

The Mosaic Company

Moderator: Gagnon, Laura

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Operator: Good morning, ladies and gentlemen and welcome to The Mosaic Co.'s Third Quarter 2018 Earnings Conference Call. At this time all participants have been placed in a listen only mode after the company completes their prepared remarks, the lines will be open to take your questions. Your host for today's call is Laura Gagnon, Vice President, Investor Relations of The Mosaic Co. Ms. Gagnon, you may begin.

Laura C. Gagnon, Vice President, Investor Relations, The Mosaic Co.

Thank you and welcome to our third quarter 2018 earnings call. Presenting today will be Jack O'Rourke, President and Chief Executive Officer and Clint Freeland, Senior Vice President and Chief Financial Officer.

We also have other members of the senior leadership team available to answer your questions after our prepared remarks. The presentation slides we are using the call are available on our website at mosaicco.com

We will be making forward looking statements during this conference call. The statements include but are not limited to statements about future financial and operating results. They are based on management's beliefs and expectations as of today's date and are subject to significant risks and uncertainties. Actual results may differ materially from projected results. Factors that could cause actual results to differ materially from those in the forward looking statements are included in our press release issued yesterday and in our reports filed with the Securities and Exchange Commission. We will also be presenting certain non-GAAP financial measures. Our first quarter press release and performance data attached as exhibits to yesterday's form 8-K filing also contain important information on these non-GAAP measures. Now I'd like to turn the call over to Jack.

James C. O'Rourke, President, Chief Executive Officer & Director, The Mosaic Co.

Good morning, everyone. Thank you for joining us today. Mosaic's momentum continue to build in the third quarter. Our results reflect improved market conditions as well as the benefits of the many moves we've made to strengthen the company. Our key points today are, first, Mosaic has made tremendous progress. We've transformed our businesses and created significant operational leverage. Second, global potash and phosphate market fundamentals are improving.

Demand growth remains strong while supply is materializing slowly. And, third, as a result of our increased operational leverage and improving market conditions, we are optimistic about our future, both near and longer term. We have a road map to generate significant cash and drive strong shareholder returns.

For the quarter, Mosaics' net earnings were \$247 million compared with \$227 million a year ago. Year-to-date, net earnings were \$358 million. We delivered earnings per share of \$0.64 or \$0.75 net of notable items, a year-over-year increase of 78% despite our higher share count. Just one year ago, we announced significant financial and operational moves to position the company for success. We idled our plant city phosphate operations and indicated we would focus on increasing the efficiency and recovery rates at our remaining phosphate plants.

We announced significant increases in our expected transformational targets related to Mosaic Fertilizantes, and we announced our intention to delever the balance sheet by 2020. Since we announced these actions, we have accelerated our progress and created significant earnings leverage as today's results clearly indicate. We reported year-to-date adjusted EBITDA of \$1.4 billion. We increased our 2018 synergy expectation from Mosaic Fertilizantes, and we announced we've reached our through cycle debt-to-EBITDA targets.

Overall, good market conditions and robust performance across our three business units are leading to better 2018 results than our initial expectations. Today, we increased our guidance for 2018 annual adjusted to a range of \$1.9 billion to \$2 billion and our adjusted earnings per share guidance to a range of \$1.80 to \$2 per share.

Let's start with Mosaic Fertilizantes, our business in South America. Year-to-date, in 2018, Mosaic Fertilizantes has delivered adjusted EBITDA of \$277 million compared with a pro forma EBITDA of \$50 million a year ago. The performance of that business has been helped by excellent Brazilian agricultural market conditions and a weaker Brazilian real. But the key driver of the improved earnings has been our transformation of the business. We are achieving synergies faster than expected and we now expect to reach \$140 million to \$160 million in net savings in 2018. We also expect to reach our target of \$275 million in net savings well before the end of 2020.

The transformation of the business and the benefits of our upstream/downstream integration are easily visible, both on the ground in Brazil and in our results. Across our plants and mines, employees are energized and they are bringing innovative ideas to improve our operating efficiency. When we announced the transaction, we expected it to be accretive to earnings. Year-to-date, the acquired business has added \$0.11 per share, inclusive of the impact of issuing \$1 billion in debt and 34 million shares, but exclusive of the \$8 million reserve in the third quarter for the potential of paying out on the contingent portion of the purchase price.

Moving onto the phosphate market, which remains relatively tight,

Prices held steady following a \$75 increase over the past year. Margins are under a bit of pressure with raw material prices rising. Still fundamentals are very strong. In fact, our outlook for phosphates has continued to improve over the past several quarters.

Global demand continues to grow and our market analysis team expects another record year for shipments in 2019. Several actions have tightened supply including the idling of our Plant City facility, slower-than-expected ramp-ups of new facilities, and reduced Chinese export. In 2019, we expect global demand growth to outpace supply additions, requiring higher global operating rates and providing support to prices and margins.

The market is feeling a temporary impact from the wet fall in North America. The expectation of an early harvest and in turn an early fall fertilizer application season has not come to fruition. Shifts in agricultural seasons can delay or accelerate demand, but they rarely affect the full-year sales. It is important to remember that this business is seasonal, as well as cyclical.

This expected seasonality is reflected in our guidance for the quarter and for the full year. The changes we've made in our phosphate business magnify the impact of these improving market conditions. Transformation is well under way in our phosphates business unit which has produced \$653 million of year-to-date adjusted EBITDA, up almost twofold compared to the same period a year ago.

We have made extensive structural permanent changes to the way we operate, resulting in a much more efficient business for the long term. We said we would run our remaining plants harder and we have with operating rates up 7% year-over-year.
operating rates up 7% year over year.

Let's move on to potash. The potash market is tighter today than it has been in years and prices are moving up as a result. In addition, the discount we saw recently in the U.S. has largely disappeared. Supply disruptions experienced by some of our competitors and the slow ramp up of new supply combined with growing global demand have driven potash prices higher by approximately \$60 per tonne over the prior year. The potash business unit began its transformation before the other segments as it's consistently low cost base demonstrates.

The teams that are three world class potash mines are executing at a very high level, with strong day to day production and like our other business units, excellent safety and environmental performance. At the same time, the ramp up of Esterhazy K3 continues according to our expectations. As the transition progresses, we will have the ability to drive production costs still lower with an efficient new mine and phasing out of growing management expenses at K1 and K2. In fact, we completed the conveyor belt tie in from the K3 shaft to the K2 mill this summer.

Now I'd like to turn the call over to Clint Freeland to discuss current period results and near-term guidance. Clint?

Clint C. Freeland, Chief Financial Officer & Senior Vice President, The Mosaic Co.

Thanks, Joc. During the third quarter, Mosaic generated \$0.64 in fully diluted earnings per share, \$0.75 cents per share after adjusting for notable items and adjusted EBITDA of \$606 million. As noted earlier, these strong results were driven by the combination of continued progress on our cost structure and business transformation initiatives across the company and improved market conditions. With these strong quarterly earnings came strong cash flow from operations at \$524 million.

As you can see, Mosaic ended the third quarter with just over \$1 billion in unrestricted cash, roughly in line with the balance at the end of the second quarter despite paying down \$400 million in debt during the quarter, investing \$241 million in CapEx and experiencing a \$200 million reversal in customer prepayments in Brazil.

Based on the strong financial performance to-date and our outlook for the rest of the year, we are increasing our full year earnings guidance for the third time this year. We now expect the company to generate adjusted EBITDA of \$1.9 billion to \$2 billion and adjusted earnings per share \$1.80 to \$2.

In addition to strong year-to-date results, our guidance reflects continued strength into the fourth quarter, albeit with normal seasonality; the accelerated realization of synergies in Brazil, as outlined earlier; and a foreign exchange rate of roughly BRL 3.7 to the U.S. dollar.

The primary risk in our fourth quarter outlook is currency-related given the recent volatility of certain currencies, particularly the Brazilian reais. That said, as always, we continue to monitor grain and oilseed prices and international trade developments and any impact that they may have on finish fertilizer markets.

Mosaic's substantial cash generation over the course of this year has allowed us to pay down \$700 million of debt, meeting our deleveraging commitment two years ahead of schedule. While our debt metrics are now more in line with previously-disclosed through-cycle target levels, we are cognizant of the cyclical nature of our industry and the necessity for financial strength and stability through all parts of the cycle.

It's important to note the sensitivity of our leverage ratio to prices. For example, a \$20 per tonne change in product pricing can move adjusted EBITDA by \$340 million and net debt to EBITDA by 0.4 turns. As such, we intend to continue

evaluating whether further debt reduction over time is part of a balanced capital allocation program is appropriate.

With that said, our capital philosophy has not changed. Our top priority continues to be ensuring a solid long-term foundation for the company. We will continue to invest in our core assets to ensure they're safe, reliable, and efficient operation and maintain financial strength and flexibility through prudent balance sheet management. Beyond that we allocate capital to the highest risk-adjusted return opportunities available to the company while also keeping in mind that a regular return of capital to shareholders is a key element to a balanced and efficient capital allocation program.

With that, I'll turn it back to you, Jack, for closing comments.

James C. O'Rourke, President, Chief Executive Officer & Director, The Mosaic Co.

Thank you, Clint. We expect to have many opportunities to grow in the years ahead. Of course, there are many factors we keep an eye on. At the moment, we're monitoring the impacts of the recent election in Brazil and the strengthening Brazilian real, as well as Chinese phosphate export volumes. But the cyclical trend for industry is clearly up and Mosaic has earned a very strong position from which to outperform. We have created a highly efficient, low-cost franchise and we are confident that we have the talent and that we will continue to generate the capital necessary to win and grow for the long term.

Now, I will take your questions, operator.

Operator: [Operator Instructions] Your first question comes from the line of Steve Byrne.

Q – Ian Bennett>: Thank you. This is Ian Bennett on for Steve. The Ma'aden JV that you have is not really showing up in equity earnings right now it seems like just a small loss. Could you talk a little bit about what your expectation is for operating that facility in terms of when it would hit full production rates and when it would contribute to Mosaic's equity earnings?

<A>: Okay. Thank you, Ian. Welcome. If I'm looking at Ma'aden and our involvement in Ma'aden I would say look our expectations for Ma'aden was that over the long-term this would be involvement in one of the largest lowest cost phosphate developments in the world. As such, it was not meant to be an early quick return. And as you know it's a very large complicated project and with those we expect at least it will take time for that to ramp up. And so, our expectations and I think you really need to go to Ma'aden to see the official expectations of their ramp up, but as we come to full production that will be a very low cost producer and we should start to see earnings from it. Thank you.

Operator: Your next question comes from the line of Andrew Wong.

<Q – Andrew Wong>: Hi. Good morning. Thanks for having me on the call. So, I was on the K3 mine, can you just maybe provide a little bit more updates there when you expect it to be fully up and running. What that does for your brine costs and maybe just help clarify the conveyor system from K3 to K1, K2 what's the capacity and I mean within this near term and then over the longer term? Thank you.

<A>: Sure. Good morning, Andrew. So, the K3, in terms of timing, we are on the same schedule we've been on for some time now, which was to integrate K3 and start up K3 and slowly ramp it up to completely take over from K1 and K2 in that 2023 to 2025 timeframe. What is happening today is, as we mentioned earlier, we have just connected the conveyor from K3 to K2 that will allow the startup of commercial production and ramping up of the incremental 1 million tons that would go into the K2 and K1 mills.

Each of those conveyors will be capable of approximately, let's say, 3 million tons of finished product or approximately 9 million tons of ore. So, what that allows us to do is, over time, completely reproduce the production from K1 and K2 from K3. Once that is complete, we will decommission K1 and K2 which will eliminate all brine costs.

Operator: Your next question comes from the line of Joel Jackson of BMO Capital Markets.

<Q>: Hi. This is [ph] Robert 00:17:09 on for Joel. Thanks for taking my question. Can you walk us through the cadence of the guidance reduction and for the phosphate margins in terms of both phosphate and feedstock prices? And how do you expect margins to fare in Q1 2019 and, if you can, into the rest of the year? Thanks.

<A>: Sorry, Robert. Could you repeat the start of that question? It was a little unclear on the call.

<Q>: Yes sorry. So, if you can just walk us through more the cadence of the 10 – about \$10 per ton gross margin decline in the phosphate business in terms of both phosphate pricing and feedstock prices in Q4 and just how you expect that margin to fare in Q1?

<A>: Sure. Okay. Great. What I'll do here, Rob, and as I will hand this to Corrine, but as we mentioned in our prepared remarks, there is some margin pressure on – which is normal seasonality at the end of the year and mostly do more than price due to raw material tightness.

One thing I will say though on this is although the margins do tighten, we end up having a small competitive advantage at these prices of ammonia and beyond because most of our ammonia is based on production costing so that actually helps us against the competitive market.

In terms of the Q1 outlook, let me ask Corrine and Mike or Mike to give a few comments.

<A>: Sure. Thanks, Jack. We are seeing a little bit of a seasonal price pressure on the margin. This is a pretty normal factor. We have had a late start to the fall season and although it's been late, now that things have got moving, we're seeing very big volume movements. And so, some of the nervousness in the market that happens at this time seasonally is starting to abate because of the strong movement in the shipments.

Some of that margin pressure is a little bit of price compression only in the North American market, which was at a significant premium to the other global market, as well as a little bit of raw material price increase.

The other thing I would say about these seasonal dips that we see for the winter time period is that we virtually always see that recover as we get into those spring seasons. So, it's a very temporary seasonal setback.

Mike, do you have anything you want to add?

<A>: No. The only thing I would add is if you look at the seasonal pattern, I mean margins in Q4 have dropped in five of the last five years and they've rebounded in four of the last five years by more than the seasonal drop in the fourth quarter. So, yeah, I would term this just a normal seasonal adjustment in margins.

<A>: Mike, do you want to just give a little color on the market going forward and through Q1 and beyond in terms of the tightness of the phosphate market?

<A>: Yeah. If you look at our supply and demand for 2019, we see decent growth. I'll start on the demand side. We're looking at about 1.8% or 1.2 million metric ton of additional demand in 2019. And that should start, I think, in a normal seasonal way as far as positioning for the Southern Hemisphere crop and the Northern Hemisphere crop.

And what's interesting, if you look on the supply side, we see several puts and takes there. We expect that on the negative side, we're seeing a couple of shutdowns in the U.S. or in North America with the Redwater plant and the Geismar plant.

We are seeing some incremental capacity come on in terms of continued ramp-up of the Ma'aden joint venture, the Shore Phosphate Hub Number 4, as well as some smaller plants coming on stream in Turkey and Egypt.

So, we've put all that together and when you add up the changes in demand versus the changes in supply, we still come up with roughly a balance not taking into account any changes in China.

And our assessment is that we could see a 0.5 million tonne to a 1 million tonne or more decline in Chinese exports.

So, what we see is another period much like this year where the phosphate market remains in deficit. And what we're saying there is that the world doesn't run out of phosphate but you see pipelines get drawn down. You maybe see a little bit of demand curved on the edges in some markets and you do see existing producers probably squeezing out a few more tons to reach an equilibrium in the market.

<Q>: Thanks, [ph] Mike. 00:22:01

Operator: Your next question comes from the line of Don Carson.

<Q>: Hi. This is Jake [indiscernible] 00:22:10 for Don. On capital deployment deficit, your debt pay down target. Is this a reflection of [indiscernible] 00:22:18 next year where the revenue of prices are today. Can you kind of give a little more color on your priorities there?

<A>: Sure. Thanks, Jake. Well, I'm going to talk a little bit maybe hand this over to Clint to talk some more and give us some more color. But to summarize, with the impact of our business improvements obviously the impact of our Brazil acquisition and improved market conditions, this year, we've been able to generate approximately \$1.2 billion of operating cash flow which really highlights just the kind of earnings power we've created in this business.

This as you mentioned has allowed us to pay down the \$700 million of term loans well ahead of our target, as a matter of fact, over two years ahead of our schedule. So, this has put us in a position to really review our overall capital allocation philosophy and targets.

So let me hand it over to Clint just to give a little more color on how we've been thinking about our capital philosophy going forward.

<A – Clint Freeland – The Mosaic Co.>: Yeah. Thanks, Joc and hi, Jake. So, I think when it comes to allocating capital, as we've talked about before, our first priority is ensuring that the company has a really solid financial and operational foundation, making sure that the company's leverage profile and liquidity position is where it should be to remain strong and liquidity position is where it should be to remain strong and flexible through the cycle. I think it's also important to invest appropriately to maintain the safe and efficient operation of our core assets.

Now, beyond that, I would look to and I think we would look to allocate capital to the highest risk-adjusted return opportunities available to us. We also pay a common dividend on our stock. And while it's fairly modest at this point, we do think it's an important part of a balanced allocation program and we'll continue to evaluate what that payout looks like over time.

I think, going forward, when we expect earnings and cash flow to be strong, I would expect to see a balanced capital allocation program where we continue to strengthen the balance sheet, invest to grow the business and provide a regular return of capital to our shareholders. So I think that's how we tend to think about capital allocation and try to prioritize our program.

Operator: Your next question comes from the line of Jeff Zekauskas.

<Q – Jeffrey Zekauskas>: Thanks very much. Two questions. Why do you think Chinese phosphate exports will decrease another 0.5 million tons next year? What's behind that? And in terms of your cash flows, your receivables jumped up a couple of hundred million dollars sequentially, so did your payables. What's behind that? And how did the \$200 million reversal of Brazilian prepayments flow through? Was that a benefit or not a benefit? What line did that touch?

<A>: Sorry, Jeff. Got the mic.

<Q – Jeffrey Zekauskas>: Sure.

<A>: First of all, let's talk about Chinese exports and what we think of Chinese exports. And I'm going to leave this to

Corrine to really talk about. But at a high level, we do see active things by the Chinese government to reduce both water and air pollution and particularly to reduce pollution along the Yangtze River. And those are now starting to take effect and they're increasing the cost to produce phosphates in China but also reducing the overall availability of Chinese phosphate.

So, with that, let me hand that one to Corrine and I will come back to the cash flow question.

<A – Corrine Ricard>: Thanks, Jack. We are seeing a decrease in Chinese exports, though we've seen a small increase year-t-date, January through September in those DAP export. The MAP exports are up very significantly, about 23%. And that really is a result of what Jack was talking about with the environmental pressures happening on producers. There are a number of things happening in the environmental area, and that's what we've been talking about for a while on Chinese exports.

The first is that there are taxes that have been levied against the producers that are adding \$10 to \$15 a ton and their operating costs up because they have to pay tax against the environmental pollution. The second thing that's happening is higher operating costs, so there is a significant reduction in rock mining because the government has disallowed mining in some environmentally sensitive areas. And so, the Chinese National Bureau of Statistics reports that

phosphate rock mining is down 30% through September. So, you have producers that used to be integrated with the rock mines are now nonintegrated producers having to purchase rock from others and rock prices are up significantly. We're also starting to see the start of rock imports into China indicating a shortage of that raw material.

And then lastly I would say there are significant capital costs at risk here as well. You've got plants that are within the 1 mile region on the Yangtze River are being forced to relocate and some that are a little farther out from 1 mile are being told that they have significant capital they have to spend to manage their gypsum differently and handle other environmental pollution differently. So, we believe in the timing on those changes and those plant relocations is by the end of 2019 and then some by the end of 2020 for the capital investment. So, we really believe that there will be a watershed year here in 2019, 2020 on the environmental impacts affecting these Chinese producers and we expect exports will be down. Again, we're carefully watching these exports, and if you take a rolling 12-month look at exports they are down about 11%.

Mike, anything you want to add?

<A – **Mike Rahm**>: Yeah, just I'd highlight that the rolling 12 months total on September 30 was down I think 1.17 million tonnes from September 30, 2017. So, there has been a substantial decrease. If there are other questions later on maybe we can come back and talk about a specific example.

<A>: Sure.

<A>: Good. Jeff, so I'm going to leave that one there. Obviously, the bottom line is what we're seeing is we're seeing stuff on the ground and these higher prices are driving probably some higher utilization and in plants that may not necessarily have otherwise been running at this time. Now we're going to move on to the question, I'm just going to rephrase this a little bit to make sure I've got it right. But if I heard you correctly, cash flow from receivables is actually up by two months this year and you were asking us to clarify what is the impact of the Brazil prepayments on our cash position. I'm going to hand that straight over to Clint who, I think, has a pretty good understanding of what you're trying to get.

<A – **Clint Freeland – The Mosaic Co.**>: Yeah. Thanks, Jack. So, I'll start with the Brazilian prepayments. Those prepayments, at the end of the second quarter, were about \$500 million in cash, and where you see that on the balance sheet is in the cash balance and in our payables. And when that reverses, what you have is it almost gets transferred from the balance sheet, goes to the income statement where that \$200 million reduction in prepayments comes out of the cash balance and then flows through your P&L.

And then, to the extent that you have no margin on those sales, which obviously you do, that would then come back to the cash flow statement onto your balance sheet. And so, net-net, you'll have a reduction in overall cash balance for those prepayments, but not the full \$200 million because you'll end up with the margin on your balance sheet.

I think the other part of your question was around receivables and payable balances, and one of the things that I would I assume that you're looking at our balance sheet, recall that we closed on our acquisition on, I believe, January 8. And so, the effect of the acquisition and bringing the working capital balances on to the balance sheet is part of that delta.

As you look at the quarter, in particular, I would say that from a receivables standpoint, we had pretty high sales in September in North America, in particular. And so, that would have been booked into receivables that should again turn in the fourth quarter. So, that would be the story around receivables. I think payables, nothing really out of the ordinary there. I think it's just a matter of timing of various accruals and other things throughout the year. So, I would say, nothing of particular note there.

<Q>: Okay. Thank you, Clint.

Operator: Your next question comes from the line of Ben Isaacson.

<Q – Oliver Rowe>: Oh, yes. It's Oliver on for Ben. Thanks for taking my question. So, looking at your phosphate shipment outlook on slide 18, you have a meaningful increase in shipments to India in 2019. Do you not expect any demand destruction from India's rupee depreciating, rising cost for gas prices and the higher MRPs which are all impacting affordability? Maybe to put that another way, if the currency were to revert and or the MRPs dropped, would there be further upside to your demand estimate for India?

<A>: Okay. Thanks, Oliver. I'm going to mostly hand this to Corrine, but let me let make just a general statement. And India probably is the most sensitive to this. But in any situation, and next year, I believe, is a situation where we're going to be somewhat supply-constrained in terms of growth. I think, then, at some point, you do have to – you do have to ration ultimate supply. And so the least affordable markets will have to ration their growth. And I think that is something that could happen depending on price movements in India, but it will only be because of those price movements. So there's obviously some sensitivity to both currency and prices in a market where their product is not sold on the international market but sold at a controlled price in country. Corrine, do you want to talk about that a little bit, please?

<A – Corrine Ricard>: Sure. I think there's a couple things that we're watching very closely here. And we have been looking to see if there's any evidence of demand destruction and we aren't seeing it yet today. It is sensitive to currency changes. All of those seem to have stabilized.

And they have adjusted their MRPs several times throughout the year. And at each level, we're continuing to see farmer purchasing. And so, as of today, it looks like we are continuing to not – we're not seeing demand destruction. We're continuing to see strong demand for phosphates.

We also have an increase in the 2019 shipments because you've seen a relatively significant reduction in the domestic production and operating rates of the domestic producers. And that needs to be made up with some import volume.

<A>: Okay. Thanks, Corrine.

Operator: Your next question comes from the line of Alex Falcao.

<Q – Alexandre Falcao>: Hi. Good morning. My question is regarding Brazil. What made you increase the targets and synergy there? And you said that your monitoring the new government. There is a massive shift in the currency from BRL 4.50 to BRL 3.70 now. I just wanted to understand the impacts of that going forward for you and [indiscernible] 00:34:32 in which – I know you guys have a very complex hedging policy and what you're exposed. Were you long of the currency there or short of the currency there? I just wanted to understand what's going to that effects are going to have going forward? Thank you.

<A>: Okay, Alex. Thank you. So, let me hit this in in order. If I've got it, there's sort of three aspects here I just want to hit. First of all, let's talk about the election of Mr. Bolsonaro. Bolsonaro ran on a pro-business, pro-agricultural campaign. In fact, Bolsonaro was officially endorsed by the Agricultural Parliamentary Group during the election. So, that is a positive from an agricultural perspective. However, in Brazil, to make things happen, you really have to build coalitions so it's a little early to see. The one thing I will say, however, though, is his first appointees, including his nominee for justice minister, Sergio Moro, and his nominee for finance minister, Paulo Guedes, have both been very well received. And I believe those bode well for his success which we look forward to.

The second question you asked was about the synergies and what I would say there is if we – what we had was a Brazil team that really took this on and has done a very good job of going after synergies and improvement, which has put us in a position to achieve more than the \$100 million that we originally thought we'd achieve this year, matter of fact, our [ph] 140 to 160 00:36:22, but also puts us ahead of schedule to achieve our total \$275 million of synergies we ultimately expect to achieve from that business.

In terms of the currency and the hedging, I really think there's enough detail there that I should hand that over to Clint to talk a little bit about our strategy.

<A – Clint Freeland – The Mosaic Co.>: Yeah. Hi. Thanks, Jack. So, I think from a currency hedging standpoint, we typically hedge on a rolling three-month basis to the extent that we are along the BRL. And so, when you have at least short-term volatility in the BRL, we should generally be hedged against that. Longer term, we do also hedge against some of our BRL expenses. If you recall, a lot of our revenues there are dollar-based and our expenses are BRL-based. And so, what we try to do is to have again kind of a rolling program over time that at least allows us to navigate some of the shorter term volatility, but I think longer term you are a little more subject to the currency fluctuations that you see again over time.

<Q>: Thanks, Glenn 00:37:38.

Operator: Your next question comes from the line of Chris Parkinson.

<Q>: This is [ph] Graham Wells 00:37:47 on for Chris. I was just wondering about the volume guidance on both kind of the phosphate and the potash side. On the phosphate side looks like you took it down a little bit and I think at the beginning of the call you spoke about some seasonal factors particularly in North America maybe influencing that. I was wondering if you could give any color on the composition of what that volume outlook looks like in terms of that map versus micro essentials etcetera.

And then on the potash side, a similar question where your volumes appear to be quite strong. I'm just curious where you're seeing kind of most of that strength heading into 4Q? Thanks.

<A>: Okay. Thank you, Graham. I'm going to hand this over to Corrine but let me start with the volume guidance for potash. Clearly, with the strength and the tightness of the potash market globally we're seeing good international demand right now which is more than offset the slight seasonal weakness you might have expected at the end of the normal North American season. In terms of phosphate guidance, the volume drop there is normal seasonality that's probably driven mostly by the completion of the biggest season in Brazil and the end of the North American fall application season. Corrine, do you want to make a few comments?

<A – Corrine Ricard>: Yeah. Not a lot to add there. I completely agree on the potash side. We have big shipments going on and good volume expected in the fourth quarter. The only limitation really is going to be just getting all those logistics to get that volume moved and the phosphate guidance issue is largely that winter fill season, do we end the fall season andn the peak fall season with a strong winter filled program that moves into December or does it really move into that January time period? And we're forecasting a normal amount of winter fill activity for December rather than well last year was an exceptionally large winter fill early in December.

<A>: Thanks for that.

Operator: Your next question comes from the line of Jonas Oxgaard.

<Q – Jonas Oxgaard>: Good morning, guys. I'm trying to make sense of your Q4 guidance. Your phosphate guidance is down but your potash guidance is off. And then your [indiscernible] 00:40:12 is down. If I tally them all up, I end up with about a \$0.10 reduction which is usually both what you usually get in Q4. And yet your implied guidance for EPS in Q4 is minus 20 or are you being conservative or...

<A>: Sorry, Jonas. We're looking at each other to try and understand if we can – we don't actually, as you know, we don't actually give EPS guidance on a division by division thing. I'm not sure I know how to answer that. I'm going to hand it to Clint to see what he can.

<Q – Clint Freeland – The Mosaic Co.>: Yeah. Jonas, I would maybe suggest that we take it off line and provide you some clarity. I think we're having a little somewhat of a challenge kind of understanding and answering your question right now but I think we can follow up with you if that's okay.

Operator: Your next question comes from the line of Adam Samuelson.

<Q – Adam Samuelson>: Yes. Thanks. Good morning, everyone. A lot of ground coverage. On the potash side, your guidance for next year on shipments, can you give us your supply outlook? What's the assumption of incremental capacity coming from K+S, from EuroChem closures and the rest of the world? And is there any assumption or early kind of view that Canadian production ex-K+S would be up in any material amount in 2019? Thank you.

<A>: Okay. Thanks, Adam. Sure. We'll give you – I'll get Mike to give you an overall look at the S&D. The one thing you just asked that I would like to highlight, I think our view is over the next five years, one of the things that will happen is the output of the North American suppliers ex-K+S will actually increase as the other supply is used up and the market gets tighter. Really, the only excess capacity out there today sits with the big two North American suppliers. And so, with that, I expect the utilization rate by those two might well increase in the next few years.

Mike, do you want to just give a quick highlight of the S&D?

<A>: Sure. We actually published this in the Annandale Road Show report that is on the website. There's detail in terms of our changes in the S&D. And in terms of – let me just talk a little bit about 2018 first and how that carries over. But when we look at, there's been a series of either call it supply disruptions or supply changes that have probably taken a good 0.5 million tonnes out of the market. So, as you know, the ICL closed their Boulby mine midyear. SQM is

maximizing the amount of lithium they produce versus potassium chlorine – chloride. K+S had production problems at its Werra Complex with low water levels in adjoining rivers and so forth. So, you add that up just about 500,000 tons of loss production next year. When we look at this, K+S is going to close their [indiscernible] 00:43:27 mine, which is probably 450,000 tons. The [indiscernible] 00:43:32 mine produced half of this year, so there'll be another half of year loss there.

So, when we add up 1.2 million or 1.1 million tons of demand growth, coupled with the supply changes that we see, we show a deficit of about 0.5 million tons. And, again, as we said, for phosphate, we're not expecting the world to run out of potash anytime soon, but we do think that implies that pipeline inventories worldwide get drawn down to very levels and that prices remain elevated enough to bring supply and demand into equilibrium.

<Q>: Thank you, [ph] Mike 00:44:17.

Operator: Your next question comes from the line of Vincent Andrews.

<Q>: Hi. This is [ph] Neil 00:44:22 calling in for Vincent. A couple of questions on Mosaic Fertilizantes. You accelerated the 2018 synergy capture, but it seems that the gross margin per ton for the segment is being guided down a bit sequentially to \$40 per metric ton at the midpoint versus \$42 at 3Q. So, what is driving that? And then, second, total synergies were kept flat at \$275 million. Is there still an opportunity for additional upside for that number?

<A>: Okay. [ph] Neil 00:44:52, thanks. Well, first of all, let me talk about the Fertilizantes margin for the fourth quarter. That is almost exclusively driven by change of FX. There has been a strengthening of the Brazilian real particularly after the election of Bolsonaro and whether that holds or not, but it has been given us a short term expectation of a stronger reals there.

In terms of the synergies, we made a conscious decision not to increase synergies beyond \$275 million. And the reason for that was we in our investment thesis which we brought out last year, we said \$275 million was the amount we expected to gain by the combination of the two businesses. We fully expect that we will set goals for business improvement beyond that, but we do not believe they are necessarily something that we should call synergies after the original combination of those two businesses. So for that reason, we have looked at this as being a milestone that we're going to leave as it is. Thanks.

Operator: Your next question comes from the line of John Roberts.

<Q – John Roberts>: Thank you. In Brazil, does the increase in acreage and the shift to soy present any logistical challenges for you to meet demand? Do you have any constraints down there in Brazil given the shift going on?

<A>: Thanks, John. Look, one of the huge advantages we have in Brazil is our distribution business is well positioned in all of the major agricultural areas of the country and we support and supply farmers for a number of crops. And when we combine that with a production business that is right there as well in the main growing regions, we think we are actually the best positioned to serve the growing soybean market in Brazil and whether its soybeans, corn or coffee, sugarcane

we believe our distribution business and our new production business are well-positioned to serve those.

Operator: Your next question comes from the line of P.J. Juvekar. And your line is open, P.J.

<Q – P.J. Juvekar>: Hello. Can you hear me? Sorry.

<A>: Hi, P.J.

<Q – P.J. Juvekar>: Good morning. Can you talk about Plant City operations? Is it safe to assume that those – that plant is down and probably will come back again? And then, secondly, what is your demand expectation for North America given record crop this year which means record [indiscernible] 00:48:01 removal from the ground? And also, the shift from soy to corn that should add some demand for fertilizers here in North America. Thank you.

<A>: Sure. Well, let me talk about Plant City. At this stage on Plant City – sorry. Thanks, PJ. Let me let me start with Plant City, but Plant City, we're gathering information and we're in active discussions with both the federal and state regulators right now. And we will be in a position before year-end to make a decision on Plant City going forward and that's consistent with where we've been before. And we're really not able to talk about that until those decisions are fully vetted and made.

In terms of North American demand, I think the simple answer, and then Corrine and I were just on a North American customer took a couple of weeks ago, and what I would say there is you have it absolutely right. The record crops are removing more and more fertilizers from the ground and that is – meaning that there is an increasing need to replace that fertilizer. So, while we don't expect huge growth rates in North America we do see that market as solid. And now, as the crops continue to grow, we expect a good demand.

The other aspect of it as we saw in this marketing trip was the move towards precision agriculture rather than hurting the demand for fertilizer is probably helping the demand for

fertilizer because people are putting the right amount of crop nutrients in the right places, and that is really helping both the demand and the usage of that fertilizer.

Corrine, do you want to touch on anything else?

<A – Corrine Ricard>: Sure. The only thing I would add, so we've got our forecasted shipments for North America for phosphates for 2018 at about 10.2 million tonnes and the 2019 range is 9.8 million tonnes to 10.1 million tonnes so, very similar.

I think, in 2018, what you saw was a little bit of a front-end building of the shipments. After we announced that Plant City closure, people were pretty optimistic about where prices would go and they started loading up a little heavier than normal shipment. But we expect it to be relatively flat. A little bit the same on the potash side, there was just a little bit of that inventory build. Mike, do you want to add?

<A>: No, I guess, the only thing that I would add is that, as we said before, both the agronomic and the economic demand drivers remain strong. We've talked about the big withdrawals. But, I think, another important factor is if you look at new crop prices for corn, soybeans and wheat despite, I think, the perception that things have really changed, if you look at where they're at today versus the last three years, corn prices are kind of at the top of that three-year range, wheat prices are above the three-year range and soybean prices are kind of right in the middle. So, the signals that farmers are getting today are no different than what they have been for the last three years and that combined with the need to replace nutrients taken out. I think bodes well for the demand outlook for next year.

<A>: And I'll just end by saying you asked – your final question was about the soy [indiscernible] 00:51:20 that has a big impact on nitrogen demand but for us both of those are great crops and we're pretty agnostic as to which crop is growing.

Operator: Your next question comes from the line of Mark Connelly.

<Q>: Good morning. It's [ph] Ashish 00:51:43 for Mark. Beyond the valley assets you also picked up the port and warehouse assets in the north from ADM. How have those assets changed your competitive position in Brazil and affected your freight situation?

<A>: Yeah. Thanks, Ashish 00:52:01. Look the port position in Tiplam in particular I think is what you're referring to. What that has been able to do for us is now as an importer we have access to two of very good ports one in Paranaguá State and the one at Tiplam. And if you think about Brazil and infrastructure in Brazil, one of the key competitive advantages or one of the key competitive issues is access to infrastructure particularly port infrastructure. So, it is a major importer of both finished product but also raw materials. This really helps us better run our

upstream and downstream businesses. And if you look at our statements on synergies, a big piece of the synergies or at least a piece of the synergies has certainly been associated with the upstream and downstream benefits of this infrastructure that we've added.

Operator: Your next question comes from the line of Michael Piken

<Q – Michael Piken>: Yeah. Hi. Most of my questions have been answered, but just wanted to sort of get a sense. You guys mentioned on the prepared remarks that you're seeing some of your competitors tight on potash supply right now. Were you referring to the ramp-ups of some of the future capacity or were you referring to existing competitors? And what does that mean in terms of the amount of time that you have booked maybe in some of those China and India contracts? Thanks.

<A>: Okay. Thanks, Michael. Look, I think it's both. Certainly, the new suppliers have been slower to come up than one would have expected or one might have might have expected. But also, there has been shutdowns in terms of ICL's ability as an example and there has been a refocus in terms of SQM's operations focusing more on lithium and moving away from potash.

And then, of course, there's been environmental issues in Germany that have also impacted supply and even some possible Russian supply which we're not clear on what that – whether it has or has not. But I mean what we're seeing experientially is a tighter market than we have had previously and that's obviously being reflected in shipment volumes for us, Canpotex, as well as price movement.

Operator: And your final question comes from the line of [indiscernible] 00:54:38.

<Q>: Yes. Good morning. Question around the capital. So you called out that your debt is now down to the through-the-cycle level you need. I was unclear, does that mean you still want to pay down a little bit now or maybe at some future point, you would decide to pay down a little bit more as we move maybe to a rollover and towards a trough? And then, on the capital allocation side, you talked about the risk adjustment you make. Could you maybe just highlight if you looked at, say, Fertilizantes versus a stock buyback, what would be the delta in the return that you would need or that the risk rate that you would use in those types of investments?

<A – Jack O'Rourke>: Okay, [indiscernible] 00:55:21. Well, let me first highlight. We set a near-term target of paying down \$700 million and returning to a debt ratio of below 2.5:1. Now, that's been achieved. As we look the longer term, we are not only looking at what the instantaneous debt ratio is, but how are we positioned throughout the cycle., so not only at the middle of the cycle or the top of the cycle, but also how would we be positioned at the bottom of the cycle. So, we really want to think that through carefully and how we're going to address that before we take any steps to either pay down more or not pay down more debt.

In terms of your question on the risk reduction, rather than hand this to Clint, which I could do, I think what I would say is we would look at share repurchases as being a cost of capital return to shareholders as opposed to an investment of some sort. In terms of the risk-adjusted rate of return, we would have to look at currency risks, geographic risks, technical risk, etcetera, and then say how much above that above the cost of capital does that have to be for it to be an intelligent investment for us to make.

James C. O'Rourke, President, Chief Executive Officer & Director, The Mosaic Co.

So, with that, I would like to thank everybody who's been on the call. But I would like to emphasize before we leave a couple of our key messages. First, Mosaic has made tremendous progress. We've transformed our business and created substantial earnings potential. Secondly, our phosphates and potash market fundamentals have continued to be constructive. And third, we're highly optimistic about both the short- and long-term. Simply put, we've created an efficient franchise that is generating strong returns and we expect our momentum to continue to grow.

Thank you for joining the call.

Operator: This concludes today's conference call. You may now disconnect.