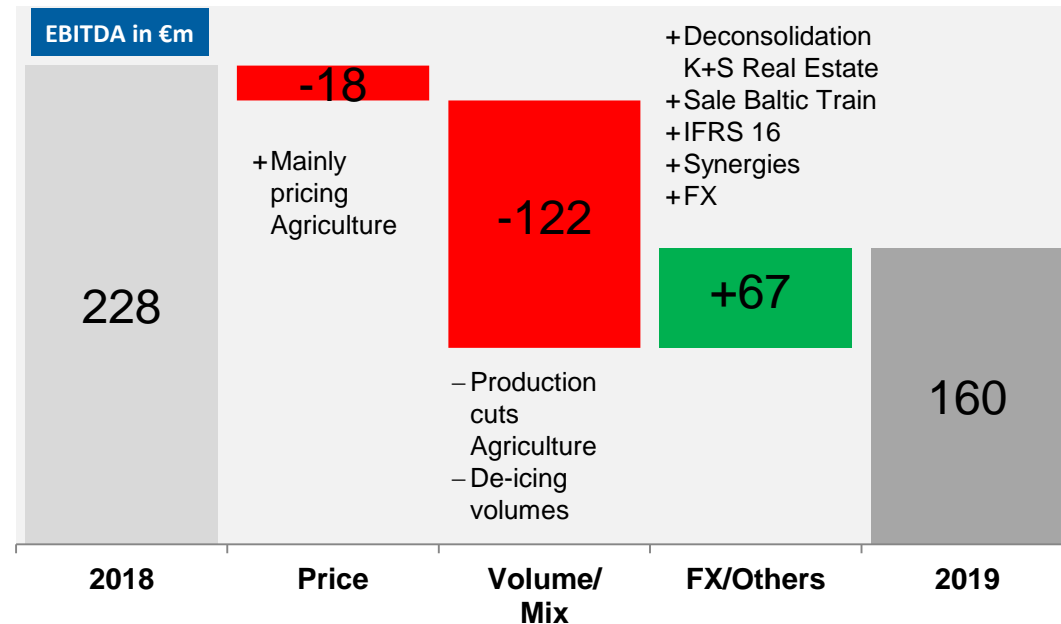
- Normal winter: Sales of de-icing salt between 12.5 and 13.0 million tonnes
- 2019: Sales of 12.7 million tonnes
- Winter business in Q1 above average; in Q4, however, below normal year (mainly Europe)
- EBITDA effect: about EUR -10 million in Q4 2019 compared to our estimate in November

# Financial figures 2019

# Q4 and FY/2019 at a glance

## Highlights

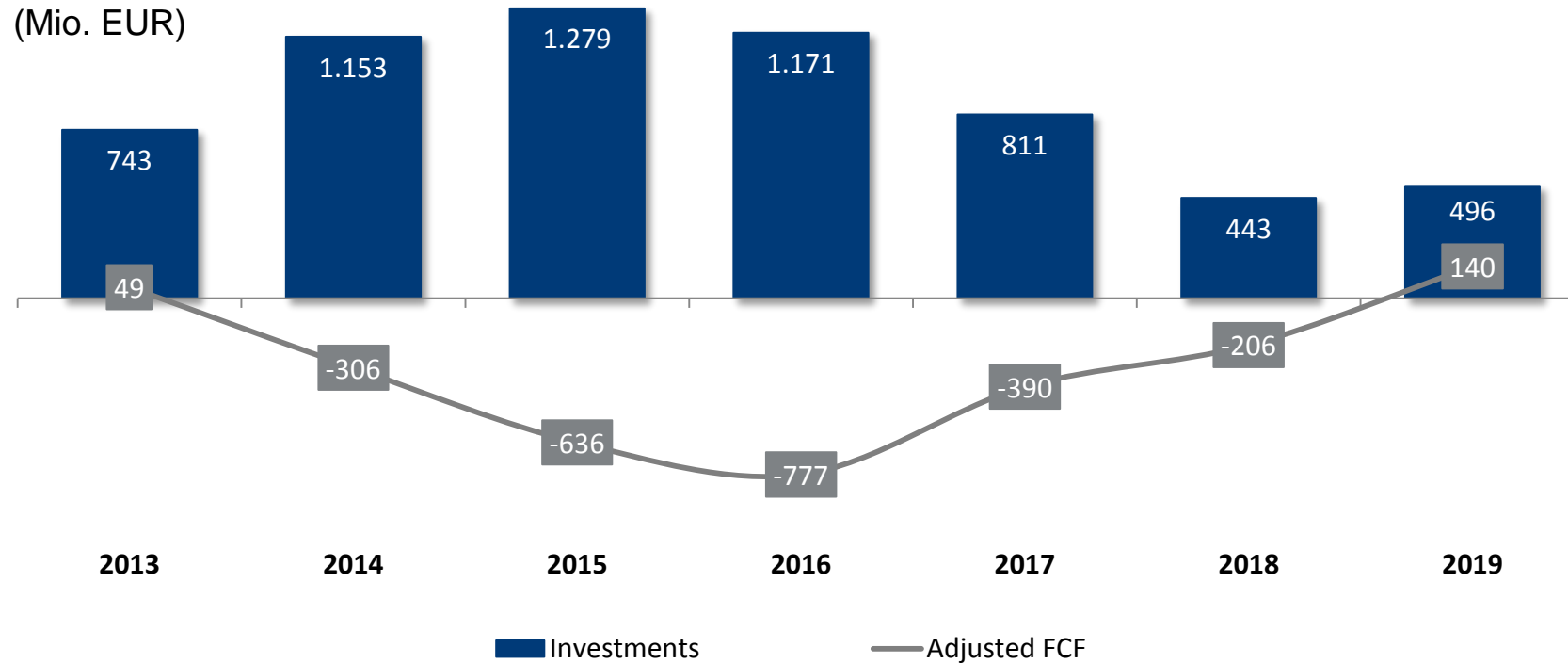
- Q4/19 **EBITDA** down to € 160m (2018: € 228m)
- **FCF** plus € 83m from € -147m to € -64m in 2019
- **NFD/EBITDA** with 4.9x improved (31/12/18: 5.3x)
- **Dividend proposal** 0.15ct per share



## Financials

€ million	Q4/18	Q4/19	%	FY/18	FY/19	%
Revenues	1,217	<b>1,024</b>	-16	4,039	<b>4,071</b>	+1
<i>t/o Europe+</i>	783	<b>626</b>	-20	2,585	<b>2,536</b>	-2
<i>t/o Americas</i>	433	<b>491</b>	+13	1,451	<b>1,532</b>	+6
D&A	103	<b>103</b>	-14	379	<b>432</b>	+14
EBITDA	228	<b>160</b>	-30	606	<b>640</b>	+6
<i>t/o Europe+</i>	166	<b>64</b>	-61	443	<b>437</b>	-1
<i>t/o Americas</i>	75	<b>83</b>	+11	230	<b>230</b>	-
Adj. net profit	72	<b>9</b>	-	85	<b>78</b>	-8
Adj. EPS (€)	0,38	<b>0,05</b>	-	0,45	<b>0,41</b>	-9
Operating cash flow	33	<b>130</b>	-	309	<b>640</b>	-
Adj. FCF	-147	<b>-64</b>	-	-206	<b>140</b>	-
CapEx	165	<b>183</b>	+11	443	<b>493</b>	+11
NFD/EBITDA (LTM)	-	-	-	5,3x	<b>4,9x</b>	-

# Clearly positive free cash flow generated



- Construction of the new Bethune potash plant from 2011 to 2017
- Around EUR 1 billion environmental investment over the last 8 years
- 2019: High capex discipline and improved working capital management lead to clearly positive free cash flow

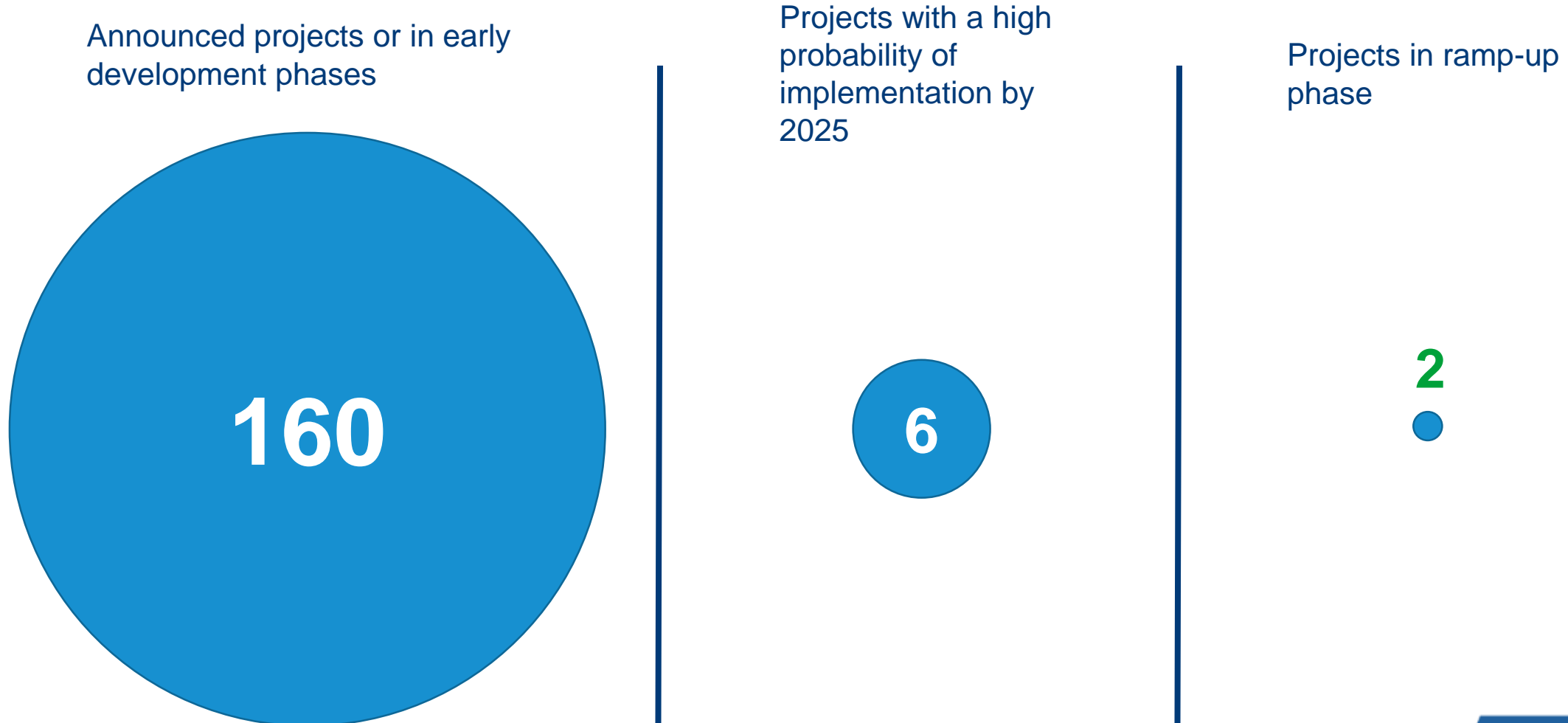
**Promise of positive free cash flow from October 2017 fulfilled!**

# Current market assessment



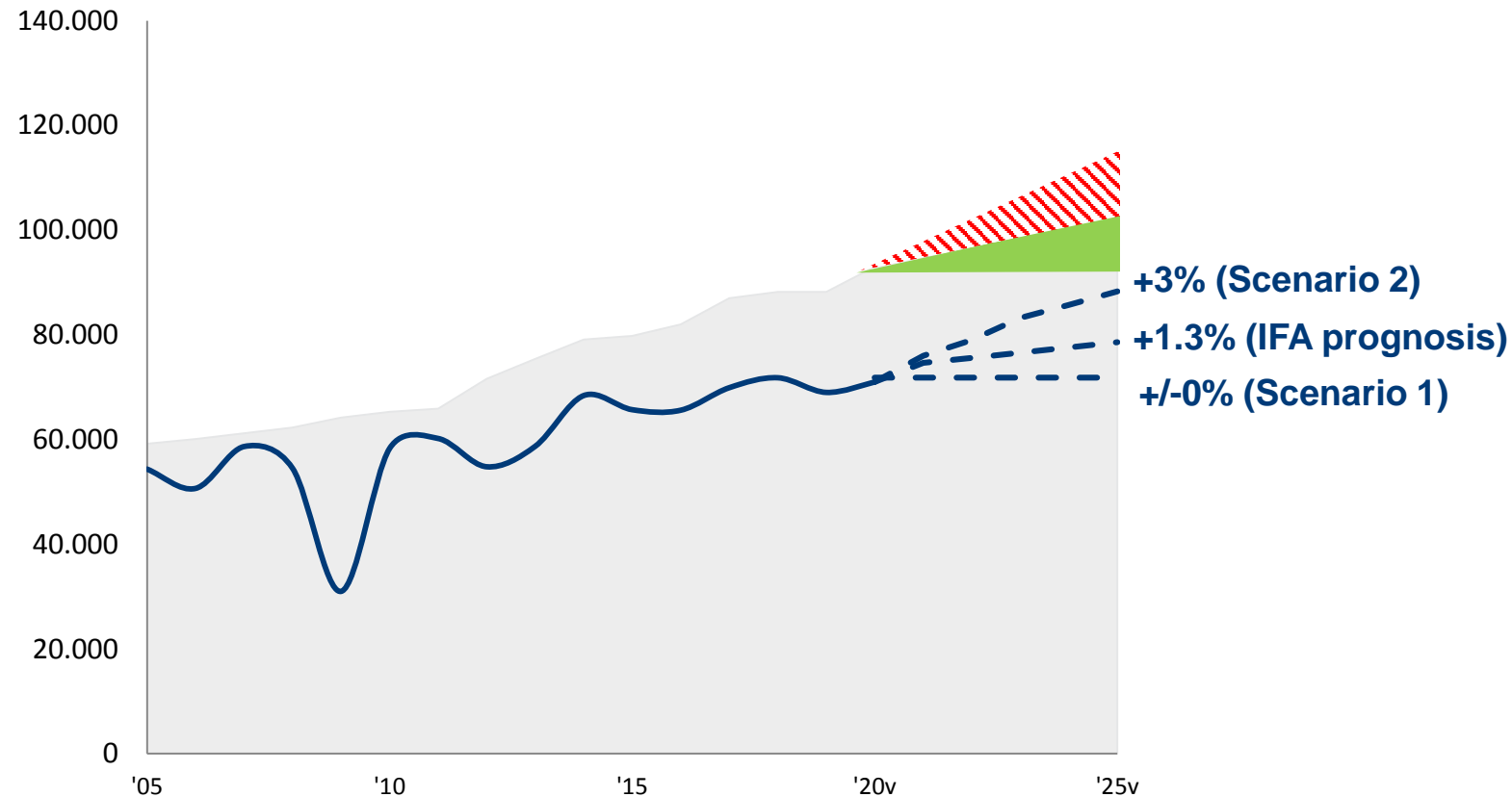
# Between plan and reality

Classification of potash projects announced since 2006 (Greenfield)



# What is behind the greatly feared oversupply?

thousand tonnes



- Only 5 years ago, the technically available capacity in 2025 was estimated to be 12 million tonnes 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

Technical available capacity of existing producers  
 Revenue  
 Greenfield potash newcomers  
 revised forecast technical available capacity from 2015

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.

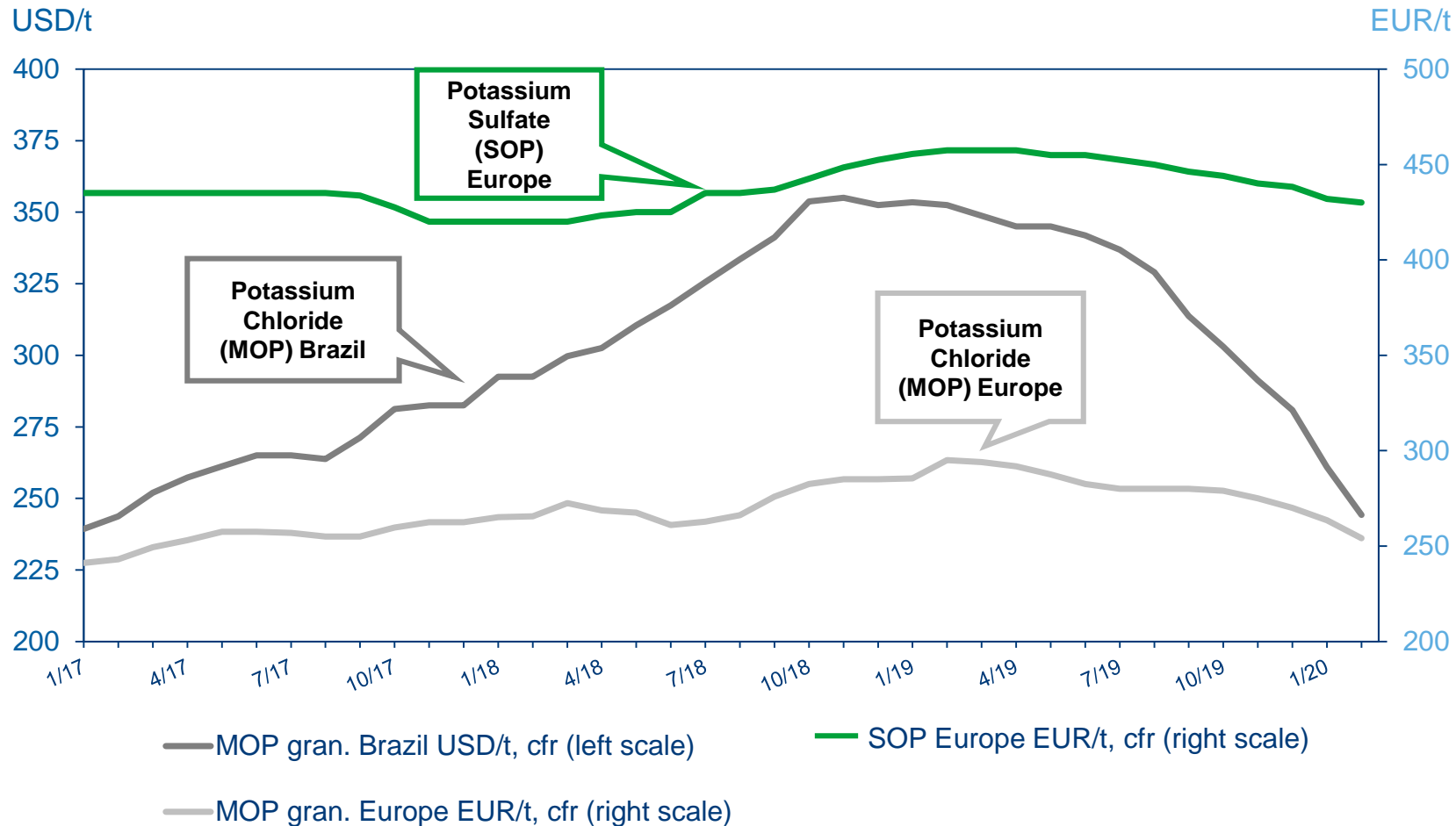
# Good conditions for the fertilizing season 2020



- Demand for cereals increases and fertilization remains essential to increase yields
- Grain prices remain at an attractive level and should lead to an expansion of acreage in North America and Brazil in 2020
- Agricultural sector largely in good financial condition
- Reduction of stocks and positive purchase incentives for fertilizers in 2020



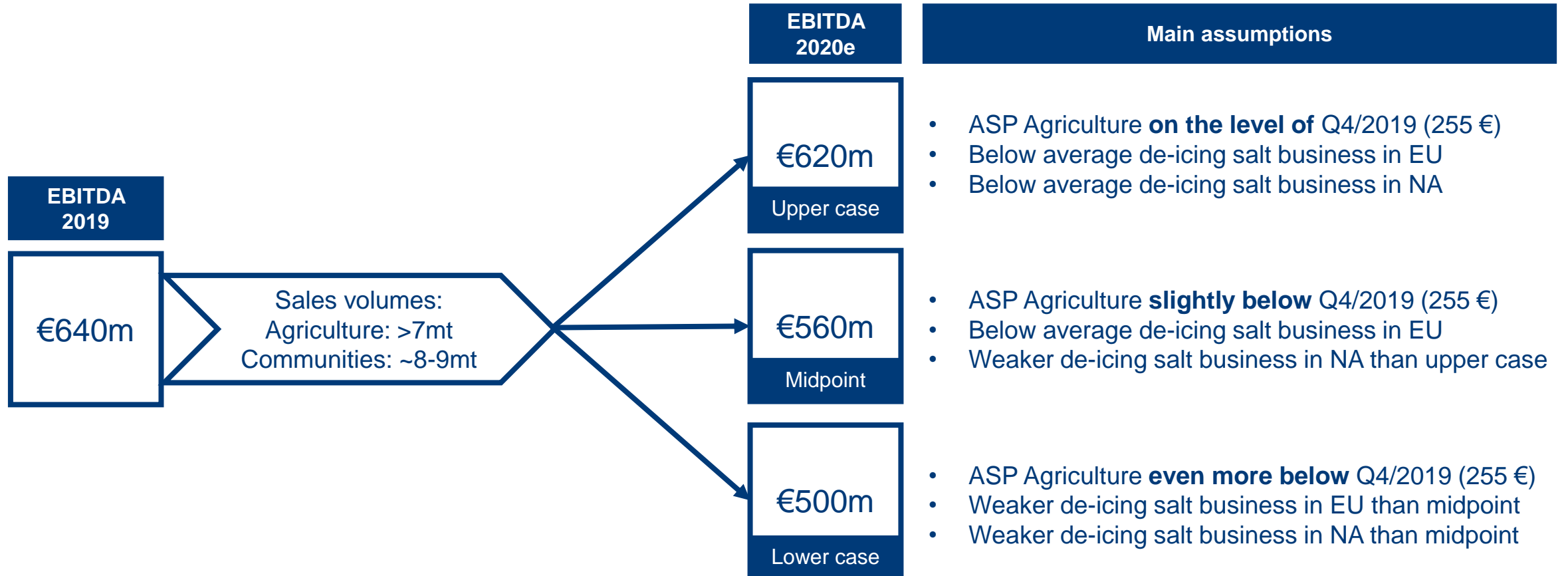
# Stable speciality and regional diversification pays off



- Our unique German deposits enable a broad product portfolio in the customer segment agriculture
- Higher value specialty products (SOP) significantly more stable than potassium chloride
- Domestic market Europe significantly more stable

Quelle: FMB Argus Potash

# Outlook 2020<sup>1</sup>



- Stable earnings for **Industry** and **Consumer** segment expected
- Positive **Shaping** effects should slightly overcompensate for cost inflation
- We expect free cash flow to **break more or less even** at the midpoint of the EBITDA range

# Summary

- Reduction of net debt by significantly more than € 2 billion by the end of 2021
- Solid financial basis for sustainable growth
- Lean and performance-oriented producer of fertilizers
- Prerequisite for global growth and expansion of the profitable specialty business
  - Fertigation
  - Pharmaceutical and industrial products
  - Growth markets Africa and Asia

# Admission in the DAX<sup>®</sup> 50 ESG

The DAX<sup>®</sup> 50 ESG tracks the performance of the 50 largest, most liquid German market stocks that have comparably good performance based on their Environmental, Social and Governance criteria.



## Sustainability KPIs and targets 2030

Environment 

People 

Business Ethics 

- Environmental peace achieved
- Round table with FGG Weser
- Goal to provide a healthy and safe working environment
- Supplier code of conduct implemented
- Long term management bonus will be linked to the achievement of sustainability goals

## We consider sustainability as a key factor to maintain our license to operate

# IR Contact Details



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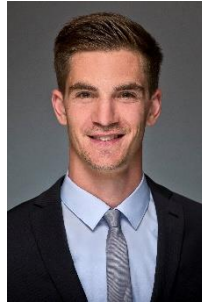
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# Housekeeping Items / Financial Calendar

## Additional information on Outlook FY 2020

- Tax rate: ~30%
- Financial result: ~€-130
- 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: ~8-9mt (2019: 12.7mt)

## Financial Calendar

Roadshow, Frankfurt	13 March 2020
Goldman Sachs Annual European Chemicals Conference, London	13 March 2020
Bankhaus Lampe Deutschlandkonferenz, Baden Baden	25 March 2020
Börsentag, Munich	28 March 2020

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