

Press Release

Kassel (Germany), November 4, 2020

K+S Cleans Up Balance Sheet

- **Potash prices expected to continue to rise in the short and medium term**
- **Long-term assumptions for potash prices and cost of capital were adjusted**
- **Non-cash impairment losses on assets of around EUR 2 billion**
- **Outlook for the full year 2020 confirmed**
- **Focus on positive free cash flow at all production sites**

The K+S Board of Executive Directors has adjusted its long-term assumptions against the background of the realignment of the Company and the sale of the Americas operating unit. This mainly concerns the long-term potash price assumption as well as a higher cost of capital rate. Based on the current potash price level, K+S expects prices to continue to rise sustainably in the short and medium term. However, the assumption regarding the long-term price trend is now lower than previously assumed. Overall, this results in a one-off, non-cash impairment loss on assets in the Europe+ operating unit of about €2 billion. This special impairment will be made for the third quarter of 2020 and will have a corresponding negative impact on adjusted net income after taxes and ROCE, but will not lead to a liquidity outflow.

Based on the operating performance in the third quarter, the outlook for EBITDA in 2020 of about €480 million after one-time restructuring expenses is confirmed. The detailed figures for the third quarter of 2020 will be published on November 12, 2020.



Future prospects still very good

K+S has unique raw material sources, a broad product range, and is the only potash producer with production sites on two continents. This is a good starting point from which to continue to supply numerous industries with essential products and to make a significant contribution to securing the world's food supply. During the corona pandemic, K+S has also demonstrated that its business model is not subject to disruptive changes. The megatrends that will carry this business model into the future, such as the constantly growing world population, for example, are still intact.

The sale of the Americas operating unit is expected to generate a cash inflow of more than \$3 billion (USD) and a book profit in the mid three-digit million range after closing in summer 2021. "This will significantly reduce the company's debt and secure future financing. With the impairment, we have now also cleaned up the balance sheet. This gives us more room to shape our future," continued Lohr.

Focus on costs and cash flow as part of the realignment

In addition to the restructuring measures already underway in administration, the focus will be on further optimizing the cost and capex structure at all production sites. This is expected to contribute to all production sites generating a positive free cash flow in the future, even in the event of a low price level for potassium standard fertilizers as well as weak demand for de-icing salt due to weather conditions. Once the realignment has been completed, K+S will become an efficient supplier of standard fertilizers and specialties. The new K+S business model will be more resistant and sustainable overall.

K+S is also on track with administrative restructuring measures to be completed by the end of 2020. The Europe+ operating unit and the holding company are currently being combined to form a leaner and more efficient K+S. The costs of the administrative functions, which will be organized functionally in the future, will be reduced by 30%, a total of about 60 million euros per year. The restructuring is currently being implemented and is expected to be completed by the end of the current year.



K+S will also attain the desired goal in the achievement of synergies and the reduction of costs in production, logistics, purchasing, sales, and marketing.

About K+S

K+S considers itself a customer-focused, independent minerals company for the Agriculture, Industry, Consumers, and Communities segments. Our more than 14,000 employees enable farmers to provide nutrition for the world, solutions that keep industries going, improve daily life for consumers and provide safety in the winter. We continually meet the growing demand for mineral products from production sites in Europe, North and South America as well as a worldwide sales network. We strive for sustainability because we are deeply committed to our responsibilities to people, environment, communities, and economy in the regions in which we operate. Learn more about K+S at www.kpluss.com.

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