Wachstum erleben.

Q3/17 Quarterly Report

K+S GROUP

+ Sharp rise in operating earnings before depreciation and amortisation (EBITDA)
+ Adjusted free cash flow up significantly year-on-year due to lower capital expenditure
+ Revenues and sales volumes in the Potash and Magnesium Products business unit boosted by higher product availability at the integrated Werra plant
+ Salt business in North America impacted by Hurricane Irma

+ Initial deliveries made to customers from the Bethune plant
+ Approval received for early commencement of expansion of tailings pile capacity in Hattorf

+ Outlook full year 2017: EBIT I of € 260–360 million reiterated
+ Corporate strategy 'Shaping 2030' presented: Transformation phase with focus on halving the leverage and return to investment grade rating, subsequent growth phase with ambitioned development goals

KEY PERFORMANCE DATA

KEY INDICATORS (IFRS)

		Q3/16	Q3/17	%	9M/16	9M/17	%
Revenues	**€ million**	**687.6**	**726.5**	**+ 5.7**	**2,515.2**	**2,594.9**	**+ 3.2**
– of which Potash and Magnesium Products business unit	€ million	301.7	357.7	+ 18.6	1,133.1	1,218.5	+ 7.5
– of which Salt business unit	€ million	346.4	328.8	– 5.1	1,260.2	1,255.4	– 0.4
– of which Complementary Activities	€ million	39.0	39.5	+ 1.3	120.8	119.8	– 0.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**€ million**	**55.9**	**76.7**	**+ 37.2**	**424.7**	**389.5**	**– 8.3**
– of which Potash and Magnesium Products business unit	€ million	5.2	42.4	>100	192.7	195.0	+ 1.2
– of which Salt business unit	€ million	46.9	37.3	– 20.5	229.7	201.7	– 12.2
– of which Complementary Activities	€ million	5.4	7.1	+ 31.5	21.4	22.5	+ 5.1
Operating earnings (EBIT I)	**€ million**	**– 31.4**	**12.3**	**–**	**201.9**	**178.1**	**– 11.8**
– of which Potash and Magnesium Products business unit	€ million	– 48.9	1.7	–	68.1	75.0	+ 10.1
– of which Salt business unit	€ million	18.4	16.8	– 8.7	145.8	123.1	– 15.6
– of which Complementary Activities	€ million	3.2	5.9	+ 84.4	14.8	16.9	+ 14.2
EBIT I margin	**%**	**– 4.6**	**1.7**	**–**	**8.0**	**6.9**	**–**
– Potash and Magnesium Products business unit	%	– 16.2	0.5	–	6.0	6.2	–
– Salt business unit	%	5.3	5.1	–	11.6	9.8	–
– Complementary Activities	%	8.2	14.9	–	12.3	14.1	–
Earnings after tax, adjusted [1]	€ million	– 27.4	1.5	–	120.3	115.0	– 4.4
Earnings per share, adjusted [1]	€	– 0.14	0.01	–	0.63	0.60	– 4.7
Capital expenditure [2]	€ million	261.2	157.5	– 39.7	903.7	567.8	– 37.2
Depreciation and amortisation [2]	€ million	87.3	64.4	– 26.2	222.8	211.4	– 5.1
				–			
Net cash flows from operating activities	€ million	31.1	– 1.9	–	390.3	382.5	– 2.0
Adjusted free cash flow [3]	€ million	– 278.8	– 215.2	+ 22.8	– 456.3	– 240.8	+ 47.2
Net debt as of 30 September	€ million	–	–	–	3,179.5	3,939.2	+ 23.9
Net debt/EBITDA (LTM) [4]		–	–	–	4.9	8.1	–
Equity ratio	%	–	–	–	48.1	43.9	–
Return on capital employed (LTM) [4]	%	–	–	–	5.1	2.6	–
Book value per share as of 30 September	€	–	–	–	22.14	22.28	+ 0.6
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees as of 30 September [5]	number	–	–	–	14,536	14,765	+ 1.6
Market capitalisation as of 30 September	€ billion	–	–	–	3.2	4.4	+ 36.5
Enterprise value (EV) as of 30 September	€ billion	–	–	–	6.4	8.4	+ 30.3

[1] The adjusted key indicators include the profit/(loss) from operating anticipatory hedges in the relevant reporting period, which eliminates effects from changes in the fair value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Bethune plant). Related effects on deferred and cash taxes are also eliminated; tax rate in Q3/17: 29.6% (Q3/16: 29.0%).
[2] Concerns cash investments as well as depreciation of property, plant and equipment and amortisation of intangible assets, taking claims for reimbursement from claim management into account.
[3] Adjusted for purchases/sales of securities and other financial investments.
[4] LTM = last twelve months.
[5] FTE: Full-time equivalents; part-time positions are weighted in accordance with their respective share of working hours.

Rounding differences may arise in the percentages and numbers shown in this Quarterly Report.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

RESULTS OF OPERATIONS

+ In the quarter under review, K+S GROUP revenues rose from € 687.6 million in the previous year to € 726.5 million, an increase of around 6%.
+ Enhanced product availability, especially of fertilizer specialties, along with higher average prices for potash and magnesium products had a positive effect on revenue growth. The unfavourable development of exchange rates in both business units and lower sales volumes in the North American de-icing salt business had an offsetting effect.
+ Operating earnings before depreciation and amortisation (EBITDA) climbed 37% in the quarter under review, rising at a faster rate than revenues; this was mainly due to the significantly higher product availability of fertilizer specialties.
+ Operating earnings EBIT I came to € 12.3 million in the third quarter, up from € – 31.4 million in the prior-year period. The adjustment of the plants' useful lives performed on 1 July 2017 reduced depreciation and amortisation by over € 25 million in the quarter under review.
+ Adjusted earnings after tax amounted to € 1.5 million (Q3/16: € – 27.4 million), giving earnings per share of € 0.01 (Q3/16: € – 0.14).

FINANCIAL POSITION

CAPITAL EXPENDITURE

in € million	Q3/16	Q3/17	%	9M/16	9M/17	%
Potash and Magnesium Products business unit	224.4	128.1	– 42.9	825.5	491.3	– 40.5
Salt business unit	33.9	27.2	– 19.8	71.9	71.4	– 0.7
Complementary Activities	1.5	0.9	– 42.1	3.4	1.9	– 45.1
Reconciliation	1.4	1.3	– 8.3	2.9	3.2	+ 9.9
K+S Group	**261.2**	**157.5**	**– 39.7**	**903.7**	**567.8**	**– 37.2**

+ Net cash flows from operating activities remained virtually unchanged at € 382.5 million in the first nine months compared with € 390.3 million in the previous year. Here, lower tax payments were offset by higher working capital commitments.
+ Net cash flows used in investing activities (after adjusting for purchases/sales of securities and other financial investments) improved to € – 623.3 million (9M/16: € – 846.6 million), an increase primarily resulting from the scheduled decrease in capital expenditure for the Bethune plant.
+ The adjusted free cash flow was therefore still negative, but improved significantly to € – 240.8 million (9M/16: € – 456.3 million).
+ Net cash flows from financing activities at the reporting date stood at € 373.9 million, contrasting with € 457.9 million in the previous year. The decline was attributable to higher repayments of current financial liabilities.
+ As of 30 September 2017, net cash and cash equivalents amounted to € 271.9 million (31 December 2016: € 134.7 million; 30 September 2016: € 129.8 million).

OVERVIEW OF CASH FLOWS

in € million	9M/16	9M/17
Net cash flows from operating activities	390.3	382.5
Net cash flows from/(used in) investing activities	– 834.9	– 607.9
Free cash flow	**– 444.6**	**– 225.4**
Adjustment for purchases/sales of securities and other financial investments	– 11.7	– 15.4
Adjusted free cash flow	**– 456.3**	**– 240.8**

NET ASSETS

+ The net debt of the K+S GROUP at the reporting date was € 3,939.2 million (31 December 2016: € 3,583.8 million; 30 September 2016: € 3,179.5 million). The increase compared with the prior-year reporting date was mainly attributable to the negative free cash flow.

+ Consequently, net financial liabilities excluding provisions rose to € 2,780.0 million at the reporting date (31 December 2016: € 2,401.1 million, €; 30 September 2016: € 2,052.1 million). This was due in part to the issuance of a further corporate bond.

NET DEBT

in € million	30 September 2016	31 December 2016	30 September 2017
Cash on hand and bank balances	134.7	140.2	277.4
Non-current securities and other financial investments	7.0	7.0	13.3
Current securities and other financial investments	21.4	14.3	24.1
Financial liabilities	– 2,222.4	– 2,534.5	– 2,960.6
Liabilities from finance leases	– 14.3	– 50.7	– 154.2
Reimbursement claim Morton Salt bond	21.5	22.6	20.0
Net financial liabilities	**– 2,052.1**	**– 2,401.1**	**– 2,780.0**
Provisions for pensions and similar obligations	– 240.5	– 186.7	– 162.4
Provisions for mining obligations	– 886.9	– 996.0	– 996.8
Net debt	**– 3,179.5**	**– 3,583.8**	**– 3,939.2**

SEGMENTS OF THE K+S GROUP

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

KEY INDICATORS

in € million	Q3/16	Q3/17	%	9M/16	9M/17	%
Revenues	301.7	357.7	+ 18.6	1,133.1	1,218.5	+ 7.5
– of which potassium chloride	135.9	152.1	+ 11.9	480.6	505.3	+ 5.1
– of which fertilizer specialities	110.5	143.6	+ 30.0	464.9	515.1	+ 10.8
– of which industrial products	55.3	62.0	+ 12.1	187.6	198.1	+ 5.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5.2	42.4	>100	192.7	195.0	+ 1.2
Operating earnings (EBIT I)	– 48.9	1.7	–	68.1	75.0	+ 10.1

REVENUES AND EARNINGS UP

+ Revenues of the Potash and Magnesium Products business unit increased to € 357.7 million in the quarter under review, mainly on the strength of higher fertilizer prices and rising overall sales volumes.
+ Due to stabilisation of the disposal of saline wastewater from production at the Werra plant, a significant recovery in sales of high-margin products such as potassium sulphate (SOP) was recorded. This was also supported by higher sales volumes of Korn-Kali in Germany and Poland.
+ Mainly as a consequence of this, sales volumes in the quarter under review at 1.41 million tonnes were significantly higher than the figure for the previous year (Q3/16: 1.26 million tonnes). Sales volumes of potassium chloride (MOP) increased by 2% to 0.67 million tonnes, while sales of fertilizer specialties rose by more than 25% to 0.56 million tonnes. Industrial products recorded 13% growth in sales volumes to 0.18 million tonnes.

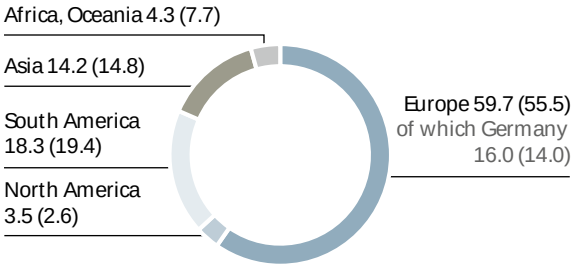
VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q3/17	9M/17
Change in revenues	**+ 18.6**	**+ 7.5**
- volume/structure-related	+ 12.8	+ 8.1
- price/pricing-related	+ 5.9	– 1.6
- currency-related	– 2.1	+ 0.1
- consolidation-related	+ 2.0	+ 0.9

+ We adjusted the ramp-up curve at the Bethune plant in the third quarter. Instead of the originally intended production volume of 600,000 to 700,000 tonnes, we now expect an annual production of around 500,000 tonnes. At the same time, we commenced depreciation and amortisation later.
+ While prices for the standard potassium chloride product rose further, especially overseas, higher product availability in the market led to a dip in average prices of SOP.

+ Operating earnings before depreciation and amortisation (EBITDA) surged to € 42.4 million (Q3/16: € 5.2 million) in the third quarter. Here, the improvement in operations at the integrated Werra plant continued to be offset by the costs for the start of production at the Bethune plant.
+ As a result of the above-mentioned effects, EBIT I in the reporting period amounted to € 1.7 million (Q3/16: € – 48.9 million).

REVENUES BY REGION JULY – SEPTEMBER 2017 (IN %)



Previous year's figures in brackets

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION

		Q1/16	Q2/16	Q3/16	9M/16	Q4/16	2016	Q1/17	Q2/17	Q3/17	9M/17
Revenues	**€ million**	**460.5**	**370.9**	**301.7**	**1,133.1**	**398.5**	**1,531.6**	**473.7**	**387.1**	**357.7**	**1,218.5**
Europe	€ million	316.3	217.1	167.5	700.9	244.2	945.1	304.0	227.9	213.4	745.3
Overseas	US$ million	158.9	173.7	149.8	482.4	166.8	649.2	180.7	175.5	170.9	527.1
Sales volumes	**t million (product)**	**1.69**	**1.48**	**1.26**	**4.43**	**1.62**	**6.06**	**1.82**	**1.54**	**1.41**	**4.77**
Europe	t million (product)	1.05	0.78	0.65	2.47	0.95	3.42	1.14	0.86	0.80	2.80
Overseas	t million (product)	0.64	0.70	0.61	1.96	0.67	2.63	0.68	0.68	0.62	1.98
Average price	**€/t (product)**	**272.4**	**250.1**	**238.8**	**255.4**	**246.1**	**252.9**	**259.8**	**252.0**	**253.0**	**255.3**
Europe	€/t (product)	302.3	279.1	258.2	283.4	256.5	276.0	265.6	265.3	268.9	266.4
Overseas	US$/t (product)	246.6	246.4	243.7	245.7	250.0	246.7	266.2	259.0	273.4	266.8

MEASURES TO REDUCE SALINE WASTEWATER ACCORDING TO PLAN

+ Disposal of saline wastewater from production is important for the continuation of production at the Werra plant. We are therefore investing in multiple measures for the disposal of wastewater. As a consequence of our efforts, there were no disposal-related production stoppages in the third quarter.
+ From 2018 onwards positive effects on the disposal situation are expected as a result of the commissioning of the new kainite crystallisation and flotation facility (KCF), which will reduce the volumes of saline wastewater at the Werra plant by around 20%.
+ For temporary wastewater disposal, we implemented additional measures that alongside the storage of brine in the Springen mining field include the discharging of water into the inactive K+S Bergmannssegen-Hugo mine (Hanover region) and the transport of saline water to Bernburg (Saxony-Anhalt). In addition, production on site was further stabilised by expanding the basin capacities to a total of 530,000 m³.

EARLY COMMENCEMENT OF EXPANSION OF TAILINGS PILE CAPACITY AT THE HATTORF SITE APPROVED

+ Positive developments can now be reported concerning the approval process for the expansion of tailings pile capacity at the Hattorf site, which started in 2011. Based on the concept, which has been enhanced further to reduce the environmental impact, the licensing authorities have now issued a positive overall forecast of the approvability of the expansion of tailings piles. Accordingly, our application for 'early commencement' was approved on 9 November 2017.

K+S BEGINS SETTLEMENT NEGOTIATIONS WITH THE MUNICIPALITY OF GERSTUNGEN AND BUND

+ To resolve long-running disputes, K+S is currently holding settlement talks with the municipality of Gerstungen. These centre on ensuring the long-term safety of the municipality's drinking water supply and ending the legal disputes at the same time.
+ In addition, following successful exploratory discussions, K+S and Federation for Environment and Nature Conservation Germany (Bund für Umwelt und

Naturschutz Deutschland e. V., BUND) have agreed to open settlement negotiations.

+ The objective is to end the legal dispute over the injection permit. This is expected to provide legal certainty for the permit applicable until 2021 that is required under water law to reduce saline wastewater volumes at the Werra plant.

INITIAL POTASH DELIVERIES FROM BETHUNE ON THE WAY TO CUSTOMERS

+ On 27 September 2017, the first large rail shipment with a total of 122 wagons from the Bethune potash mine (Saskatchewan) reached K+S's loading and storage facility in Port Moody, Vancouver.
+ On 24 October, the first ship carrying 30,000 tonnes of potash fertiliser departed the transshipment facility in the Pacific port of Vancouver.
+ The production volume for 2017 is estimated at around 500,000 tonnes.

SALT BUSINESS UNIT

KEY FIGURES

in € million	Q3/16	Q3/17	%	9M/16	9M/17	%
Revenues	346.4	328.8	– 5.1	1,260.2	1,255.4	– 0.4
– of which de-icing salt	54.1	51.2	– 5.3	401.0	392.6	– 2.1
– of which consumer products	104.9	97.8	– 6.7	319.1	307.1	– 3.7
– of which industrial salt	78.6	74.8	– 4.8	234.7	236.9	+ 0.9
– of which food processing	64.2	60.2	– 16.3	184.6	185.1	+ 0.3
– of which salt for chemical use	35.2	38.0	+ 8.0	93.1	107.8	+ 15.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	46.9	37.3	– 20.5	229.7	201.7	– 12.2
Operating earnings (EBIT I)	18.4	16.8	– 8.7	145.8	123.1	– 15.6

REVENUES DOWN MODERATELY ON PREVIOUS YEAR

+ Revenues for the Salt business unit in the quarter under review were down moderately on the figure for the previous year, mainly due to unfavourable currency translation and lower prices in the North American de-icing salt business.
+ In North America, the early fills business was below average on account of high inventories in our customers' stores resulting from a mild winter in 2016/2017; improved demand in Europe partly compensated for this performance in terms of volumes.
+ Revenues from salt for consumer products, food processing, industrial salt and salt for chemical use together recorded a slight decrease compared with the prior-year quarter. Higher sales volumes in the salt for chemical use segment were offset by lower volumes of high-priced consumer products, which led to a decline in average revenue.

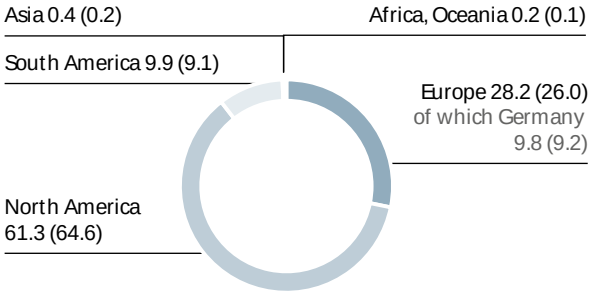
EARNINGS IMPACTED BY HURRICANE IRMA

+ Operating earnings before depreciation and amortisation (EBITDA) were impacted by the effects described as well as by the repercussions of Hurricane Irma, which primarily led to production stoppages, a lack of transport capacity and higher costs at the Inagua (Bahamas) site.
+ The adjustment of the plants' useful lives performed on 1 July 2017 significantly reduced depreciation and amortisation in the quarter under review. Overall, operating earnings EBIT I were therefore down only moderately on the prior-year figure.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q3/17	9M/17
Change in revenues	**– 5.1**	**– 0.4**
- volume/structure-related	– 1.7	– 0.5
- price/pricing-related	– 0.3	– 1.3
- currency-related	– 3.1	+ 1.4
- consolidation-related	–	–

REVENUES BY REGION JULY – SEPTEMBER 2017 (IN %)



Previous year's figures in brackets

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY PRODUCT GROUP

		Q1/16	Q2/16	Q3/16	9M/16	Q4/16	2016	Q1/17	Q2/17	Q3/17	9M/17
De-icing salt											
Revenues	€ million	313.1	33.8	54.1	401.0	208.9	609.9	310.9	30.5	51.2	392.6
Sales volumes	t million (product)	4.89	0.64	1.04	6.57	3.53	10.10	5.07	0.57	1.02	6.66
Average price	€/t (product)	64.0	52.8	52.3	61.0	59.2	60.4	61.3	53.6	50.4	59.0
Consumer products, food processing, industrial salt and salt for chemical use											
Revenues	€ million	271.7	276.8	283.0	831.5	281.4	1,112.9	290.1	275.9	270.9	836.9
Sales volumes	t million (product)	2.24	2.25	2.50	6.98	2.27	9.26	2.43	2.26	2.49	7.18
Average price	€/t (product)	121.5	123.1	113.3	119.1	124.1	120.2	119.6	122.0	108.8	116.5

REPORT ON RISKS AND OPPORTUNITIES

Please see the relevant comments in our 2016 Annual Report from page 59 onwards and from page 99 onwards for a detailed description of the system for the management of risks and opportunities as well as potential risks and opportunities.

The risk described on page 107 of the 2016 Annual Report regarding the refusal or revocation by a court of official permits for the disposal of solid production residues remains within the probability of risk between 10% and 50%. Positive developments can now be reported concerning the approval process for the expansion of tailings pile capacity at the Hattorf site, which started in 2011. Based on the concept, which has been enhanced further to reduce the environmental impact, the licensing authorities have now, however, issued a positive overall forecast as regards the approvability of the expansion of tailings piles. Accordingly, our application for "early commencement" was approved on 09 November 2017. We are therefore confident of being able to complete the approval process such that this has no negative effects on production. Moreover, the approval process for the expansion of tailings pile capacity at the Zielitz and Wintershall sites is on schedule.

The risks to which the K+S GROUP is exposed, both in isolation or in interaction with other risks, are limited and do not, according to current estimates, jeopardise the continued existence of the Company. There is no offsetting of opportunities and risks or their positive and negative changes against each other.

OUTLOOK 2017

+ Our assessment for full-year 2017 is unchanged on the forecast in the 2017 Half-Yearly Financial Report.
+ Potash and Magnesium Products business unit
  + After our average price in the first nine months of 2017 increased compared with full-year 2016 (FY/16: € 253/t; 9M/17: €255/t), we are reiterating our assumption that average prices for potash and magnesium products for 2017 will be slightly higher. Market prices for potassium chloride are continuing to recover and enhanced product availability of potassium sulphate is currently reflected in an upturn in demand. There are signs that prices here are stabilising as a result. The prices for our high-purity industrial potash are probably still a reflection of the positive trend in potassium chloride.
  + A hydrological normal year and the supportive effect of our alternative waste disposal measures for improving the production capabilities of the integrated Werra plant provide the basis for our full-year guidance. As a result, we do not expect any more production stoppages for the remainder of the year.
  + For the year as a whole, we estimate a tangibly higher sales volume than in the previous year of now 6.8 – 7.0 million tonnes (2016: 6.06 million tonnes).
+ Salt business unit

  Our outlook assumes that the de-icing salt business will see a winter that is within the long-term meteorological average. According to this forecast, increases in volumes in the European de-icing salt business in particular are then likely to lead to a moderate increase in overall sales volumes compared with the mild previous year (2016: 10.1 million tonnes). Sales of salts that are not used for road safety, which are rising at the same rate (2016: 9.3 million tonnes), may push up our total volumes in the Salt business unit by a moderate amount (2016: 19.4 million tonnes).

+ K+S Group
  + The upper end of the ranges reflects, among other things, the chance that the winter will be above the long-term meteorological average, which would result in a higher contribution to earnings from the de-icing salt business.
  + The lower end of the ranges reflects the risk of a milder winter. Furthermore, this includes possible provisions resulting from an early decision to shut down the Sigmundshall plant. Due to the fact that the decision-making process is still ongoing, a final decision has yet to be made.
+ In light of this situation, we are sticking to the expanded range and continue to anticipate EBITDA between € 560 and € 660 million and EBIT I in the range of € 260–360 million for full-year 2017 (2016: € 519 million and € 229 million, respectively).

DEVELOPMENT OF FORECASTS FOR FULL-YEAR 2017

		ACTUAL 2016	2016 Annual Report forecast	Forecast Q1/17	Forecast Q2/17	Forecast Q3/17
K+S Group						
Revenues	€ billion	3.46	tangible increase	tangible increase	3.60 – 3.80	**3.60 – 3.80**
EBITDA	€ million	519.1	tangible increase	tangible increase	560 – 660	**560 – 660**
Operating earnings (EBIT I)	€ million	229.3	tangible increase	tangible increase	260 – 360	**260 – 360**
Earnings after tax, adjusted [1]	€ million	130.5	tangible increase	tangible increase	140 – 210	**140 – 210**
Capital expenditure [2]	€ million	1,170.8	significantly below previous year's level	significantly below previous year's level	significantly below previous year's level	**significantly below previous year's level**
Adjusted free cash flow	€ million	– 776.8	tangible improvement, remains negative	tangible improvement, remains negative	tangible improvement, remains negative	**significant improvement, remains negative**
ROCE	%	3.0	tangible increase	tangible increase	tangible increase	**tangible increase**
EUR/USD exchange rate	EUR/USD	1.11	1.10	1.09	1.12	**1.13**
Potash and Magnesium Products business unit						
Sales volumes	million tonnes	6.1	significant increase	significant increase	6.8 – 7.2	**6.8 – 7.0**
Salt business unit						
Sales volumes – solid salt	million tonnes	19.4	moderate increase	moderate increase	moderate increase	**moderate increase**
– of which consumer products, food processing, industrial salt and salt for chemical use	million tonnes	9.26	moderate increase	moderate increase	moderate increase	**moderate increase**

[1] The adjusted key indicators include the profit/(loss) from operating anticipatory hedges in the relevant reporting period, which eliminates effects from changes in the fair value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Bethune plant). Related effects on deferred and cash taxes are also eliminated; tax rate in Q3/17: 29.6% (Q3/16: 29.0%).
[2] Concerns cash investments as well as depreciation of property, plant and equipment and amortisation of intangible assets, taking claims for reimbursement from claim management into account.

UPDATE ON 'SHAPING 2030'

+ Our new Group strategy is putting us on a robust, sustainable growth course.
+ The core of this strategy is a market- and customer-driven positioning by focusing on the four product market segments of agriculture, industry, consumers and communities.
+ Transformation phase up to 2020: leveraging of synergies that will increase earnings by at least € 150 million per year from the end of 2020; positive free cash flow from 2019; reduction of net debt/EBITDA by half by 2020. We hope to fulfil the requirements for an investment grade rating again in 2023.
+ For the subsequent growth phase up to 2030, we have developed a strategic roadmap with development goals and strong growth options.
+ Strategy implementation commenced: the focus in recent weeks has been on setting up internal project management, preparing the re-organisation and taking the first steps for validating the desired synergies.
+ We will have developed the cornerstones of the future organisation by the end of the year. The processes and structures will be fleshed out further in the course of 2018 and progressive implementation will begin.

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, 10 November 2017
K+S Aktiengesellschaft
Board of Executive Directors

INCOME STATEMENT

INCOME STATEMENT [1]

in € million	Q3/16	Q3/17	9M/16	9M/17	12M/16	LTM[2]/17
Revenues	**687.6**	**726.5**	**2,515.2**	**2,594.9**	**3,456.6**	**3,536.3**
Cost of sales	471.8	514.1	1,509.8	1,678.1	2,110.7	2,266.5
Gross profit	**215.8**	**212.4**	**1,005.4**	**916.8**	**1,345.9**	**1,269.8**
Selling expenses	157.7	154.4	534.7	550.5	737.1	765.5
General and administrative expenses	54.7	54.2	155.9	166.7	220.0	230.8
Research and development costs	3.3	3.8	10.1	12.6	13.7	16.2
Other operating income	41.4	34.6	93.1	116.5	141.9	165.4
Other operating expenses	67.1	28.1	167.1	132.3	253.9	219.1
Income from investments, net	1.2	0.6	2.7	2.9	4.0	4.2
Profit/(loss) from operating anticipatory hedges	– 8.3	20.3	42.9	57.6	23.9	38.6
Earnings after operating hedges (EBIT II)[3]	**– 32.7**	**27.4**	**276.3**	**231.7**	**291.0**	**246.4**
Finance income	2.0	1.4	4.9	7.7	6.5	9.3
Finance costs	14.6	16.2	37.4	44.1	54.7	61.3
Other financial result	3.4	5.6	– 5.0	14.9	– 3.7	16.2
Financial result	**– 9.2**	**– 9.2**	**– 37.5**	**– 21.5**	**– 51.9**	**– 35.8**
Earnings before tax	**– 41.9**	**18.2**	**238.8**	**210.2**	**239.1**	**210.5**
Income tax expense	– 13.7	5.8	65.5	57.4	64.7	56.6
– of which deferred taxes	– 13.1	– 8.0	0.1	– 16.3	– 14.8	– 31.2
Earnings for the period	**– 28.2**	**12.3**	**173.3**	**152.8**	**174.4**	**153.9**
Non-controlling interests	0.1	0.1	0.2	0.1	0.3	0.2
Earnings after tax and non-controlling interests	**– 28.3**	**12.2**	**173.1**	**152.7**	**174.1**	**153.7**
Earnings per share in € (basic ≙ diluted)	**– 0.15**	**0.06**	**0.90**	**0.80**	**0.91**	**0.80**

OPERATING EARNINGS (EBIT I) [1, 3]

in € million	Q3/16	Q3/17	9M/16	9M/17	12M/16	LTM[2]/17
Earnings after operating hedges (EBIT II)	**– 32.7**	**27.4**	**276.3**	**231.7**	**291.0**	**246.4**
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	15.7	– 9.8	– 25.6	– 39.9	– 4.4	– 18.7
Neutralisation of changes in the fair value of operating anticipatory hedges recognised in prior periods	– 9.3	– 2.2	– 40.1	– 6.5	– 43.6	– 10.0
Recognised income (–)/expenses (+) of currency hedging for capital expenditure in Canada	– 5.1	– 3.2	– 8.7	– 7.2	– 13.7	– 12.2
Operating earnings (EBIT I)	**– 31.4**	**12.2**	**201.9**	**178.1**	**229.3**	**205.5**

ADDITIONAL KEY EARNINGS FIGURES [1,3]

in € million	Q3/16	Q3/17	9M/16	9M/17	12M/16	LTM[2]/17
Operating earnings (EBIT I)	**– 31.4**	**12.2**	**201.9**	**178.1**	**229.3**	**205.5**
Earnings after tax, adjusted [4]	**– 27.4**	**1.5**	**120.3**	**115.0**	**130.5**	**125.2**
Earnings per share in €, adjusted [4]	**– 0.14**	**0.01**	**0.63**	**0.60**	**0.68**	**0.66**

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months.
[3] Key indicators not defined in the IFRS regulations.
[4] The adjusted key indicators only include the profit/(loss) from operating anticipatory hedges in the relevant reporting period reported in EBIT I, which eliminates effects from changes in the fair value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Bethune plant). Related effects on deferred and cash taxes are also eliminated; tax rate for Q3/17: 29.6% (Q3/16: 29.0%).

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS [1]

in € million	Q3/16	Q3/17	9M/16	9M/17	12M/16	LTM [2]/17
Earnings after operating hedges (EBIT II)	**– 32.7**	**27.4**	**276.3**	**231.7**	**291.0**	**246.4**
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	15.7	– 9.7	– 25.6	– 39.8	– 4.4	– 18.6
Neutralisation of changes in the fair value of operating anticipatory hedges recognised in prior periods	– 9.3	– 2.2	– 40.1	– 6.5	– 43.6	– 10.0
Recognised income (–)/expenses (+) of currency hedging for capital expenditure in Canada	– 5.1	– 3.2	– 8.7	– 7.2	– 13.7	– 12.2
Write-downs (+)/write-ups (–) on intangible assets, property, plant and equipment and financial investments	87.4	64.3	222.9	211.3	289.8	278.2
Increase (+)/decrease (–) in non-current provisions (excluding interest rate effects)	– 0.9	– 5.4	– 1.3	– 16.7	11.3	– 4.1
Interest and dividends received and similar income	1.2	2.0	4.1	8.9	7.2	12.0
Gains (+)/losses (–) from the recognition of financial assets/liabilities	0.7	– 10.6	– 16.5	– 20.0	– 5.1	– 8.6
Interest paid (–)	– 0.6	– 0.9	– 18.5	– 30.2	– 59.2	– 70.9
Income tax paid (–)	–	– 20.8	– 83.5	– 0.6	– 102.8	– 19.9
Other non-cash expenses (+)/income (–)	0.1	0.6	– 0.8	4.5	– 2.0	3.3
Gain (–)/loss (+) on sale of assets and securities	0.5	0.4	0.8	2.5	17.0	18.7
Increase (–)/decrease (+) in inventories	– 24.3	– 53.7	– 20.1	– 48.7	12.2	– 16.4
Increase (–)/decrease (+) in receivables and other assets from operating activities	88.9	48.0	285.8	154.0	85.3	– 46.5
Increase (+)/decrease (–) in liabilities from operating activities	– 81.8	– 44.7	– 133.2	– 69.8	– 1.5	61.9
Increase (+)/decrease (–) in current provisions	– 8.7	7.0	– 49.2	11.5	– 34.0	26.7
Allocations to plan assets	–	– 0.4	– 2.1	– 2.3	– 2.1	– 2.3
Net cash flows from operating activities	**31.1**	**– 1.9**	**390.3**	**382.5**	**445.4**	**437.6**
Proceeds from sale of assets	0.8	1.4	1.9	3.1	3.0	4.2
Purchase of intangible assets	– 1.8	– 1.3	– 3.0	– 3.9	– 9.6	– 10.5
Purchase of property, plant and equipment	– 297.6	– 212.7	– 829.8	– 616.3	– 1,202.2	– 988.7
Purchase of financial investments	– 9.0	– 0.7	– 13.4	– 6.2	– 13.4	– 6.2
Purchase of consolidated companies	– 2.3	–	– 2.3	–	–	2.3
Proceeds from sale of securities and other financial investments	0.2	34.3	24.3	39.6	33.5	48.8
Purchase of securities and other financial investments	– 5.3	– 9.1	– 12.6	– 24.2	– 12.7	– 24.3
Net cash flows from/(used in) investing activities	**– 315.0**	**– 188.1**	**– 834.9**	**– 607.9**	**– 1,201.4**	**– 974.4**
Dividends paid	–	–	– 220.1	– 57.4		
Proceeds from other allocations to equity	–	–	2.4	2.0		
Purchase of own shares	–	–	– 2.9	– 2.4		
Sales of own shares	–	–	0.4	0.2		
Repayment (–) of borrowings	– 30.6	– 6.8	– 60.8	– 360.5		
Proceeds (+) from borrowings	130.4	121.9	738.9	792.0		
Net cash flows from/(used in) financing activities	**99.8**	**115.1**	**457.9**	**373.9**		
Cash change in cash and cash equivalents	**– 184.1**	**– 74.9**	**13.3**	**148.5**		
Exchange rate-related change in cash and cash equivalents	– 2.8	– 0.5	– 2.0	– 15.2		
Consolidation-related change in cash and cash equivalents	–	–	–	3.9		
Net change in cash and cash equivalents	**– 186.9**	**– 75.4**	**11.3**	**137.2**		
Net cash and cash equivalents as of 1 January	**–**	**–**	**118.5**	**134.7**		
Net cash and cash equivalents as of 30 September	**–**	**–**	**129.8**	**271.9**		
– of which cash on hand and bank balances	–	–	134.7	277.4		
– of which cash invested with affiliated companies	–	–	0.4	–		
– of which cash received from affiliated companies	–	–	– 5.3	– 5.5		

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

BALANCE SHEET

BALANCE SHEET – ASSETS [1]

in € million	30 September 2016	31 December 2016	30 September 2017
Intangible assets	1,034.8	1,084.4	976.9
– of which goodwill from acquisitions of companies	715.3	753.4	684.1
Property, plant and equipment	5,857.4	6,456.0	6,679.5
Investment properties	6.3	6.1	5.3
Financial investments	27.4	27.4	19.8
Other financial assets	66.9	87.5	53.0
Other non-financial assets	0.1	4.1	14.9
Securities and other financial investments	7.0	7.0	13.3
Deferred tax assets	78.5	117.4	121.1
Non-current assets	**7,078.4**	**7,789.9**	**7,883.9**
Inventories	720.7	710.4	719.1
Trade receivables	480.3	656.5	512.0
Other financial assets	178.0	146.9	102.7
Other non-financial assets	121.1	118.9	156.5
Income tax refund claims	71.9	68.4	25.1
Securities and other financial investments	21.4	14.3	24.1
Cash on hand and bank balances	134.7	140.2	277.4
Current assets	**1,728.1**	**1,855.6**	**1,817.0**
ASSETS	8,806.5	9,645.5	9,700.9

BALANCE SHEET – EQUITY AND LIABILITIES [1]

in € million	30 September 2016	31 December 2016	30 September 2017
Issued capital	191.4	191.4	191.4
Share premium	645.7	645.7	645.7
Other reserves and net retained earnings	3,399.0	3,713.6	3,424.8
Total equity held by shareholders of K+S AG	4,236.1	4,550.7	4,261.9
Non-controlling interests	1.4	1.5	1.6
Equity	**4,237.5**	**4,552.2**	**4,263.5**
Financial liabilities	2,213.0	2,214.7	2,951.2
Other financial liabilities	20.5	57.7	146.2
Other non-financial liabilities	7.3	9.4	9.0
Provisions for pensions and similar obligations	240.5	186.7	162.4
Provisions for mining obligations	886.9	996.0	996.8
Other provisions	145.5	158.8	149.2
Deferred taxes	255.1	307.1	279.6
Non-current liabilities	**3,768.8**	**3,930.4**	**4,694.3**
Financial liabilities	9.4	319.8	9.4
Trade payables	250.5	343.8	239.1
Other financial liabilities	81.5	86.5	95.7
Other non-financial liabilities	41.1	40.0	47.7
Income tax liabilities	57.3	50.3	77.1
Provisions	360.4	322.5	274.0
Current liabilities	**800.2**	**1,162.9**	**743.1**
TOTAL EQUITY AND LIABILITIES	8,806.5	9,645.5	9,700.9

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

FINANCIAL CALENDAR

DATES	2017/2018
2017 Annual Report	15 March 2018
Quarterly Report, 31 March 2018	14 May 2018
Annual General Meeting, Kassel	15 May 2018
Dividend payment	18 May 2018
Half-Yearly Financial Report, 30 June 2018	14 August 2018
Quarterly Report, 30 September 2018	15 November 2018

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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 – materialise, 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.