



**K+S Annual General Meeting
on June 10, 2020**

**Speech of the Chairman of the Board of Executive Directors,
Dr. Burkhard Lohr**

– The spoken word is binding –



Dear Shareholders,
Dear Shareholder Representatives,
Dear Media Representatives,
Dear Customers,
Dear Colleagues!

On behalf of the entire Board of Executive Directors of K+S Aktiengesellschaft, I would like to extend a warm welcome to the first virtual Annual General Meeting of your K+S Aktiengesellschaft. We are pleased for you to have accepted our invitation to this new meeting format. I hope to reach you on your screens in good health.

Today, the virtual space where we are meeting has opened new horizons. At the same time, it is capable of holding our meeting in a more stringent and focused manner. Nevertheless, this format cannot and will not replace the personal meeting between you and management. The direct exchange with you, our shareholders, has always been and will continue to be important for us.

Ladies and Gentlemen,

The corona pandemic has significantly changed our lives. In our private and professional lives, we at K+S too had to completely reorganize our usual processes and routines to some degree. It was essential to make rapid adjustments and at the same time to concentrate on what was really important.

Our company has demonstrated this in a special way. We have been successful in maintaining production at almost all sites!

We have always succeeded in ensuring the supply of essential goods to the population and important key industries with a high level of personal commitment, great flexibility and the necessary optimism.

Therefore, the more important it has been to do everything possible to protect the health of our colleagues.

Immediately after the outbreak of the pandemic and in consultation with the authorities, we therefore initiated extensive recommendations for action and measures to protect the health of our employees underground, in production, logistics, sales and administration.

Ladies and Gentlemen,

My colleagues on the Board of Executive Directors and I are very proud of the work accomplished by our teams over the past months. They have kept our promise to our customers: "We are there for you!" day after day in an excellent way.

On behalf of my colleagues, I would like to express my sincere thanks to all our employees. You have accomplished an outstanding achievement under these special challenges!



Ladies and Gentlemen,

We want to actively master challenges. Hoping for better framework conditions has never been an option for us. We have strategically realigned ourselves, invested in important projects for the future and consistently pursued the transformation of the company. In doing so, it has always been highly relevant for us to create a solid financial basis to safeguard the future of our company.

In this respect, the external circumstances have not really supported us - and you, dear Shareholders, have immediately witnessed this. On the contrary: The decline in prices on the potash markets, extreme weather conditions with prolonged drought and the absence of winters counteracted our successes, in part even more than offset them.

At the beginning of December last year, we therefore took major decisions to rapidly reduce debt.

These are not individual projects, but a series of interlocking measures, aiming at

- the realization of values,
- focusing on our core business,
- and the corresponding re-dimensioning of our resources.

This package of measures affects both the operating units and the holding company. We want to create lean and agile structures. Increases in efficiency and productivity interact with investments in sustainable environmental solutions.

For the realization of values:

Since mid-March this year, we have been engaged in the complete sale of our Americas operating unit. This provides us with the greatest potential for reducing our debt.

Sites close to customers in North America, cost-effective production in South America and strong brands with high-emotional customer loyalty characterize the Americas operating unit.

Especially the Morton Salt's "Umbrella Girl" has been in millions of American households for more than a century. The brands Windsor in Canada as well as Sal Lobos and Biosal in South America also have a strong brand value in the respective regions. In this way, we are offering a very attractive business.

With the support of investment banks, the sales process has been proceeding as planned since March this year. Restrictions due to the corona pandemic have hardly arisen so far. We were able to implement the preparatory phase as planned.

Meanwhile, we have also initiated a direct approach to investors. Reactions have confirmed the high level of interest on the part of investors and hence the attractiveness of our American salt business.

It is our aim to reach a written sales agreement before the end of 2020. Completion of the transaction and payment of the purchase price, however, should not be expected before 2021. For now, that's all about our plans for the salt business in America.



Ladies and Gentlemen,

I would now like to turn to our major and valuable asset: our plant in Canada. Bethune is one of the most modern production sites for potash products worldwide and strengthens our future global competitiveness.

The ramp-up phase of the plant is running smoothly. By expanding the cooling, screening and grinding facilities, we succeeded in implementing the planned process and quality improvements last year.

In other words, we have overcome the "teething troubles" of the start-up phase. Product quality now meets the high level expected by our customers and ourselves.

Having visited our customers in Brazil, among other places, I was able to convince myself.

In this respect, one thing is for sure:

Our Bethune plant is and will continue to be an indispensable component of the future of K+S!

By implementing our package of measures, we are clearly and consistently focusing on a strong core business with potash and salt products in Europe. We will particularly continue to reduce complexity and refrain from marginal activities. Two examples are the sales of Baltic Trains in the logistics area as well as our waste management subsidiary in Switzerland at the end of 2019.

The objective of all these measures in the European business is to achieve sustained positive free cash flows at all sites, even in the event of unfavorable conditions such as lower prices for our potash products or shortfalls in the winter business.

The restructuring of our organization in Europe and the new dimensioning of our administrative functions are directly linked to this.

Our approach is to start where the previous complexity is no longer necessary following the sale of the Americas operating unit. We will discontinue existing dual structures in the holding company and the Europe+ operating unit, accelerate decision-making processes and aim to streamline overall.

At the same time, we will continue to drive forward the current projects for enhancing our operational excellence and improving efficiency at our production sites.

Recently, an optimized product mix at the Werra site has enabled us to implement improved production processes in which fewer liquid residues are produced.

Additionally, we have increased our on-site storage possibilities to a total of one million cubic meters by commissioning the underground temporary storage facility for saline production wastewater at the Wintershall site.



Against this background, we do not expect any more wastewater-related shutdowns at our Werra plant in future - even if the summers continue to be as dry as in previous years.

At this point, it is important to me to reaffirm that we are keeping our word: We are fundamentally adhering to the agreed environmental goals!

Just as we have also complied with the agreements with BUND on groundwater protection at the Werra site. We had agreed to save one million cubic meters of saline wastewater for injection into deep layers of rock by the end of 2021. Through consistent efforts, we achieved this already in April, i.e. more than 1.5 years earlier.

In close and constructive dialogue with all interest parties, we want to continue to achieve intelligent and efficient solutions to reduce unavoidable environmental burdens as well as the associated costs.

One example is the present cooperation with external partners in the development of concepts for the covering of tailings piles and hence the reduction of tailings pile water.

Ladies and Gentlemen,

By implementing this package of measures, we aim to reduce our debt by a total of more than 2 billion euros by the end of 2021. This will significantly improve our balance sheet and create the necessary conditions for strengthening our creditworthiness. We want to achieve a stable cross-over rating again.

It is our goal to be a lean, future-oriented premium provider in the fertilizer business.

With a solid financial base, we can focus on the supply of profitable specialty products and continue to grow here.

Our deposits, which in addition to potassium contain in particular the minerals magnesium and sulfur, provide us with the best opportunities for this. At the same time, we have the know-how to drive forward the further expansion of this profitable specialty business.

Ladies and Gentlemen,

This leads me to the key figures for 2019, which I will present as briefly as possible, as I assume that you will want to hear more about our forecasts for the current year in mid-June.

I would like to emphasize that we generated a positive free cash flow last year for the first time since 2013. At 140 million euros, the figure was clearly positive. In absolute terms, we even improved by 346 million euros compared with 2018.

We also made very good progress in realizing synergies in the past financial year.

We have already realized more than 100 million euros in administration, purchasing, logistics, production, sales and marketing. That is a good two thirds of our initial target.

We are well on track for not only achieving, but exceeding, more than 150 million euros in synergies per year from the end of this year.



These efforts are also rewarding for the newly positioned K+S!

Revenues and earnings showed slight growth in the past financial year. At 640 million euros, our EBITDA was up 6 percent on the previous year and therefore improved for the third year in a row.

Initially, we were convinced of a positive development during the first half of the year. During the second half of the year, however, the general conditions for important parts of our business deteriorated considerably.

A major cause was the weakness of the market as a result of the ban on imports of potassium chloride from overseas imposed by China. This resulted in declining prices and lower demand in other important overseas markets too.

Ladies and Gentlemen,

Some industry observers assume that there could be a significant increase in potash capacity in the coming years and consequently an oversupply of the market. I do not share this opinion. After all, a closer look at the facts reveals a large gap between wishful thinking and reality.

Over the past 15 years, more than 160 potash projects have been announced worldwide. At present, only 6 of these projects are considered to be most likely realized by 2025. Two projects are currently in the ramp-up phase. One of them is our own Bethune potash plant in Canada.

As you can see: There is always a lot announced, but very little actually realized in the end.

We assume that on the demand side - and all market observers confirm this - long-term trends remain intact and global demand for potash will continue to grow.

We therefore believe that the development of supply and demand will continue to be rather balanced in the medium term and do not expect an oversupply on the world market.

Ladies and Gentlemen,

I will now turn to the dividend proposal.

The originally envisaged dividend proposal provided for a distribution of 15 cents per share. At the beginning of May this year, however, for reasons of precaution and against the background of the global economic crisis triggered by the corona pandemic, the Supervisory Board and Board of Executive Directors resolved to adjust the dividend proposal for the year 2019 to the legal minimum dividend of 4 cents per share.

This adjustment of the dividend is also essential for maintaining the company's eligibility for promotion through a state-secured loan from the KfW.

Due to the continuing uncertainty on the capital and financial markets about the economic consequences of the crisis, it cannot be ruled out that it will become significantly more difficult to obtain liquidity.

Against this background, we constantly review all options available to us to ensure financial flexibility and liquidity.



A state-secured KfW loan is one of these options.

Ladies and Gentlemen,

Let us finally look at the outlook for the current year.

Weaker de-icing salt business in Europe and North America as a result of weather conditions as well as lower prices for potash fertilizers resulted in a revenue decline of about 14 % to 1.1 billion euros for the first quarter.

The EBITDA operating result reached 201 million euros in this reporting period.

The Americas operating unit registered only a slight decline in EBITDA to 102 million euros in the first quarter. Good cost discipline and higher earnings contributions in the Industry and Consumer customer segments were the main reasons for this.

This made it possible for us to largely compensate for weather-related declines in de-icing salt.

At the same time, this also demonstrates the great resilience of the business model and the wide range of applications for the products.

In the Europe+ operating unit, demand for fertilizers was very strong and resulted in higher sales volumes. For farmers, the weather at the start of the fertilizer season was perfect, especially here in Europe. However, lower prices for potassium chloride on important overseas markets resulted in a decline in EBITDA to 114 million euros.

Signing new contracts with Chinese and Indian customers in late spring of this year has meant that overseas prices have bottomed out. Overall, we now expect a moderate recovery in potash prices in the remaining months of the year.

For the de-icing salt business, we anticipate sales volumes of about 8 million tonnes for 2020 as a whole in view of the mild winter both here in Europe and in North America; this is about 5 million tonnes less than in a so-called normal year.

All in all, we expect EBITDA of around 520 million euros for the full year 2020. This figure does not include effects from the sale of the Americas operating unit and the restructuring of administrative functions.

We expect the adjusted free cash flow to break even in the current year.

Ladies and Gentlemen,

Let me briefly summarize:

- Our package of measures to reduce debt is to strengthen our balance sheet by more than EUR 2 billion by the end of 2021
- We are heading into the future with a solid financial base.
- We are obtaining the necessary flexibility to take advantage of new opportunities for the future.
- We focus on our core business and create new opportunities for growth.
- We are growing globally with profitable specialties, which we are continuing to expand.



- The new K+S will be a lean, agile and flexible supplier of fertilizers and specialty products for Agriculture, Industry, Consumers and Communities.

Also, on behalf of my colleagues on the Board of Executive Directors, I would like to thank you for your trust and support.

Glückauf to all!

Stay healthy!