

# 3Q20 EARNINGS COMMENTARY

November 2, 2020

Management of The Mosaic Company provided the following commentary to accompany its third quarter 2020 earnings news release and performance data:

## Strong Third Quarter Results

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<b>Gross Margin up 27%</b>	<ul style="list-style-type: none"><li>• Improved costs offset lower y/y prices in all three segments</li><li>• Potash and Phosphates fixed costs down over 8% y/y</li><li>• YTD MicroEssentials® volumes up 6%</li></ul>
<b>Markets Trending Higher</b>	<ul style="list-style-type: none"><li>• YTD Crop Prices* up: Corn 8%, Soybeans 15%, Palm Oil 6%</li><li>• Phosphate prices up in every major region</li><li>• Global channel inventories have declined</li></ul>
<b>Balance Sheet Strengthening</b>	<ul style="list-style-type: none"><li>• Committed liquidity of \$3.1 billion, including \$0.9 billion cash</li><li>• Net debt down ~\$250 million Q/Q to \$3.9 billion</li><li>• All short term debt incurred in Q1 repaid by the end of October</li></ul>

\*Spot prices as of 10/25/2020

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Mosaic delivered strong results in the third quarter of 2020. Excellent cost controls across the company led to improved year-over-year gross margin, adjusted EBITDA and adjusted earnings per share, despite lower year-over-year prices in all three segments. Global phosphate prices, which began strengthening during the third quarter, modestly benefitted results for the period, but are expected to have a more material positive impact on Mosaic's results in the fourth quarter 2020 and beyond.

## Consolidated Results Y/Y

Consolidated Gross Margin increased 27%, Adjusted Operating Earnings increased 31% as Y/Y price declines were offset by growth in volumes and significant cost improvements.

\$ in million, except per share	3Q 2020	3Q 2019	Change
Consolidated Gross Margin	\$355	\$280	+27%
Operating Earnings	\$98	\$140	-30%
Adjusted Operating Earnings <sup>(1)</sup>	\$236	\$180	+31%
Diluted Earnings Per Share (EPS)	\$(0.02)	\$(0.11)	nm
Adjusted diluted EPS <sup>(1)</sup>	\$0.23	\$0.08	+188%
Adjusted EBITDA <sup>(1)</sup>	\$438	\$389	+13%

The effective tax rate is dependent on the geographic mix of earnings. The company expects an effective tax rate in the mid-to-high 30 percent range for full year 2020. The 2021 effective tax rate is expected to be in the mid 30 percent range.

<sup>(1)</sup>See Non-GAAP Financial Measures for additional information

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Third quarter net loss was \$6 million and adjusted EBITDA was \$438 million, compared with \$389 million in the third quarter of 2019. The improvement was driven by declines in cost of goods sold per tonne, offsetting lower year-over-year realized prices in all three segments. Reported earnings per share (EPS) was negative \$0.02, and adjusted EPS, excluding notable items, was \$0.23.

Highlights and key observations from the quarter include:

- Mosaic continues to drive progress on its transformation initiatives. Production costs continued to decline in the potash, phosphate and Mosaic Fertilizantes businesses, and corporate selling, general and administrative (SG&A) costs remain well controlled. The benefits of these efforts are clear in our results: Despite 14 percent lower net sales compared with a year ago, the company delivered a 13 percent increase in adjusted EBITDA. These results reflect continued progress toward our target of \$700 million in additional adjusted EBITDA benefits by 2023, as we execute key strategic initiatives and optimize our asset portfolio.
- Fertilizer markets continue to improve, and our outlook remains positive. Strong global demand for phosphate has led to a tight market and significant price increases in all major markets. The potash market remains

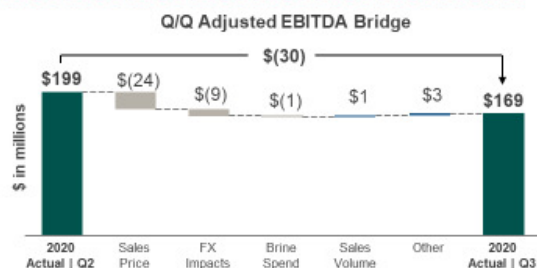
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well balanced, and prices have increased slightly in Brazil and the U.S. corn belt. Global channel inventories are low, and we expect that to continue through the end of 2020 and into 2021.

- Agriculture market fundamentals are strong in key regions. An improved growing season in North America, compared with the difficult 2019 season, as well as strong harvests in Brazil, India and elsewhere, are helping the world's farmers meet extremely strong global grain and oilseed demand. Crop prices are supportive of strong planting in 2021, and this should drive significant application of fertilizers, which remain affordable in the current environment.
- As the Covid-19 pandemic continues, we remain dedicated to maintaining a safe environment for our employees. Neither our operations nor market demand for our products has been materially impacted, and our people around the world continue to overcome the challenges the pandemic presents so that Mosaic can perform its critical mission—to help the world grow the food it needs.
- Mosaic remains in a strong financial position. Early in 2020, we believed it was prudent to increase our cash position to be prepared for any potential business impacts from Covid-19. As the pandemic has continued with minimal impact on our business, we began the process of repaying all short-term borrowings from earlier this year, and as of the end of October, had repaid all amounts outstanding. Over the quarter, we've lowered net debt by over \$250 million. Our total liquidity was over \$3 billion at the end of the quarter and we continue to target long-term debt reduction of \$1 billion over time.
- Looking ahead, we expect to realize the benefits of recent market price improvements, particularly in phosphate. The typical 45- to 60-day lag between market price changes and their appearance in our results leads us to expect to realize a \$50 per tonne improvement in phosphate prices in the fourth quarter, compared to the third.

## Potash Q3 Performance

	Q3 2020	Q2 2020	Variance
Sales Volumes (mt in millions)	2,264	2,559	(0.295)
MOP 3rd Party Selling Price (FOB Mine) (\$/mt)	\$ 170	\$ 180	\$ (10)
MOP cash costs of production (excl Brine) (\$/mt)	\$ 52	\$ 56	\$ (4)
Brine Management Cash Costs (\$ in millions)	\$ 16	\$ 15	\$ 1
<b>\$ in millions</b>			
Gross Margin	\$ 108	\$ 131	\$ (23)
Operating Earnings	\$ 87	\$ 124	\$ (37)
Adjusted EBITDA	\$ 169	\$ 199	\$ (30)
FX rate (USD/CAD)	0.75	0.72	0.03



### Key Events

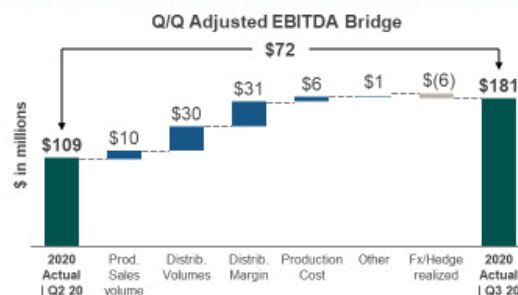
- Overall cost declines (down 22% y/y) continue to reflect the transition to K3, more than offsetting the impact on volumes from turnarounds at Belle Plaine and K1.
- Overall prices declined by \$10 per tonne from Q2 to Q3 driven by seasonality.
- Brine Management cash costs were essentially flat from Q2 2020, and expected to be completely eliminated by the end of 2021.

The Potash Segment generated operating earnings of \$87 million for the quarter, lower than the third quarter of 2019 primarily due to lower market prices. The segment delivered \$169 million of adjusted EBITDA, down from \$215 million a year ago, and gross margin per tonne of \$48, down from \$68 in 3Q 2019.

Lower market prices were somewhat offset by lower potash costs, with fixed costs down over \$12 million from the prior year period. MOP cash costs, excluding brine management expenses, were \$52 per tonne, down from \$61 a year ago. The steady reduction of brine management cash costs, which were \$16 million in the quarter compared to \$24 million in the same quarter a year ago, will continue until they are eliminated entirely by the end of 2021, with the full transition to our new Esterhazy K3 mine expected in June 2022.

## Mosaic Fertilizantes Q3 Performance

	Q3 2020	Q2 2020	Variance
Sales Volumes (mt in millions)	3.588	2.558	1.030
Average Finished Product Selling Price (\$/mt)	\$ 318	\$ 308	\$ 10
Cash Rock Cost production (R\$/mt)	\$ 324	\$ 314	\$ 10
Phosphate Cash Conversion Cost (\$/mt)	\$ 302	\$ 265	\$ 37
<b>\$ in millions</b>			
Gross Margin	\$ 177	\$ 101	\$ 76
Operating Earnings	\$ 144	\$ 77	\$ 67
Adjusted EBITDA	\$ 181	\$ 109	\$ 72
FX rate (BRL/USD)	5.37	5.38	(0.01)



### Key Events

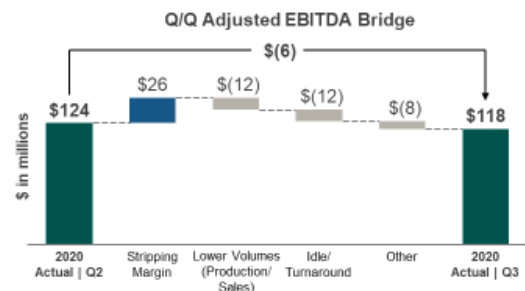
- Sales volumes climbed to 3.6 million tonnes in the quarter reflecting favorable farmer economics in addition to normal seasonal trends.
- Gross margins reached \$177 million, up 75% from Q2 2020 and 34% from Q3 2019, reflecting volume growth and strong distribution margins driven by strong market demand.
- Realized transformational synergies have exceeded our previous guidance of \$50 million for the year, and we remain well on track to meet our \$200 million target by 2023.

Mosaic Fertilizantes delivered \$144 million in operating earnings and \$181 million in adjusted EBITDA compared with year ago levels of \$98 million and \$126 million, respectively. These are the best results in any quarter since Mosaic completed its acquisition of Vale's assets in January 2018. Strong sales volumes, continued cost improvements and improving fertilizer prices, as well as favorable foreign currency exchange rates, led to the strong earnings performance. Year-to-date, the Mosaic Fertilizantes business has generated \$358 million in adjusted EBITDA, compared with a pro forma adjusted EBITDA of \$81 million for the combined business for full year 2017.

Mosaic Fertilizantes remains ahead of schedule to achieve its target of adding \$200 million of additional EBITDA benefit by 2022. In the third quarter, costs of goods sold were lower by \$100 per tonne compared with a year ago, as a result of lower raw materials, continued transformation benefits, foreign exchange benefits and the absence of dam remediation work. We will provide a detailed update on the segment on November 9.

## Phosphates Q3 Performance

	Q3 2020	Q2 2020	Variance
Sales Volumes (mt in millions)	2,064	2,235	(0.171)
DAP 3rd Party Selling Price (FOB Plant) (\$/mt)	\$ 307	\$ 287	\$ 20
Dry Concentrates Produced (mt in millions)	2,038	2,117	(0.079)
FL Cash Rock Cost of production (\$/mt)	\$ 39	\$ 35	\$ 4
Cash Conversion Cost of production (\$/mt)	\$ 63	\$ 58	\$ 5
<b>\$ in millions</b>			
Gross Margin	\$ 22	\$ 18	\$ 4
Operating Earnings	\$ (115)	\$ (59)	\$ (56)
Adjusted EBITDA	\$ 118	\$ 124	\$ (6)
*Adjusted Operating Earnings (Excluding Notable Items)	\$ 6	\$ 11	\$ (5)

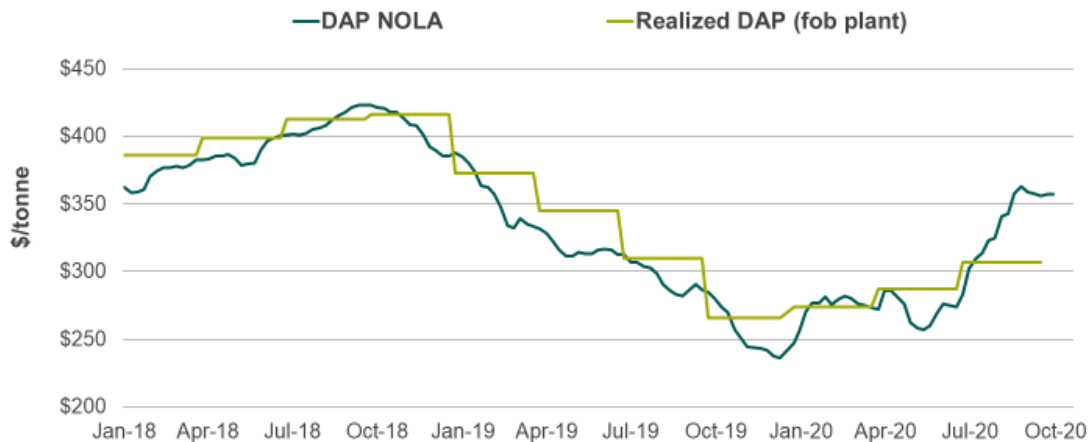


### Key Events

- Sales volumes during the quarter were impacted by turnarounds, weather-related outages, and low inventories.
- Gross margin trended up during the quarter, reaching \$27 per tonne in September, vs. the 3Q average of \$11 per tonne, primarily as a result of increasing price realizations.
- Our typical price realization lag to market of 45 to 60 days point to price realizations climbing by \$50/tonne in 4Q 2020.

The Phosphate Segment reported an operating loss of \$115 million, reflecting \$108 million in non-cash asset retirement obligation and environmental reserve increases, as well as \$16 million in idle plant costs. Adjusted operating earnings, excluding notables, were \$6 million, compared with a loss of \$47 million in the year ago quarter. The segment generated adjusted EBITDA of \$118 million during the quarter, a 74 percent increase over a year ago, as gross margin per tonne during the quarter averaged \$11, compared with negative \$10 in the third quarter of 2019.

## Phosphates - Pricing Lag - 2017 to Present



The improvement was driven by lower production costs and nominal increases in average realized prices. Over 60 percent of the sales in the quarter were priced in June and July, with a DAP average price less than \$300 per tonne. It is important to note that phosphate results accelerated through the course of the third quarter, with September gross margin per tonne averaging \$27 as market price and operational improvements impacted earnings. For the fourth quarter, we expect the phosphate gross margin per tonne to benefit from the \$50 per tonne increase in price realizations from the third quarter average.

The phosphate team continued to drive cost improvements. Cash conversion costs in the quarter were \$63 per tonne, unchanged from a year ago, reflecting a \$4 million reduction in fixed costs, offset by lower production volumes from the impact of turnarounds and weather-related outages. Cash rock costs were also unchanged from a year ago at \$39 per tonne, as a \$14 million reduction in fixed costs related to mining operations was offset by lower production tonnes due to the transition to eastern reserves at South Ft. Meade, a transition we expect to continue through the remainder of the year.

## Countervailing Duty Petition Impact on Flows: Morocco/Russia Shift Tonnes; Global Prices Rise

### U.S. Phosphate Imports

- U.S. Jan-Sep imports:  
-818,000 tonnes (-34%) y-o-y
- Morocco: -638kt (-40%)
  - Russia: -215kt (-45%)
  - Saudi: -100kt (-55%)
  - Others: +135kt (+104%)



### India Imports

- India Jan-Sep DAP imports:  
+440,000 tonnes (+10%) y-o-y
- Morocco: +812kt (+748%)
  - Russia: +246kt (+259%)
  - Saudi: -149kt (-9%)
  - China: -568kt (-30%)
  - Other: +100kt (+17%)



### Brazil Imports

- Brazil Jan-Sep phosphate imports: +480,000 tonnes (+9%) y-o-y
- Morocco: +557kt (+35%)
  - Russia: +406kt (+76%)
  - U.S.: -169kt (-11%)
  - Other: -314kt (-16%)



Source: Genscape, China Customs, Orion, IHS Markit/Mosaic



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The company continues to believe that the primary impact of any countervailing duty will be a shift in trade flows, not a change in global supply and demand. Trade flows from OCP and Russia have shifted away from the U.S. and toward India and Brazil, while global supply and demand tightness has driven global prices up.

In India, where year-to-date Moroccan and Russian DAP imports are up over 1 million tonnes through September, DAP prices are up more than 20 percent.

In Brazil, where year-to-date Moroccan and Russian imports are up 960,000 tonnes, DAP prices are up 30 percent.

In the U.S., where Moroccan and Russian imports are down almost a million tonnes, others are beginning to fill the gap. Longer-term, we expect the U.S. prices to be at parity to global prices, versus the discount to global parity they traded at during the 18 months before the CVD filing.

## Balance Sheet Strength & Liquidity

*Mosaic targets investment grade metrics and currently has in excess of \$3.0 billion in available liquidity*

### LIQUIDITY

~\$.9 billion cash on the balance sheet  
~\$2.2 billion committed line of credit available (Nov 2022)  
No long-term debt payments until Nov 2021

### DEBT COVENANTS

EBITDA / Interest of  $\geq 3.0x$ , 9/30/2020 at 4.1x  
Debt / Total Capital of  $\leq 65\%$ , 9/30/2020 at 35%

### WORKING CAPITAL MANAGEMENT

Balance of short-term debt retired in October  
\$600 million working capital financing available

### FINANCIAL FLEXIBILITY

Net debt down ~\$250 million in the quarter  
• Down ~\$640 million since March 2020  
\$1.2 billion in planned capital expenditures

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Mosaic's balance sheet continues to strengthen. Strong and improving cash generation from each of the businesses has enabled the company to maintain robust liquidity while continuing to repay short-term debt incurred during the first quarter. At quarter's end, Mosaic held \$923 million in cash after paying down short-term debt of \$389 million in the quarter. Since the end of the quarter, the company has repaid an additional \$200 million in short-term debt, completing the repayment of all short-term borrowings incurred in the early part of the year in response to the pandemic, and reverting to a more normal level of cash balances. Longer term, Mosaic continues to target long-term debt reduction of \$1 billion.

## Operating Driver Targets

	TTM 9/30/20	2023 target	
Phosphates	Cash cost of U.S. mined rock (\$/tonne) <sup>(1)</sup>	\$37	\$34
	Cash costs of conversion (\$/tonne) <sup>(1)</sup>	\$62	\$51
Potash	Cash costs of production (excluding brine) – MOP (\$/tonne) <sup>(1)</sup>	\$55	\$49
	Cash brine management costs (\$ in millions)	\$75	\$0
Mosaic Fertilizantes	Cash costs of mined rock (R\$/tonne)	R\$323	R\$315
	Cash costs of conversion - Phosphates (R\$/tonne)	R\$291	R\$291
	Total Selling, General & Administrative Expenses (\$ in millions)	\$366	\$340
	Sales of Performance products (mm tonnes) <sup>(2)</sup>	3.8	5.2

<sup>(1)</sup> 2023 Target has been modified to exclude turnaround costs and ARO accruals.

<sup>(2)</sup> 2023 Target includes MicroEssentials, Susterra, Aspire, and K-Mag sales to third parties.



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Mosaic continues to execute well: We are increasing our global competitiveness by driving costs down toward our recently released 2023 targets; we are managing well through the challenges of Covid-19; and, with tailwinds from improving fertilizer and agriculture markets, we expect strong results to continue through the end of the year and into 2021.

## **Forward Looking Statements & Non-GAAP Financial Measures**

*This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about proposed or pending future transactions or strategic plans and other statements about future financial and operating results. Such statements are based upon the current beliefs and expectations of The Mosaic Company's management and are subject to significant risks and uncertainties. These risks and uncertainties include, but are not limited to: the economic impact and operating impacts of the coronavirus (Covid-19) pandemic, the potential drop in oil demand/production and its impact on the availability and price of sulfur, political and economic instability in Brazil or changes in government policy in Brazil, such as higher costs associated with the new mining rules or the implementation of new freight tables; the predictability and volatility of, and customer expectations about, agriculture, fertilizer, raw material, energy and transportation markets that are subject to competitive and other pressures and economic and credit market conditions; the level of inventories in the distribution channels for crop nutrients; the effect of future product innovations or development of new technologies on demand for our products; changes in foreign currency and exchange rates; international trade risks and other risks associated with Mosaic's international operations and those of joint ventures in which Mosaic participates, including the performance of the Wa'ad Al Shamal Phosphate Company (also known as MWSPC), the timely development and commencement of operations of production facilities in the Kingdom of Saudi Arabia, and the future success of current plans for MWSPC and any future changes in those plans; difficulties with realization of the benefits of our long term natural gas based pricing ammonia supply agreement with CF Industries, Inc., including the risk that the cost savings initially anticipated from the agreement may not be fully realized over its term or that the price of natural gas or ammonia during the term are at levels at which the pricing is disadvantageous to Mosaic; customer defaults; the effects of Mosaic's decisions to exit business operations or locations; changes in government policy; changes in environmental and other governmental regulation, including expansion of the types and extent of water resources regulated under federal law, carbon taxes or other greenhouse gas*

*regulation, implementation of 18 numeric water quality standards for the discharge of nutrients into Florida waterways or efforts to reduce the flow of excess nutrients into the Mississippi River basin, the Gulf of Mexico or elsewhere; further developments in judicial or administrative proceedings, or complaints that Mosaic's operations are adversely impacting nearby farms, business operations or properties; difficulties or delays in receiving, increased costs of or challenges to necessary governmental permits or approvals or increased financial assurance requirements; resolution of global tax audit activity; the effectiveness of Mosaic's processes for managing its strategic priorities; adverse weather conditions affecting operations in Central Florida, the Mississippi River basin, the Gulf Coast of the United States, Canada or Brazil, and including potential hurricanes, excess heat, cold, snow, rainfall or drought; actual costs of various items differing from management's current estimates, including, among others, asset retirement, environmental remediation, reclamation or other environmental regulation, Canadian resources taxes and royalties, or the costs of the MWSPC; reduction of Mosaic's available cash and liquidity, and increased leverage, due to its use of cash and/or available debt capacity to fund financial assurance requirements and strategic investments; brine inflows at Mosaic's Esterhazy, Saskatchewan, potash mine or other potash shaft mines; other accidents and disruptions involving Mosaic's operations, including potential mine fires, floods, explosions, seismic events, sinkholes or releases of hazardous or volatile chemicals; and risks associated with cyber security, including reputational loss; as well as other risks and uncertainties reported from time to time in The Mosaic Company's reports filed with the Securities and Exchange Commission. Actual results may differ from those set forth in the forward-looking statements. This presentation includes certain non-GAAP financial measures, including adjusted EBITDA, adjusted operating earnings, adjusted earnings per share. For important information regarding the non-GAAP measures we present, see "Non-GAAP Financial Measures" in our November 2, 2020 earnings release and the performance data for the third quarter of 2020 that are available on our website at [www.mosaicco.com](http://www.mosaicco.com) in the "Financial Information – Quarterly Earnings" section under the "Investors" tab. The earnings release and performance data are also furnished as exhibits to our Current Report on Form 8-K dated November 2, 2020.*

## Reconciliation of non GAAP measures

<b>Consolidated Earnings (Loss) (in millions)</b>	<b>3Q 2020</b>	<b>3Q 2019</b>
Consolidated net earnings (loss) attributable to Mosaic	\$(6)	\$(44)
Less: Consolidated interest expense, net	(43)	(43)
Plus: Consolidated depreciation, depletion and amortization	206	211
Plus: Accretion expense	17	16
Plus: Share-based compensation expense	7	2
Plus: Consolidated provision for (benefit from) income taxes	38	69
Less: Equity in net earnings (loss) of nonconsolidated companies, net of dividends	(32)	(23)
Plus: Notable items	101	69
Adjusted EBITDA	\$438	\$389
Diluted earnings (loss) per share	\$(0.02)	\$(0.11)
Notable items impact on earnings per share	0.25	0.19
Adjusted diluted earnings per share	\$0.23	\$0.08

## Reconciliation of non GAAP measures

<b>Consolidated Operating Earnings (in millions)</b>	<b>3Q 2020</b>	<b>3Q 2019</b>
Consolidated operating earnings	\$99	\$140
Notable items impact	137	40
Adjusted operating earnings	\$236	\$180

## Reconciliation of non GAAP measures

Phosphates Earnings ( <i>in millions</i> )	3Q 2020	2Q 2020	3Q 2019
Operating earnings (loss)	\$(115)	\$(59)	\$(70)
Plus: Depreciation, depletion and amortization	108	113	109
Plus: Accretion expense	12	11	12
Plus: Foreign exchange gain (loss)	1	2	4
Plus: Other income (expense)	4	0	12
Less: Earnings (loss) from consolidated noncontrolling interests	2	0	5
Plus: Notable items	110	57	6
Adjusted EBITDA	\$118	\$124	\$68

Phosphates Operating Earnings (loss) ( <i>in millions</i> )	3Q 2020	2Q 2020	3Q 2019
Operating earnings (loss)	\$(115)	\$(59)	\$(70)
Notable items impact	121	70	23
Adjusted operating earnings (loss)	\$6	\$11	\$(47)



## Reconciliation of non GAAP measures

Potash Earnings ( <i>in millions</i> )	3Q 2020	2Q 2020	3Q 2019
Operating earnings	\$87	\$124	\$148
Plus: Depreciation, depletion and amortization	69	70	63
Plus: Accretion expense	2	3	3
Plus: Foreign exchange gain (loss)	34	66	(20)
Plus: Other income (expense)	1	2	1
Plus: Notable items	(24)	(66)	20
Adjusted EBITDA	\$169	\$199	\$215



## Reconciliation of non GAAP measures

Mosaic Fertilizantes Earnings ( <i>in millions</i> )	3Q 2020	2Q 2020	3Q 2019	YTD 2020
Operating earnings (loss)	\$144	\$77	\$98	\$250
Plus: Depreciation, depletion and amortization	25	27	34	80
Plus: Accretion expense	3	3	1	9
Plus: Foreign exchange gain (loss)	(3)	(27)	(39)	(111)
Plus: Other income (expense)	(1)	(2)	(2)	(4)
Less: Earnings (loss) from consolidated noncontrolling interests	1	0	1	1
Plus: Notable items	14	31	35	135
Adjusted EBITDA	\$181	\$109	\$126	\$358

