Q1/2020
Quarterly Report

Coronavirus pandemic:

+ Little impact on operating business so far, supply chains largely stable
+ K+S makes important contribution to providing essential goods

Q1 figures:

+ K+S Group's revenues decline to €1.1 billion in the first quarter (Q1/2019: €1.3 billion)
+ EBITDA of €201 million significantly down on previous year (Q1/2019: €270 million)
+ Adjusted free cash flow at €204 million (Q1/2019: €233 million)

Outlook 2020:

+ EBITDA around €520 million (2019: €640 million; previously: €500 million to €620 million)
+ Adjusted free cash flow expected to be at break even

Package of measures to reduce debt:

+ Sale process of Americas operating unit on schedule
+ K+S launches major realignment project

KEY INDICATORS

		Q1/2019	Q1/2020	%
K+S Group				
Revenues	€ million	1,263.5	1,089.1	– 13.8
EBITDA [1]	€ million	269.9	201.1	– 25.5
EBITDA margin	%	21.4	18.5	–
Depreciation and amortization [2]	€ million	99.5	107.7	+ 8.2
Operating unit Europe+ [3]				
Revenues	€ million	691.8	645.0	– 6.8
EBITDA [1]	€ million	177.1	114.2	– 35.5
EBITDA margin	%	25.6	17.7	–
Depreciation and amortization [2]	€ million	77.6	83.6	+ 7.7
Operating unit Americas [3]				
Revenues	€ million	571.2	443.5	– 22.4
EBITDA [1]	€ million	107.6	101.9	– 5.3
EBITDA margin	%	18.8	23.0	–
Depreciation and amortization [2]	€ million	19.8	21.6	+ 9.3
Customer segment Agriculture [4]				
Revenues	€ million	461.0	453.7	– 1.6
EBITDA [1]	€ million	124.2	97.1	– 21.8
EBITDA margin	%	26.9	21.4	–
Customer segment Industry [4]				
Revenues	€ million	281.8	294.1	+ 4.3
EBITDA [1]	€ million	58.5	55.1	– 5.9
EBITDA margin	%	20.8	18.7	–
Customer segment Consumers [4]				
Revenues	€ million	119.6	122.2	– 2.2
EBITDA [1]	€ million	16.4	21.2	+ 29.2
EBITDA margin	%	13.7	17.3	–
Customer segment Communities [4]				
Revenues	€ million	400.6	218.5	– 45.4
EBITDA [1]	€ million	85.6	42.7	– 50.1
EBITDA margin	%	21.4	19.5	–
Earnings after tax, adjusted [5]	€ million	107.7	25.6	– 76.2
Earnings per share, adjusted [5]	in €	0.56	0.13	– 76.1
Capital expenditure (capex) [6]	€ million	72.6	87.8	+ 21.0
Net cash flows from operating activities	€ million	324.4	255.0	– 21.4
Adjusted free cash flow	€ million	233.1	204.4	– 12.3
Net financial debt as of March 31	€ million	2,934.8	2,917.2	– 0.6
Net financial debt/EBITDA (LTM) [7]	x	4.6	5.1	+ 11.2
Equity ratio	%	42.5	41.6	– 2.0
Return on capital employed (LTM) [7]	%	2.9	1.5	– 49.2
Book value per share as of March 31	in €	23.3	22.3	– 4.4
Average number of shares	million	191.40	191.40	–
Employees as of March 31 [8]	Number	14,654	14,694	+ 0.3
Market capitalization on March 31	€ billion	3.1	1.0	– 67.5
Enterprise value (EV) on March 31	€ billion	7.4	5.4	– 27.7

[1] EBITDA is defined as earnings before interest, taxes, depreciation and amortization, adjusted for depreciation and amortization of own work capitalized recognized directly in equity, gains/losses from fair value changes arising from operating anticipatory hedges still outstanding and changes in the fair value of operating anticipatory hedges recognized in prior periods.

[2] Relates to amortization of intangible assets and depreciation of property, plant and equipment, adjusted for depreciation and amortization of own work capitalized recognized directly in equity.

[3] Segments in accordance with IFRS 8.

[4] Not segments in accordance with IFRS 8.

[5] The adjusted key indicators include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges. Related effects on deferred and cash taxes are also eliminated; tax rate in Q1/2020: 30.0% (Q1/2019: 30.0%).

[6] Relates to cash payments for investments in property, plant and equipment and intangible assets, excluding additions to leases in accordance with IFRS 16.

[7] LTM = last twelve months.

[8] FTE = Full-time equivalents; part-time positions are weighted according to their share of working hours.

CORPORATE STRATEGY AND GOVERNANCE

For a detailed presentation of corporate strategy and governance, please refer to the relevant sections in the 2019 Annual Report "Corporate strategy" from page 49 onwards and "Corporate governance and monitoring" from page 109 onwards.
On 11 March 2020, we also announced that we are pursuing a complete sale of the Americas operating unit, which bundles the North and South American salt business. A sale is expected to be signed in the current year. The resulting concentration on the business with mineral fertilizers and specialties will entail a comprehensive realignment of K+S. This will include an extensive restructuring of the administrative functions. With the implementation of all the measures K+S strives to reduce debt by significantly more than €2 billion in the next two years and wants to achieve the conditions for a stable crossover rating. The current sale process of the operating unit Americas is proceeding as planned, despite the current conditions with regard to COVID-19.

The administrative functions in Kassel and Hanover have thus far been aimed at representing Group interests, perform essential central functions, and leverage synergies across regions. In the Europe+ operating unit, the administrative units focus on centrally managing the operating business. With only one operating unit remaining, all the administrative functions at the level of the holding company and of the Europe+ operating unit will have to be adjusted to the new circumstances in order to realize the planned reductions in costs and complexity. The project to restructure the administrative functions at the Kassel and Hanover locations has started.

EARNINGS POSITION, FINANCIAL POSITION AND NET ASSETS

In response to the spread of the coronavirus, K+S has implemented comprehensive measures at its manufacturing locations to minimize the risk of infection. As a consequence, elevator trips by the workforce into our mines run with significantly fewer people to ensure a greater distance can be maintained between miners. Shifts have also been shortened or staggered to different time slots to prevent too many employees from sharing the same space. In relevant areas, protective mouth and nose masks are used to minimize the risk of infection. These measures have been successful in keeping production running at almost all locations.

The efficiency losses associated with the hygiene measures and the short-term, corona-related production outages had a negative impact of around € 10 million on our quarterly result.

Through our products and services, we make an important contribution to getting essential goods to the general population and key industries in the healthcare, pharmaceutical, food production, feed and agriculture segments. To reduce the risk of infection, administrative staff of K+S have mostly been working from home since the middle of March. Here, too, the past weeks have shown that cooperation is working well in all areas. The general works agreement for German operations specifies, among other things, that working hours will be made more flexible and support will be provided to organize childcare.

EARNINGS POSITION

REVENUES

in € million	Q1/2019	Q1/2020	%
– Operating unit Europe+	691.8	645.0	– 6.8
– Operating unit Americas	571.2	443.5	– 22.4
– Reconciliation	0.5	0.6	+ 13.7
K+S Group	**1,263.5**	**1,089.1**	**– 13.8**

In the quarter under review, the K+S GROUP's revenues decreased tangibly from €1,263.5 million in the previous year to €1,089.1 million, a decline of around 14%. This development was in both operating units driven primarily by a historically mild winter; in the Europe+ operating unit, lower average prices in the Agriculture customer segment following weakness in the potash market starting from the second half of 2019 weighed on the result.

EBITDA

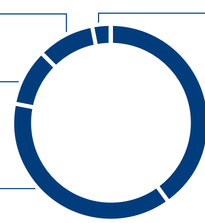
in € million	Q1/2019	Q1/2020	%
– Operating unit Europe+	177.1	114.2	– 35.5
– Operating unit Americas	107.6	101.9	– 5.3
– Reconciliation	– 14.8	– 15.0	– 1.4
K+S Group	**269.9**	**201.1**	**– 25.5**

In total, the K+S Group's EBITDA was €201.1 million in the first quarter, and therefore significantly down on the prior-year quarter (Q1/2019: €269.9 million). While the sales-related effects described led to a significant decrease in EBITDA in the Europe+ operating unit, the Americas operating unit was able to prove the robustness of its business model. Negative weather-related volume effects in the de-icing salt business were offset by an improved cost discipline as well as a higher contribution from the Industry and Consumer customer segments.

Adjusted consolidated earnings after tax for the first three months of 2020 amounted to €25.6 million (Q1/2019: €107.7 million); this translates into earnings of €0.13 per share (Q1/2019: €0.56).

REVENUES BY REGION

in %



January to March 2020/2019

FINANCIAL POSITION

CAPITAL EXPENDITURE [1]

in € million	Q1/2019	Q1/2020	%
– Operating unit Europe+	57.8	70.6	+ 22.2
– Operating unit Americas	14.2	15.4	+ 8.7
– Other capital expenditure	0.6	1.8	–
K+S Group	**72.6**	**87.8**	**+ 21.0**

[1] Relates to cash payments for investments in property, plant and equipment and intangible assets, excluding leases in accordance with IFRS 16.

In the first quarter, the K+S GROUP invested a total of €87.8 million (Q1/2019: €72.6 million). The year-on-year rise, which occurred as planned, is mainly attributable to the expansion of tailings piles at the Hattorf, Zielitz and Wintershall sites as well as additional environmental capital expenditure.

OVERVIEW OF CASH FLOWS

in € million	Q1/2019	Q1/2020
Net cash flows from operating activities	324.4	255.0
Net cash flows used in investing activities	– 91.3	– 50.6
Free cash flow	**233.1**	**204.4**
Adjustment for purchases/sales of securities and other financial investments	–	–
Adjusted free cash flow	**233.1**	**204.4**

Net cash flows from operating activities largely tracked the EBITDA performance, falling to €255.0 million in the first quarter of 2020, compared with €324.4 million in the first quarter of 2019.

As a result of the receipt of the purchase price paid following the deconsolidation of K+S REAL ESTATE GMBH & CO. KG, net cash flows from investing activities were €–50.6 million, as against €–91.3 million in the prior-year period.

Adjusted free cash flow declined to €204.4 million (Q1/2019: €233.1 million).

As of March 31, 2020, net cash and cash equivalents amounted to €351.1 million (December 31, 2019: €316.3 million; March 31, 2019: €397.4 million).

NET ASSETS

NET FINANCIAL LIABILITIES AND NET DEBT

in € million	3/31/2019	12/31/2019	3/31/2020
Cash and cash equivalents	402.2	321.8	357.5
Non–current securities and other financial investments	7.0	7.0	–
Current securities and other financial investments	11.5	11.4	18.1
Financial liabilities	– 3,293.4	– 3,398.9	– 3,235.1
Finance lease liabilities	– 82.6	– 78.2	– 78.4
Reimbursement claim Morton Salt bond	20.5	20.3	20.7
Net financial liabilities	**– 2,934.8**	**– 3,116.6**	**– 2,917.2**
Leasing obligations excluding liabilities from finance lease contracts	– 149.5	– 306.3	– 295.5
Provisions for pensions and similar obligations	– 190.9	– 232.2	– 217.9
Provisions for mining obligations	– 1,017.6	– 910.6	– 916.8
Net debt	**– 4,292.8**	**– 4,565.7**	**– 4,347.4**

Net financial liabilities, excluding non-current provisions, of the K+S GROUP was €2,917.2 million at the reporting date (December 31, 2019: €3,116.6 million; March 31, 2019: €2,934.8 million).

The net financial liabilities/EBITDA ratio as of March 31, 2020 stood at a factor of 5.1 (LTM), compared with 4.9 as of December 31, 2019 and 4.6 (LTM) at the end of the prior-year period.

OPERATING UNITS (SEGMENTS IN ACCORDANCE WITH IFRS 8)

OPERATING UNIT EUROPE+

KEY FIGURES

in € million	Q1/2019	Q1/2020	%
Revenues	691.8	645.0	– 6.8
EBITDA	177.1	114.2	– 35.5
Depreciation and amortization	77.6	83.6	+ 7.7
Capital expenditure [1]	57.8	70.6	+ 22.1
Employees	10,222	10,322	+ 1.0

[1] Relates to cash payments for investments in property, plant and equipment and intangible assets, excluding leases in accordance with IFRS 16.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q1/2020
Change in revenues	**– 6.8**
– volume/structure-related	– 1.0
– price/pricing-related	– 6.4
– currency-related	+ 0.7
– consolidation-related	—

MODERATE DECLINE IN REVENUES

The Europe+ operating unit's revenues declined moderately to a total of €645.0 million in the quarter under review (Q1/2019: €691.8 million). Positive volume effects in the Agriculture and Industry customer segments could only partially offset negative price effects in the Agriculture customer segment and significantly lower volumes sold due to the mild winter in the Communities customer segment. Despite efficiency losses as a consequence of implemented hygienic measures and temporary production outages at two sites in France, we were able to keep adverse impacts on the production through the corona pandemic at a minimum.

EARNINGS DOWN SIGNIFICANTLY ON PRIOR-YEAR QUARTER

At €114.2 million, EBITDA was significantly lower in the first quarter than in the prior-year quarter (Q1/2019: €177.1 million). In the Agriculture customer segment, higher sales volumes and lower average costs could not compensate a price-induced decline in earnings. Operating performance again improved significantly, especially at the Werra plant and the planned ramp-up of production at the Bethune mine led to further improvements in average unit costs. In the Industry customer segment, EBITDA significantly declined due to lower average revenues in potash-containing industry products. In the Communities customer segment, the significant decrease in sales volumes had a negative impact on earnings.

PROMISE TO REDUCE INJECTION VOLUME BY ONE MILLION CUBIC METERS OF SALINE WASTEWATER FULFILLED

In 2017, K+S signed an agreement with Friends of the Earth Germany (Bund für Umwelt- und Naturschutz Deutschland e.V., BUND) for the reduction of one million cubic meters of saline wastewater at the Werra site, which has been approved for injection into deep layers of rock (plate dolomite) by the end of 2021, assuming the production can be maintained without restrictions. Now, the envisaged reduction could already be achieved in April 2020.

OPERATING UNIT AMERICAS

KEY FIGURES

in € million	Q1/2019	Q1/2020	%
Revenues	571.2	443.5	– 22.4
EBITDA	107.6	101.9	– 5.3
Depreciation and amortization	19.8	21.6	+ 9.3
Capital expenditure [1]	14.2	15.4	+ 8.6
Employees	3,602	3,583	– 0.5

[1] Relates to cash payments for investments in property, plant and equipment and intangible assets, excluding leases in accordance with IFRS 16.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q1/2020
Change in revenues	**– 22.4**
– volume/structure-related	– 28.0
– price/pricing-related	+ 3.4
– currency-related	+ 2.2
– consolidation-related	–

FIRST-QUARTER REVENUES DOWN SIGNIFICANTLY ON THE PRIOR-YEAR VALUE

Revenues in the Americas operating unit were lower, at €443.5 million, in the quarter under review than in the previous year (Q1/2019: €571.2 million). While revenues increased in the Industry and Consumers customer segments, revenues in the Communities customer segment were down in almost all sales regions due to significant declines in sales volumes of de-icing salt because of the historically mild winter.

EBITDA DOWN ONLY SLIGHTLY YEAR-ON-YEAR

Despite the significant weather-related decline in revenues in the de-icing business, EBITDA in the Americas operating unit declined only slightly to €101.9 million, compared with €107.6 million in the previous year. Higher earnings contributions in the Industry and Consumer customer segments as well as cost discipline could largely compensate the negative effect in the de-icing business. This underpins the high robustness of the business model and broad diversity of end-markets for our products.

CUSTOMER SEGMENTS (NOT SEGMENTS IN ACCORDANCE WITH IFRS 8)

CUSTOMER SEGMENT AGRICULTURE

KEY FIGURES CUSTOMER SEGMENT AGRICULTURE

in € million	Q1/2019	Q1/2020	%
Revenues	461.0	453.7	– 1.6
– of which potassium chloride	246.0	245.9	–
– of which fertilizer specialties	215.0	207.8	– 3.3
Sales volumes (in million tonnes)	1.64	1.90	+ 15.9
– of which potassium chloride	0.92	1.22	+ 32.6
– of which fertilizer specialties	0.72	0.68	– 5.3
EBITDA	124.2	97.1	– 21.8

Revenues in the Agriculture customer segment declined slightly in the first quarter to €453.7 million (Q1/2019: €461.0 million). Higher sales volumes and positive exchange rate effects could not fully offset lower average prices. In the quarter under review, revenues from sales in Europe came to €263.6 million (Q1/2019: €274.4 million), while revenues from sales overseas stood at €190.0 million (Q1/2019: €186.6 million). Of the total revenues in the Agriculture customer segment, €245.9 million was attributable to potassium chloride (Q1/2019: €246.0 million) and €207.8 million to fertilizer specialties (Q1/2019: €215.0 million).

Sales volumes rose tangibly in the first quarter, totaling 1.90 million tonnes, compared with sales of only 1.64 million tonnes in the prior-year quarter, which had been affected by availability constraints. Operating performance improved significantly, especially at the Werra plant, while the continuing ramp-up of production at the Bethune mine, as planned, ensured higher product availability. Product quality at the Bethune mine also improved significantly, and this allowed entry into new markets. In the quarter under review, 0.93 million tonnes were sold in Europe (Q1/2019: 0.98 million tonnes) and 0.97 million tonnes overseas (Q1/2019: 0.66 million tonnes). Good weather conditions in Europe's spring season supported the return to normal sales volumes after the reduction in the second half of 2019. Of the total sales volume, 1.22 million tonnes was attributable to potassium chloride (Q1/2019: 0.92 million tonnes) and 0.68 million tonnes to fertilizer specialties (Q1/2019: 0.72 million tonnes).

CUSTOMER SEGMENT AGRICULTURE: DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION

		Q1/2019	Q2/2019	Q3/2019	Q4/2019	2019	Q1/2020
Revenues	€ million	461.0	440.1	425.0	389.5	1,715.6	453.7
Europe	€ million	274.4	209.5	182.6	208.2	874.6	263.6
Overseas	US$ million	211.9	259.2	269.6	200.8	941.5	217.8
Sales volumes	t million	1.64	1.61	1.52	1.53	6.30	1.90
Europe	t million	0.98	0.75	0.66	0.78	3.16	0.93
Overseas	t million	0.66	0.87	0.86	0.75	3.14	0.97
Average price	€/t	281.7	272.6	279.7	254.9	272.4	239.2
Europe	€/t	281.2	280.5	277.5	267.9	277.0	283.8
Overseas	USD/t	320.8	298.7	312.9	267.5	299.8	225.0

EBITDA in the Agriculture customer segment was €97.1 million in the first quarter and below the prior year quarter (Q1/2019: €124.2 million); higher volumes could not fully compensate lower average revenues.

CUSTOMER SEGMENT INDUSTRY

KEY FIGURES CUSTOMER SEGMENT INDUSTRY

in € million	Q1/2019	Q1/2020	%
Revenues	281.8	294.1	+ 4.3
Sales volumes (in million tonnes)	2.44	2.58	+ 5.8
EBITDA	58.5	55.1	– 5.9

In the Industry customer segment, revenues in the quarter under review were lifted to €294.1 million (Q1/2019: €281.8 million). Positive volume and exchange rate effects as well as positive price effects in the Americas operating unit could more than compensate negative price effects in potash-containing industry products.

At 2.58 million tonnes, total sales volumes were moderately up on the prior-year level (Q1/2019: 2.44 million tonnes). While sales volumes of products for the chemical and pharmaceutical industries and for animal feed increased, sales of products for the food processing industry remained stable and sales of products for the oil and gas industry went down cyclically.

EBITDA amounted to €55.1 million, compared with €58.5 million in the previous year. The reason were lower average prices for potash-containing industry products.

CUSTOMER SEGMENT CONSUMER

KEY FIGURES CUSTOMER SEGMENT CONSUMER

in € million	Q1/2019	Q1/2020	%
Revenues	119.6	122.2	+ 2.2
Sales volumes (in million tonnes)	0.48	0.43	– 12.1
EBITDA	16.4	21.2	+ 29.2

In the Consumer customer segment, revenues in the quarter under review rose to €122.2 million (Q1/2019: €119.6 million). Positive exchange rate effects and increased sales of higher priced end products were the main reason.

Sales volumes of 0.43 million tonnes were lower than in the previous year (Q1/2019: 0.48 million tonnes). While in the Americas operating unit sales volumes increased in almost all product groups, in the Europe+ operating unit, sales of table salts were up whereas sales volumes for water softening and pool salts decreased because DIY stores were closed in some European markets.

EBITDA for the first quarter increased significantly to € 21.2 million (Q1/2019: € 16.4 million). Here too, the increased sales share of higher priced end products had a positive effect.

CUSTOMER SEGMENT COMMUNITIES

KEY FIGURES CUSTOMER SEGMENT COMMUNITIES

in € million	Q1/2019	Q1/2020	%
Revenues	400.6	218.5	– 45.4
Sales volumes (in million tonnes)	7.11	3.61	– 49.2
EBITDA	85.6	42.7	– 50.1

Because of the mild winter, revenues in the Communities customer segment declined significantly to €218.5 million (Q1/2019: €400.6 million). Positive price, structure and exchange rate effects could not compensate for the strong drop in volume.

At 3.61 million tonnes, sales volumes of de-icing salt were almost 50% below the previous year's high level (Q1/2019: 7.11 million tonnes). Sales declined particularly significantly in Europe and both the U.S. East Coast and U.S. Midwest regions.

As a result, EBITDA fell to €42.7 million from €85.6 million in the prior-year period.

REPORT ON RISKS AND OPPORTUNITIES

For a detailed presentation of potential risks and opportunities, please refer to the relevant section of our 2019 Annual Report, starting on page 119.

The worldwide spread of COVID-19 was declared a pandemic by the WHO on March 11, 2020. Similar to natural disasters, pandemics can have a considerable impact on business and the effects are difficult to calculate.

K+S set up task forces early on, which are continuing to monitor and assess the current crisis and coordinating any necessary measures for employees and business partners. Protecting employees' health and ensuring supply to our customers, have the highest priority.

K+S makes an important contribution to ensuring that essential goods are supplied to the population and important key industries. As a result of largely maintaining production and stable global demand, the effects of the pandemic have only marginally impacted the earnings for Q1 2020. Because the further development of this crisis remains uncertain, the possibility of significant burdens in the future though cannot be excluded.

Due to the prevailing uncertainty on the capital and financial markets regarding the economic consequences of the corona pandemic, it cannot be ruled out that refinancing of expiring financial instruments could be considerably hampered. It also cannot be ruled out that access to the financial market may temporarily, for a short period of time, not be available.

The risks to which the K+S GROUP is exposed, both in isolation and in interaction with other risks, are limited and do not, according to current estimates, jeopardize the continued existence of the Company. Opportunities and risks and any positive or negative changes in them are not netted against each other.

OUTLOOK 2020

The medium to long-term trends regarding the future development of the industry described on pages 134 to 137 of the 2019 Annual Report, remain largely valid. Compared to this presentation, there were slight changes in the industry-specific conditions of the Agriculture and Communities customer segments: Overall, we expect global potash sales for 2020 as a whole to increase by about 2 million tonnes to about 71 million tonnes (previous estimate: 72 million tonnes; including just under 5 million tonnes of potassium sulfate and potash varieties with lower reusable material content). While demand in the Northern Hemisphere and Brazil was good in the first quarter as expected, the expected revival of demand in Southeast Asia failed to materialize in connection with the corona pandemic. The contract concluded by the major potash producers with Chinese customers should result in a bottoming out of overseas prices for potassium chloride. In our previous forecast, we assumed an earlier settlement, which however due to the corona pandemic did not take place until the end of April and at a lower level than expected. This is why we are now assuming a moderate recovery in potassium chloride prices in the remaining months of 2020 in relation to the current price level (previous expectation: slight recovery in the second quarter in relation to price level at the beginning of March 2020, tangible recovery in the second half of the year). In the Communities customer segment, the onset of winter, which was still possible at the time of the last forecast, also failed to materialize, so that early procurement should be even weaker and, even with average weather conditions in the fourth quarter, demand for de-icing salt for the year as a whole is expected to be significantly below average.

Against this backdrop, we expect EBITDA for the K+S GROUP of about €520 million (previously: €500 to €620 million; 2019: €640.4 million).

Our estimate for the full year 2020 is largely based on the following assumptions:

+ Beyond the mentioned corona-related effects, we expect no material negative impact on our business resulting from the corona pandemic.
+ In line with our assessment of the market environment in the Agriculture customer segment, we expect the average price for potash and magnesium fertilizers in our product portfolio for 2020 as a whole to be slightly higher than in the first quarter of 2020 (Q1/20: €239 per tonne; previous forecast: slightly below the level of the fourth quarter of 2019 of €255 per tonne). This assumes a moderate recovery in potassium chloride prices in the remaining months of 2020 in relation to the current price level.
+ With regard to the sales volume of all products in the Agriculture customer segment, we continue to assume that, particularly due to the return to normal production in Germany and a further ramp-up of production in Bethune (no production cutbacks) against the background of the good demand in the first quarter, the sales volume will remain unchanged at over 7 million tonnes (2019: 6.30 million tonnes).
+ As a result of the very weak start to the de-icing salt business overall due to weather conditions, which also continued in March, we expect sales volumes in the Communities customer segment for the 2020 financial year to be at the lower end of the previously forecasted range of between 8 and 9 million tonnes (normal year: between 12.5 and 13.0 million tonnes; 2018: 12.7 million tonnes).
+ An average spot rate of EUR/USD 1.10 is assumed for the euro-dollar exchange rate for the remaining months of 2020. Including currency hedging, this assumes an annual average exchange rate of EUR/USD 1.12 (2019: EUR/USD 1.14).
+ Effects from the intended sale of the Americas operating unit and the extensive restructuring of the administrative functions are not included.

In the Europe+ operating unit (segment according to IFRS 8), higher sales volumes in the Agricultural customer segment following the production cutbacks in the previous year should be offset by negative price effects. EBITDA should decline tangibly (previously: decline tangibly to remain stable; EBITDA Europe+ 2019: €437.0 million). EBITDA for the Americas operating unit (segment according to IFRS 8) should decline moderately as a result of a below-average de-icing salt business overall (previously: slight to tangible decline; EBITDA Americas 2019: €230.0 million).

We expect a significant decrease in adjusted Group earnings after taxes, especially as a result of higher depreciation and amortization (2019: €77.8 million).

Although the volume of capital expenditure of the K+S GROUP in 2020 should be significantly higher than in the previous year (€493.3 million), especially as a result of progressive expansion of our tailings pile capacities in Germany, we expect adjusted free cash flow to be at break even (2019: €+139.7 million) as a result of additional planned measures to improve working capital. The return on capital employed (ROCE) is expected to decline significantly (2019: 2.3%).

DEVELOPMENT OF FORECASTS FOR FULL–YEAR 2020

		ACTUAL 2019	Forecast in 2019 Annual Report	Forecast Q1/2020
K+S Group				
EBITDA [1]	€ million	640.4	500 to 620	about 520
– Operating unit Europe+	€ million	437.0	tangible decline to almost stable	tangible decline
– Operating unit Americas	€ million	230.0	slight to tangible decline	moderate decline
Capital expenditure [2]	€ million	493.3	significant increase	significant increase
Consolidate earnings after tax, adjusted [3]	€ million	77.8	significant decrease	significant decrease
Adjusted free cash flow	€ million	139.7	break even	break even
ROCE	%	2.3	significant decrease	significant decrease
Average EUR/USD exchange rate after hedging	EUR/USD	1.14	1.12	1.12
Sales volumes Agriculture customer segment	million tonnes	6.3	above 7	above 7
Average price Agriculture customer segment	€/t	272.4	slight decrease towards Q4 2019	slight increase towards Q1 2020
Sales volumes Communities customer segment	million tonnes	12.7	8 to 9	about 8

[1] EBITDA is defined as earnings before interest, taxes, depreciation and amortization, adjusted for depreciation and amortization of own work capitalized recognized directly in equity, gains/losses from fair value changes arising from operating anticipatory hedges still outstanding and changes in the fair value of operating anticipatory hedges recognized in prior periods.

[2] Relates to cash payments for investments in property, plant and equipment and intangible assets, excluding leases in accordance with IFRS 16.

[3] The adjusted key indicators include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges. In addition, related effects on deferred and cash taxes are eliminated; tax rate for 2019: 30.0%.

RESPONSIBILITY STATEMENT FROM THE LEGAL REPRESENTATIVES OF K+S AKTIENGESELLSCHAFT

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Kassel, Germany, 11 May 2020

K+S Aktiengesellschaft

Board of Executive Directors

INCOME STATEMENT [1]

in € million	3M/2019	3M/2020	12M/2019	LTM [2]
Revenues	**1,263.5**	**1,089.1**	**4,070.7**	**3,896.3**
Cost of goods sold	977.3	868.8	3,372.6	3,264.1
Gross profit	**286.2**	**220.3**	**698.1**	**632.2**
Selling, general and administrative expenses	81.4	90.7	362.8	372.1
Other operating income	24.8	28.6	133.3	137.1
Other operating expenses	52.4	56.2	230.6	234.4
Income from equity investments, net	0.2	—	3.2	3.0
Gains/(losses) on operating anticipatory hedges	– 5.0	– 46.8	– 16.9	– 58.7
Earnings after operating hedges [3]	**172.4**	**55.2**	**224.3**	**107.1**
Interest income	1.1	1.5	9.2	9.6
Interest expense	31.4	33.3	144.2	– 142.3
Other financial result	13.6	– 25.9	37.7	– 1.8
Financial result	**– 16.7**	**– 57.7**	**– 97.3**	**– 138.3**
Earnings before tax	**155.7**	**– 2.5**	**127.0**	**– 31.2**
Income tax expense	46.7	– 0.8	38.1	– 9.4
– of which deferred taxes	12.8	– 7.0	– 29.4	– 49.2
Earnings for the period	**109.0**	**– 1.8**	**88.9**	**– 21.9**
Non–controlling interests	—	—	—	—
Earnings after tax and non–controlling interests	109.0	– 1.8	88.9	– 21.9
Earnings per share in € (basic ≙ diluted)	**0.57**	**– 0.01**	**0.46**	**– 0.12**

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months.
[3] Key indicators not defined in IFRS.

RECONCILIATION TO OPERATING EARNINGS AND EBITDA [1, 3]

in € million	3M/2019	3M/2020	12M/2019	LTM [2]
Earnings after operating hedges	**172.4**	**55.2**	**224.3**	**107.1**
Gains (-)/losses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	5.4	43.3	6.1	44.0
Elimination of prior–period changes in the fair value of operating anticipatory hedges	– 7.3	– 5.2	– 22.0	– 19.9
Earnings before operating hedges	**170.5**	**93.4**	**208.4**	**131.3**
Depreciation and amortization (+)/impairment losses (+)/reversals of impairment losses (–) on noncurrent assets	100.8	109.2	438.1	446.5
Capitalized depreciation (-) [4]	– 1.4	– 1.5	– 6.1	– 6.2
EBITDA	**269.9**	**201.1**	**640.4**	**571.6**

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months.
[3] Key indicators not defined in IFRS.
[4] This relates to depreciation of assets used for the production of other assets, plant and equipment. Depreciation is capitalized as part of cost and not recognized in profit or loss.

BALANCE SHEET — ASSETS [1]

in € million	3/31/2019	12/31/2019	3/31/2020
Intangible assets	998.7	998.5	1,000.1
– of which goodwill from acquisitions of companies	708.8	712.4	718.2
Property, plant and equipment	7,066.3	7,210.0	6,960.7
Investment properties	6.4	6.3	6.0
Financial assets	89.0	106.2	61.3
Other financial assets	34.2	6.0	5.2
Other non–financial assets	20.4	30.2	29.6
Securities and other financial assets	7.0	7.0	—
Deferred taxes	80.3	95.5	105.2
Income tax refund claims	28.5	—	—
Non–current assets	**8,330.9**	**8,459.6**	**8,168.1**
Inventories	616.9	789.3	781.9
Trade receivables	848.6	724.7	699.4
Other financial assets	85.2	141.6	80.6
Other non–financial assets	140.5	116.6	109.2
Income tax refund claims	54.1	27.4	26.3
Securities and other financial assets	11.5	11.4	18.1
Cash and cash equivalents	402.2	321.8	357.5
Current assets	**2,158.9**	**2,132.6**	**2,073.0**
TOTAL ASSETS	**10,489.8**	**10,592.2**	**10,241.1**

[1] Rounding differences may arise in percentages and numbers.

BALANCE SHEET — EQUITY AND LIABILITIES [1]

in € million	3/31/2019	12/31/2019	3/31/2020
Issued capital	191.4	191.4	191.4
Share premium	645.7	645.7	645.7
Other reserves and net retained earnings	3,619.7	3,656.4	3,425.9
Total equity attributable to shareholders of K+S Aktiengesellschaft	4,456.8	4,493.5	4,263.0
Non–controlling interests	1.6	1.6	1.6
Equity	**4,458.4**	**4,495.1**	**4,264.6**
Financial liabilities	2,740.7	2,873.0	2,869.6
Other financial liabilities	339.4	296.1	267.8
Other non–financial liabilities	7.7	17.5	17.0
Income tax liabilities	47.9	22.8	24.5
Provisions for pensions and similar obligations	190.9	232.2	217.9
Provisions for mining obligations	1,017.6	910.6	916.8
Other provisions	145.1	166.4	173.9
Deferred taxes	236.6	202.4	209.3
Non–current liabilities	**4,725.8**	**4,721.1**	**4,696.7**
Financial liabilities	552.7	525.9	365.5
Trade payables	202.6	241.3	225.7
Other financial liabilities	161.1	175.8	255.2
Other non–financial liabilities	48.4	71.3	83.3
Income tax liabilities	69.3	32.7	29.3
Provisions	271.5	329.0	320.8
Current liabilities	**1,305.6**	**1,376.0**	**1,279.8**
TOTAL EQUITY AND LIABILITIES	**10,489.8**	**10,592.2**	**10,241.1**

[1] Rounding differences may arise in percentages and numbers.

CASH FLOW STATEMENT [1]

in € million	3M/2019	3M/2020	12M/2019	LTM [2]
Earnings after operating hedges	172.4	55.2	224.3	107.1
Gains (-)/losses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	5.4	43.4	6.1	44.1
Elimination of prior–period changes in the fair value of operating anticipatory hedges	– 7.3	– 5.2	– 22.0	– 19.9
Depreciation, amortization, impairment losses (+)/reversals of impairment losses (–)	99.4	107.7	431.9	440.2
Increase (+)/decrease (-) in noncurrent provisions (excluding interest rate effects)	– 1.1	– 3.3	– 14.1	– 16.3
Interest received and similar income	1.3	1.6	13.4	13.7
Realized gains (+)/losses (–) on financial assets/liabilities	13.4	3.4	35.3	25.3
Interest paid and similar expense (-)	– 5.2	– 8.3	– 113.6	– 116.7
Income tax paid (–)	– 5.1	– 8.0	– 45.9	– 48.8
Other non-cash expenses (+)/income (–)	– 1.3	– 2.0	1.5	0.8
Gain (–)/loss (+) on sale of assets and securities	1.1	0.8	– 19.9	– 20.2
Increase (–)/decrease (+) in inventories	84.3	2.5	– 82.7	– 164.5
Increase (-)/decrease (+) in receivables and other operating assets	31.0	38.3	205.3	212.6
Increase (+)/decrease (–) in current operating liabilities	– 21.3	22.2	32.3	75.8
Increase (+)/decrease (–) in current provisions	– 41.4	6.6	14.8	62.8
Allocations to plan assets	– 1.2	–	– 26.9	– 25.7
Net cash flows from operating activities	**324.4**	**255.0**	**639.8**	**570.4**
Proceeds from sale of assets	7.0	14.4	11.8	19.2
Purchases of intangible assets	– 0.6	– 2.6	– 12.6	– 14.6
Purchases of property, plant and equipment	– 97.7	– 106.7	– 493.3	– 502.3
Purchases of financial assets	—	–	– 4.9	– 4.9
Proceeds from the sale of consolidated companies	—	44.3	0.0	44.3
Cash and cash equivalents of companies deconsolidated in the year under review	—	—	– 1.1	– 1.1
Proceeds from sale of securities and other financial assets	5.1	—	15.2	10.1
Purchases of securities and other financial assets	– 5.1	—	– 15.1	– 10.0
Net cash flows used in investing activities	**– 91.3**	**– 50.6**	**– 500.0**	**459.3**
Repayment (–) of borrowings	– 195.4	– 564.1		
Proceeds (+) from borrowings	193.5	387.7		
Net cash flows from/(used in) financing activities	**– 1.9**	**– 176.4**		
Cash change in cash and cash equivalents	**231.2**	**28.0**		
Exchange rate–related change in cash and cash equivalents	4.0	1.8		
Consolidation–related changes	—	5.0		
Net change in cash and cash equivalents	**235.2**	**34.8**		
Net cash and cash equivalents as of January 1	**162.2**	**316.3**		
Net cash and cash equivalents as of March 31	**397.4**	**351.1**		
– of which cash on hand and bank balances	402.2	357.5		
– of which cash invested with affiliated companies	0.1	—		
– of which cash received from affiliated companies	– 4.9	– 6.4		

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months.

FINANCIAL CALENDAR

DATES

	2020/2021
Virtual Annual Shareholders' Meeting	June 10, 2020
Dividend payment (subject to resolution of the AGM)	June 15, 2020
Half–Yearly Financial Report, June 30, 2020	August 13, 2020
Quarterly Report, September 30, 2020	November 12, 2020
2020 Annual Report	March 11, 2021
Quarterly Report, March 31, 2021	May 11, 2021

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FORWARD-LOOKING STATEMENTS

This quarterly report contains facts and forecasts that relate to the future development of the K+S GROUP and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this time. Should the assumptions underlying these forecasts prove incorrect or should certain risks – such as those referred to in the risk report of the current Annual Report – materialize, actual developments and results may deviate from current expectations. The Company assumes no obligation to update the statements contained in this quarterly report, save for the making of such disclosures as required by law.