Q3/16 Quarterly Report

K+S GROUP

+ MOP prices stabilise
+ Production limitations due to restricted deep-well injection permit at Werra plant
+ Legacy: Replacement of the damaged process vessel has started; first tonne in the second quarter of 2017
+ Non de-icing salt business partly offsets the effects of the mild winter

+ Outlook: EBIT I of between € 200 million and € 260 million in 2016

KEY DATA BUSINESS DEVELOPMENT

KEY FIGURES (IFRS)

		Q3/15	Q3/16	%	9M/15	9M/16	%
Revenues	**€ million**	**891.4**	**687.6**	**−22.9**	**3,182.9**	**2,515.2**	**−21.0**
– of which Potash and Magnesium Products business unit	€ million	471.4	301.7	−36.0	1,580.3	1,133.1	−28.3
– of which Salt business unit	€ million	381.8	346.4	−9.3	1,482.8	1,260.2	−15.0
– of which Complementary Activities	€ million	38.0	39.0	+ 2.6	118.9	120.8	+ 1.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**€ million**	**199.3**	**55.9**	**−72.0**	**829.6**	**424.7**	**−48.8**
– of which Potash and Magnesium Products business unit	€ million	127.2	5.2	−95.9	523.4	192.7	−63.2
– of which Salt business unit	€ million	70.6	46.9	−33.6	311.0	229.7	−26.1
– of which Complementary Activities	€ million	8.0	5.4	−32.5	26.9	21.4	−20.4
Operating earnings (EBIT I)	**€ million**	**132.1**	**−31.4**	**–**	**628.0**	**201.9**	**−67.9**
– of which Potash and Magnesium Products business unit	€ million	92.5	−48.9	–	419.7	68.1	−83.8
– of which Salt business unit	€ million	43.2	18.4	−57.4	227.8	145.8	−36.0
– of which Complementary Activities	€ million	5.7	3.2	−43.9	20.1	14.8	−26.4
EBIT I margin	**%**	**14.8**	**−4.6**	**–**	**19.7**	**8.0**	**–**
– Potash and Magnesium Products business unit	%	19.6	−16.2	–	26.6	6.0	–
– Salt business unit	%	11.3	5.3	–	15.4	11.6	–
– Complementary Activities	%	15.0	8.2	–	16.9	12.3	–
Group earnings, adjusted [1]	€ million	89.2	− 27.4	–	406.2	120.3	− 70.3
Earnings per share, adjusted [1]	€	0.46	− 0.14	–	2.12	0.63	− 70.3
Capital expenditure [2]	€ million	349.9	261.2	− 25.4	905.2	903.7	− 0.2
Depreciation and amortisation [2]	€ million	67.2	87.3	+ 29.9	201.6	222.8	+ 10.5
Cash flow from operating activities	€ million	189.5	31.1	−83.6	612.7	390.3	−36.3
Adjusted free cash flow [3]	€ million	−171.0	−278.8	–	−263.9	−456.3	–
Net debt as of 30 September	€ million	–	–	–	2,172.6	3,179.5	+ 46.3
Net debt/EBITDA (LTM)		–	–	–	2.1	4.9	–
Equity ratio	%	–	–	–	50.6	48.1	–
Return on capital employed (LTM)	%	–	–	–	13.1	5.1	–
Book value per share as of 30 September	€	–	–	–	21.60	22.14	+ 2.5
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees as of 30 September [4]	number	–	–	–	14,378	14,536	+ 1.1
Market capitalisation as of 30 September	€ billion	–	–	–	5.7	3.2	−43.3
Enterprise value (EV) as of 30 September	€ billion	–	–	–	7.9	6.4	−18.6

[1] The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate in Q3/16: 29.0% (Q3/15: 28.6%).
[2] Capital expenditure in or depreciation and amortisation affecting net income on property, plant and equipment, intangible assets, investment properties and financial assets.
[3] Excluding acquisitions/disposals of securities and other financial investments.
[4] 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.

EARNINGS, FINANCIAL AND ASSET POSITION

EARNINGS POSITION

+ Revenues generated by the K+S GROUP reached € 687.6 million in the quarter under review (Q3/15: € 891.4 million); this corresponds to a decrease of around 23% compared with the previous year. In addition to lower average price levels in the Potash and Magnesium Products business unit, the production limitations due to the restricted deep-well injection permit at the Werra plant have had an impact on revenues. The mild 2015/16 winter also led to cautious pre-season purchases of de-icing salt.
+ Salt business for consumers, food processing and for industrial and chemical use once again showed positive results. Demand for our fertilizer specialties remained high, even though the production limitations impacted particularly on these products.
+ In terms of results, the price and volume effects in the Potash and Magnesium Products business unit and in the case of de-icing salt could not be absorbed completely by cost savings; consequently, the operating earnings EBIT I of the K+S GROUP amounted to € – 31.4 million in the third quarter compared with € 132.1 million in the same period in the previous year.
+ Adjusted Group earnings after taxes amounted to € – 27.4 million (Q3/15: € 89.2 million); thus resulting in € – 0.14 earnings per share (Q3/15: € 0.46).

FINANCIAL POSITION

CAPITAL EXPENDITURE

in € million	Q3/15	Q3/16	%	9M/15	9M/16	%
Potash and Magnesium Products business unit	322.1	224.4	– 30.3	837.7	825.5	– 1.5
Salt business unit	26.3	33.9	+ 28.9	57.0	71.9	+ 26.1
Complementary Activities	2.2	1.5	–31.8	3.4	3.4	–
Reconciliation	–0.7	1.4	–	7.1	2.9	–59.2
K+S Group	**349.9**	**261.2**	**–25.4**	**905.2**	**903.7**	**–0.2**

+ Cash flow from operating activities for the first nine months of the year amounted to € 390.3 million, compared with € 612.7 million in the previous year. This drop was mainly the result of lower operating earnings EBIT I. This was partly offset by declining working capital commitments.
+ Cash flow from investment activities (excluding acquisitions/disposals of securities and other financial investments) amounted to € – 846.6 million (9M/15: € – 876.6 million) and essentially reflects capital expenditure in the Legacy Project.
+ Adjusted free cash flow of € – 456.3 million was significantly lower than the level in the previous year (9M/15: € – 263.9 million).
+ As of the reporting date, cash flow from financing activities was € 457.9 million compared with € – 174.3 million in the previous year; the reason for this was the issue of 'Schuldscheindarlehen' (promissory notes) in summer 2016 with a total volume of € 700 million.
+ As of 30 September 2016, net cash and cash equivalents amounted to € 129.8 million (30 September 2015: € 303.4 million; 31 December 2015: € 118.4 million). These capital investments relate to funds, money market instruments and comparable securities with a residual term of less than three months.

CASH FLOW OVERVIEW

in € million	9M/15	9M/16
Cash flow from operating activities	612.7	390.3
Cash flow from investment activities	–502.0	–834.9
Free cash flow	**110.7**	**–444.6**
Adjustment for acquisitions and disposals of securities and other financial investments	–374.6	–11.7
Adjusted free cash flow	**–263.9**	**–456.3**

ASSET POSITION

+ The net debt of the K+S GROUP was € 3,179.5 million as of the reporting date (31 December 2015: € 2,399.8 million; 30 September 2015: € 2,172.6 million). The reason for the increase compared with same period last year was mainly the capital expenditure in the Legacy Project.

+ Net financial liabilities, not including provisions, amounted to € 2,052.1 million as of the reporting date, compared with € 1,007.5 million in the previous year.

NET DEBT

in € million	30 September 2015	30 September 2016
Cash on hand and bank balances	308.8	134.7
Long-term securities and other financial investments	78.2	7.0
Short-term securities and other financial investments	105.3	21.4
Reimbursement claim Morton Salt bond	21.6	21.5
Financial liabilities	−1,518.7	−2,222.4
Liabilities from finance leases	−2.7	−14.3
Net financial liabilities	**−1,007.5**	**−2,052.1**
Provisions for pensions and similar obligations	−163.9	−240.5
Provisions for mining obligations	−1,001.2	−886.9
Net debt	**−2,172.6**	**−3,179.5**

PRESENTATION OF SEGMENTS

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

KEY FIGURES

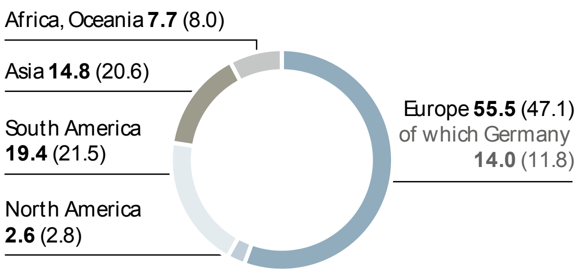
in € million	Q3/15	Q3/16	%	9M/15	9M/16	%
Revenues	471.4	301.7	−36.0	1,580.3	1,133.1	−28.3
– of which potassium chloride	222.9	135.9	−39.0	698.3	480.6	−31.2
– of which fertilizer specialties	187.5	110.5	−41.1	682.3	464.9	−31.9
– of which industrial products	61.0	55.3	−9.3	199.7	187.6	−6.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	127.2	5.2	−95.9	523.4	192.7	−63.2
Operating earnings (EBIT I)	92.5	−48.9	–	419.7	68.1	−83.8

+ Revenues of the business unit were € 301.7 million in the quarter under review; the decline compared with the previous year was mainly due to lower average prices. In the potassium chloride segment, this particularly affected the overseas regions; in line with the international price trend, lower average selling prices of fertilizer specialties in Europe also had to be accepted.
+ Fewer of the high-margin products such as potassium sulphate (SOP) were sold due to the production limitations at the Werra plant; this had a negative impact on the product mix.
+ Sales volumes of 1.26 million tonnes in the reporting quarter were significantly below the previous year's figure due essentially to lower production (Q3/15: 1.52 million tonnes). Sales of potassium chloride dropped by more than 16% to 0.66 million tonnes; sales of fertilizer specialties declined by more than 20% to 0.45 million tonnes.
+ EBIT I was € – 48.9 million in the quarter under review on account of the effects already referred to (Q3/15: € 92.5 million). In addition, planned higher start-up costs in the context of the Legacy Project had a negative effect. Savings in terms of energy and freight as well as from the 'Fit for the Future' programme lessened the effects of this development.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q3/16	9M/16
Change in revenues	**−36.0**	**−28.3**
- volume/structure-related	−14.0	−12.0
- price/pricing-related	−21.7	−16.3
- currency-related	−0.3	–
- consolidation-related	–	–

REVENUES BY REGION JULY – SEPTEMBER 2016 (IN %)



Previous year's figures in brackets

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION

		Q1/15	Q2/15	Q3/15	9M/15	Q4/15	2015	Q1/16	Q2/16	Q3/16	9M/16
Revenues	**€ million**	**608.4**	**500.5**	**471.4**	**1,580.3**	**511.0**	**2,091.3**	**460.5**	**370.9**	**301.7**	**1,133.1**
Europe	€ million	363.3	283.6	221.9	868.8	274.3	1,143.1	316.3	217.1	167.5	700.9
Overseas	US$ million	276.1	239.4	277.2	792.8	259.4	1,052.1	158.9	173.7	149.8	482.4
Sales volumes	**t million (product)**	**1.94**	**1.61**	**1.52**	**5.07**	**1.75**	**6.82**	**1.69**	**1.48**	**1.26**	**4.43**
Europe	t million (product)	1.21	0.90	0.70	2.80	0.92	3.73	1.05	0.78	0.65	2.47
Overseas	t million (product)	0.73	0.72	0.82	2.27	0.82	3.09	0.64	0.70	0.61	1.96
Average price	**€/t (product)**	**313.6**	**310.4**	**309.8**	**311.5**	**291.5**	**306.5**	**272.4**	**250.1**	**238.8**	**255.4**
Europe	€/t (product)	301.4	315.1	317.7	309.9	297.7	306.3	302.3	279.1	258.2	283.4
Overseas	US$/t (product)	375.6	336.3	337.0	349.3	315.8	340.3	246.6	246.4	243.7	245.7

LEGACY PROJECT: COMMISSIONING STARTED

+ Commissioning of plant facilities of the Legacy Project officially began at the end of August 2016. Work to repair the damage to a process vessel progressed according to schedule. Based on present findings, production of the first tonne of potash should start in the second quarter of 2017. K+S is still assuming that it will be able to achieve its target production capacity of two million tonnes by the end of 2017.
+ Due to the damage it is to be expected that the CAD 4.1 billion budget will be moderately exceeded.
+ However, in view of the favourable development of exchange rates (particularly concerning the Canadian dollar against the euro), the euro budget of approximately € 3.1 billion planned in 2013 looks set to remain unchanged.

SALINE WASTEWATER DISPOSAL REMAINS CHALLENGING

+ Due to the expected low water flow in the Werra river during the summer months and the restricted deep-well injection volume for wastewater from production in 2016, there were again significant production limitations at the Werra plant. Only the Wintershall site was able to produce without adverse effect in the quarter under review. It is no longer possible to make up for the production losses by the end of the year.
+ A permit for the temporary storage of up to 200,000 m^3 of process water at the Springen mining field (Thuringia) was issued on 18 August; consequently, no production limitations are expected at the Unterbreizbach site for the time being.
+ K+S is working very hard to realize additional wastewater disposal measures. The impending solutions show promise, but from today's perspective still need some time for implementation. We need to carry out technical tests, modify the infrastructure and obtain numerous permits.
+ Full production in the Hesse-Thuringia potash district is not possible in the short-term without additional deep-well injection options or significantly increasing water levels in the Werra river.

COMPREHENSIVE APPROVAL PROCESS

+ The review of the application submitted by K+S to the Kassel Regional Council in April 2015 concerning deep-well injection until the end of 2021 is still ongoing; K+S is still assuming that the application is entirely approvable.
+ The official licensing procedure/approval process for the expansion of tailings pile capacity at the Hattorf site, which started in 2011, is very challenging both in terms of time and content. Following more changes to the concept required by the authorities, the application documents are currently being revised by K+S. The aim is to be able to start on the project ahead of schedule in early 2017 in order to prepare the relevant areas (base sealing) and prevent impact on production.
+ Moreover, the expansion of tailings pile capacity at the Zielitz and Wintershall sites is due for the year 2019. Preparations for the approval processes are proceeding according to plan.

INJECTION PERMIT FOR GERSTUNGEN TROUGH

+ On 13 September, Meiningen Regional Court has submitted its decision not to open a criminal trial with regard to alleged crimes concerning the Gerstungen Trough Injection in the years 1999 until 2007.
+ The Public Prosecution Office Meiningen immediatly issued an complaint against the refusal.

SALT BUSINESS UNIT

KEY FIGURES

in € million	Q3/15	Q3/16	%	9M/15	9M/16	%
Revenues	381.8	346.4	−9.3	1,482.8	1,260.2	−15.0
– of which de-icing	91.7	54.1	−41.0	620.6	401.0	−35.4
– of which consumer	108.6	104.9	−3.4	321.4	319.1	−0.7
– of which industrial	78.1	78.6	+ 0.6	241.8	234.7	−2.9
– of which food processing	61.1	64.2	+ 5.1	177.7	184.6	+ 3.9
– of which salt for chemical use	32.3	35.2	+ 9.0	90.4	93.1	+ 3.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	70.6	46.9	−33.6	311.0	229.7	−26.1
Operating earnings (EBIT I)	43.2	18.4	−57.4	227.8	145.8	−36.0

+ Revenues for the Salt business unit were moderately down on the figure for the previous year. This was particularly due to a significant sales decline in the North American de-icing salt business.
+ Due to high inventories in our customers' warehouses following a mild winter, early fills were slow; the development of average prices for de-icing salt varied by region, however, they fell tangibly overall compared with the previous year.
+ Higher prices were achieved in the other segments, primarily in consumer products business. The average non de-icing price still fell overall compared with the previous year, as higher demand for salt for the chemical industry in South America led, among other things, to a changed product mix.
+ Revenues for consumer products, the food processing industry as well as industrial salt and salt for chemical use recorded a slight increase overall compared with the previous year. This could only partially offset the volume effect from de-icing salt business.
+ Consequently, operating earnings EBIT I in the quarter under review were significantly below the previous year's level.

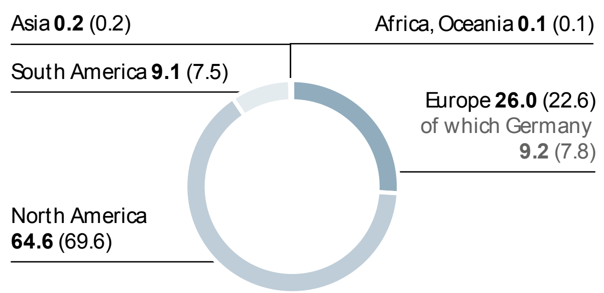
'SALT 2020' STRATEGY ON THE RIGHT TRACK

+ The business unit has set itself the target of making significant improvements in its efficiency. We are also focussing on achieving further growth in selected regions and product segments. We are on the right track to achieve an increase in operating earnings (EBIT I) to over € 250 million by 2020 - assuming normalised winter business. This corresponds to EBITDA of over € 400 million.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q3/16	9M/16
Change in revenues	**−9.3**	**−15.0**
- volume/structure-related	−9.8	−15.5
- price/pricing-related	+ 1.2	+ 1.2
- currency-related	−0.6	−0.7
- consolidation-related	–	–

REVENUES BY REGION JULY – SEPTEMBER 2016 (IN %)



Previous year's figures in brackets

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

		Q1/15	Q2/15	Q3/15	9M/15	Q4/15	2015	Q1/16	Q2/16	Q3/16	9M/16
De-icing											
Revenues	€ million	449.3	79.7	91.7	620.7	152.7	773.4	313.1	33.8	54.1	401.0
Sales volumes	million tonnes	6.89	1.22	1.48	9.59	2.29	11.88	4.89	0.64	1.04	6.57
Average price	€/t	65.2	65.3	61.9	64.7	66.7	65.1	64.0	52.8	52.3	61.0
Consumer, food processing, industrial and salt for chemical use											
Revenues	€ million	266.0	285.2	280.1	831.3	279.4	1,110.7	271.7	276.8	283.0	831.5
Sales volumes	million tonnes	2.23	2.37	2.26	6.86	2.38	9.23	2.24	2.25	2.50	6.98
Average price	€/t	119.4	120.5	124.1	121.2	117.5	120.3	121.5	123.1	113.3	119.1

RISK AND OPPORTUNITY REPORT

Please see the relevant comments from page 51 onwards and from page 102 onwards in our 2015 Annual Report for a detailed description of the risk and opportunity management system as well as potential risks and opportunities. The risks and opportunities described there have changed as follows as of 30 September 2016:

+ The risk described on page 107 of the 2015 Annual Report for the observation period of three years regarding the refusal of official permits for the disposal of liquid production residues has been reassessed and still holds true. A reduction in this disposal option was considered possible at that time (probability: 5–50%) with significant financial impact (>€ 200 million). Due to delays in the approval process, the risk has been realised in part; the financial impact of production suspensions this year resulting from a lack of deep-well injection volumes is reflected in the forecast for 2016, which is shown on pages 7-8.
+ The risk described on page 107 of the 2015 Annual Report of a refusal or revocation by a court of official licences for the disposal of solid production residues has increased in our opinion within the probability of risk between 5-50%. The authorities imposed new requirements on the disposal concept we originally filed during the ongoing official licensing procedure for the expansion of the Hattorf tailings pile. We are currently revising the tailings pile expansion concept.
  Furthermore, an increase in heavy metals concentration was identified during our comprehensive and continuous monitoring of the ground and surface water in the surrounding area of the tailings piles. In terms of their composition and concentration, these cannot be classified as pile material. We are assuming that naturally occurring heavy metals in the layers of loam and clay in the soil beneath the Hattorf tailings pile are dissolved by saline leachate in conjunction with a low pH value of the soil. The heavy metals are delivered to the surface by springs in Thuringia within a limited local area. With the approval of the authorities, K+S has developed a concept to achieve a sustainable solution by late autumn 2017. Initial steps have already been taken. Checks are currently being made to see what the situation is like at other sites and whether the circumstances are likely to influence future permits for the disposal of solid production residues.
+ The risk on page 109 of the 2015 Annual Report regarding the Legacy Project was realised in part on account of the damage on 17 July 2016. Further negative influences cannot be ruled out because of the scale of the project. Our risk assessment still holds true (probability: 5-50%; financial impact: € 10-200 million).
+ The risk of a change in occupational exposure limit values described on page 109 of the 2015 Annual Report will materialise for our German mining operations. The Committee on Hazardous Substances (AGS) at the Federal Ministry of Labour and Social Affairs (BMAS) redefined the future applicable occupational exposure limit value for nitrogen monoxide (NO) and nitrogen dioxide (NO_2) in May 2016. Implementation is expected in due course. The statutory requirements for nitrogen oxides must be met accordingly within the transition period of five years applicable to the mining industry and will entail investment during the observation period of three years, which we have taken into account in our planning.

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 mutual offsetting of opportunities and risks or their positive and negative changes.

OUTLOOK FOR 2016

+ The review of the application submitted by K+S to the Kassel Regional Council in April 2015 concerning deep-well injection until the end of 2021 is still ongoing. This means that the disposal of production and tailings pile wastewater is dependent on the flow of water in the Werra river, which is currently the main disposal route for liquid residues. How much can be discharged into the river at what time is determined by official threshold values. Thus, if the flow of water in the Werra river is low, less wastewater can be discharged.
+ In spite of efficient wastewater management using available storage basins, production limitations at individual Werra plant sites were unavoidable, particularly at the beginning of the months in which there is low rainfall; further production suspensions cannot be ruled out for the rest of the year.
+ In view of this, we are expecting EBITDA of between € 500 and 560 million and EBIT I of between € 200 and 260 million (2015: € 1.1 billion and € 782 million respectively) for the whole of 2016.

DEVELOPMENT OF FORECASTS FOR THE WHOLE OF 2016

		ACTUAL 2015	2015 Annual Report forecast	Forecast Q1/16	Forecast Q2/16	Forecast Q3/16
K+S Group						
Revenues	€ billion	4.18	moderate decrease	moderate decrease	3.50 – 3.70	3.50 – 3.60
EBITDA	€ million	1,057.5	significant decrease	significant decrease	500 – 600	500 – 560
Operating earnings (EBIT I)	€ million	781.6	significant decrease	significant decrease	200 – 300	200 – 260
Group earnings after taxes, adjusted [1]	€ million	542.3	significant decrease	significant decrease	100 – 180	100 – 150
Capital expenditure [2]	€ million	1,278.8	moderately below previous year	moderately below previous year	moderately below previous year	moderately below previous year
Adjusted free cash flow	€ million	−635.9	significantly negative	significantly negative	significantly negative	significantly negative
ROCE	%	12.5	tangible decrease	tangible decrease	significant decrease	significant decrease
EUR/USD exchange rate	EUR/USD	1.11	1.10	1.10	1.11	1.11
Potash and Magnesium Products business unit						
Sales volumes	million tonnes	6.8	slightly below previous year	slightly below previous year	6.2 – 6.4	around 6.1
Salt business unit						
Sales volumes crystallised salt	million tonnes	21.1	moderate decrease	moderate decrease	moderate decrease	moderate decrease
– of which consumer, food processing, industrial and salt for chemical use	million tonnes	9.2	moderate increase	moderate increase	slight increase	slight increase

[1] The adjusted key figures include the result from operating forecast hedges in the respective reporting period, which eliminates effects from fluctuations in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate in Q3/16: 29.0% (Q3/15: 28.6%).
[2] Capital expenditure on property, plant and equipment, intangible assets and investment properties.

TARGET EBITDA STILL AROUND € 1.6 BILLION IN 2020

+ In spite of the numerous challenges, we are still optimistic that we will be able to achieve our target of Group EBITDA of around € 1.6 billion in 2020.
+ Our ‘Salt 2020’ strategy is already on track towards achieving the EBITDA target of over € 400 million assuming a normal winter.
+ In the Potash and Magnesium Products business unit we feel particularly positive about the Legacy Project. We do not believe that the current dip in the potash market, which represents a major challenge on the way to achieving our target by 2020, will last as the medium-term and long-term growth trends remain intact.
+ Consequently, we are anticipating in the context of our medium-term forecast, a higher potash price level than at present along with unaffected operations of our potash plants in Germany and Canada. We are also developing numerous strategic initiatives, which should contribute towards achieving this target.

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 accurate 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 principal opportunities and risks associated with the expected development of the Group.

Kassel, 7 November 2016
K+S Aktiengesellschaft
Board of Executive Directors

INCOME STATEMENT

INCOME STATEMENT [1]

in € million	Q3/15	Q3/16	9M/15	9M/16	12M/15	LTM [2]/16
Revenues	**891.4**	**687.6**	**3,182.9**	**2,515.2**	**4,175.5**	**3,507.8**
Cost of sales	505.4	471.8	1,712.5	1,509.8	2,260.5	2,057.8
Gross profit	**386.0**	**215.8**	**1,470.4**	**1,005.4**	**1,915.0**	**1,450.0**
Selling expenses	182.9	157.7	615.0	534.7	824.5	744.2
General administrative expenses	50.6	54.7	156.2	155.9	218.1	217.8
Research and development costs	3.5	3.3	10.8	10.1	14.7	14.0
Other operating income	32.6	41.4	121.3	93.1	180.6	152.4
Other operating expenses	34.6	67.1	137.7	167.1	200.6	230.0
Income from investments, net	0.5	1.2	3.1	2.7	5.7	5.3
Result from operating forecast hedges	−70.5	−8.3	−102.3	42.9	−127.8	17.4
Result after operating hedges (EBIT II) [1]	**77.0**	**−32.7**	**572.8**	**276.3**	**715.6**	**419.1**
Interest income	2.8	2.0	7.7	4.9	10.0	7.2
Interest expenses	15.3	14.6	76.7	37.4	52.5	166.6
Other financial result	5.7	3.4	8.0	−5.0	8.8	−4.2
Financial result	**−6.8**	**−9.2**	**−61.0**	**−37.5**	**−33.7**	**−10.2**
Earnings before income taxes	**70.2**	**−41.9**	**511.8**	**238.8**	**681.9**	**408.9**
Taxes on income	20.4	−13.7	144.9	65.5	186.5	107.1
– of which deferred taxes	−10.6	−13.1	−8.4	0.1	−18.7	−10.2
Net income	**49.9**	**−28.2**	**366.9**	**173.3**	**495.4**	**301.8**
Minority interests in overall result	–	0.1	0.1	0.2	0.2	0.3
Group earnings after taxes and minority interests	**49.9**	**−28.3**	**366.8**	**173.1**	**495.2**	**301.5**
Earnings per share in € (undiluted ≙ diluted)	**0.26**	**−0.15**	**1.92**	**0.90**	**2.59**	**1.58**
Average number of shares (in millions)	191.4	191.4	191.4	191.4	191.4	191.4
Operating earnings (EBIT I)	**132.1**	**−31.4**	**628.0**	**201.9**	**781.6**	**355.5**
Earnings before income taxes, adjusted [3]	**125.3**	**−40.6**	**567.0**	**164.4**	**747.9**	**345.3**
Group earnings, adjusted [3]	**89.2**	**−27.4**	**406.2**	**120.3**	**542.3**	**256.4**
Earnings per share in €, adjusted [3]	**0.46**	**−0.14**	**2.12**	**0.63**	**2.83**	**1.34**

OPERATING EARNINGS (EBIT I) [1]

in € million	Q3/15	Q3/16	9M/15	9M/16	12M/15	LTM [2]/16
Result after operating hedges (EBIT II)	**77.0**	**−32.7**	**572.8**	**276.3**	**715.6**	**419.1**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding	57.5	15.7	74.2	−25.6	85.5	−14.3
Neutralisation of market value fluctuations recorded in prior periods for realised operating forecast hedges	−5.8	−9.3	−18.2	−40.1	−22.0	−43.9
Realised income (–)/expenses (+) arising from currency hedging for capital expenditure in Canada	3.4	−5.1	−0.8	−8.7	2.5	−5.4
Operating earnings (EBIT I)	**132.1**	**−31.4**	**628.0**	**201.9**	**781.6**	**355.5**

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months (Q4/15 + Q1/16 + Q2/16 + Q3/16).
[3] The adjusted key figures only include the result from operating forecast hedges of the respective reporting period reported in EBIT I, which eliminates effects from changes in the market value of the hedges as well as effects from the exchange rate hedging of future capital expenditure in Canadian dollars (Legacy Project). Related effects on deferred and cash taxes are also eliminated; tax rate for Q3/16: 29.0% (Q3/15: 28.6%).

CASH FLOW STATEMENT

CASH FLOW STATEMENT [1, 2]

in € million	Q3/15	Q3/16	9M/15	9M/16	12M/15	LTM [3]/16
Result after operating hedges (EBIT II)	**77.0**	**−32.7**	**572.8**	**276.3**	**715.6**	**419.1**
Income (–)/expenses (+) from market value changes of operating forecast hedges still outstanding	57.5	15.7	74.2	−25.6	85.5	−14.3
Neutralisation of market value fluctuations recorded in prior periods for realised operating forecast hedges	−5.8	−9.3	−18.2	−40.1	−22.0	−43.9
Realised income (–)/expenses (+) arising from hedging of anticipated capital expenditure in Canada	3.4	−5.1	−0.8	−8.7	2.5	−5.4
Operating earnings (EBIT I)	**132.1**	**−31.4**	**628.0**	**201.9**	**781.6**	**355.5**
Depreciation and amortisation (+)/write-ups (–) on intangible assets, property, plant and equipment and financial assets	67.2	87.4	201.6	222.9	275.9	297.2
Increase (+)/decrease (–) in non-current provisions (without interest rate effects)	−1.5	−0.9	−15.2	−1.3	−25.5	−11.6
Interests and dividends received and similar income	2.3	1.2	8.1	4.1	10.0	6.0
Gains (+)/losses (–) from the realisation of financial assets/liabilities	−1.0	0.7	13.4	−16.5	37.6	7.7
Interest paid (–)	−1.4	−0.6	−17.7	−18.5	−54.0	−54.8
Income taxes paid (–)	−38.8	–	−120.9	−83.5	−191.9	−154.5
Other non-cash expenses (+)/income (–)	0.4	0.1	1.0	−0.8	1.6	−0.2
Gross cash flow	**159.3**	**56.5**	**698.3**	**308.3**	**835.3**	**445.3**
Gain (–)/loss (+) on the disposal of fixed assets and securities	3.3	0.5	1.9	0.8	−3.2	−4.3
Increase (–)/decrease (+) in inventories	−70.2	−24.3	−55.3	−20.1	−107.4	−72.2
Increase (–)/decrease (+) in receivables and other assets from operating activities	42.8	88.9	30.2	285.8	−40.6	215.0
Increase (+)/decrease (–) in liabilities from operating activities	36.3	−81.8	−59.8	−133.2	−44.0	−117.4
Increase (+)/decrease (–) in current provisions	18.3	−8.7	0.3	−49.2	32.8	−16.7
Out-financing of plan assets	−0.3	–	−2.9	−2.1	−3.5	−2.7
Cash flow from operating activities	**189.5**	**31.1**	**612.7**	**390.3**	**669.4**	**447.0**
Proceeds from disposals of fixed assets	1.3	0.8	4.1	1.9	5.3	3.1
Disbursements for intangible assets	−1.0	−1.8	−2.6	−3.0	−5.6	−6.0
Disbursements for fixed assets	−360.0	−297.6	−877.1	−829.8	−1,303.9	−1,256.6
Disbursements for financial assets	−0.8	−9.0	−1.0	−13.4	−1.1	−13.5
Disbursements for the acquisition of consolidated companies	–	−2.3	–	−2.3	−0.1	−2.4
Proceeds from the disposal of securities and other financial investments	16.9	0.2	535.2	24.3	725.3	214.4
Disbursements for the purchase of securities and other financial investments	−0.2	−5.3	−160.6	−12.6	−195.8	−47.8
Cash flow from investment activities	**−343.8**	**−315.0**	**−502.0**	**−834.9**	**−775.8**	**−1,108.7**
Free cash flow	**− 154.3**	**− 283.9**	**110.7**	**− 444.6**	**− 106.4**	**− 661.7**
Dividends paid	–	–	− 172.3	− 220.1		
Disbursements for the acquisition of non-controlling interests	–	–	–	–		
Payments from other allocations to equity	–	–	2.6	2.4		
Purchase of own shares	–	–	− 3.1	− 2.9		
Sales of own shares	–	–	–	0.4		
Repayment (–) of financial liabilities	0.2	− 30.6	− 0.7	− 60.8		
Assumption (+) of financial liabilities	−0.8	130.4	−0.8	738.9		
Cash flow from financing activities	**−0.6**	**99.8**	**−174.3**	**457.9**		
Change in cash and cash equivalents affecting cash flow	**−94.3**	**−184.1**	**−63.6**	**13.3**		
Change in cash and cash equivalents resulting from exchange rates	−7.0	−2.8	−3.3	−2.0		
Change in cash and cash equivalents resulting from consolidation	–	–	–	–		
Change in cash and cash equivalents	**−101.3**	**−186.9**	**−66.9**	**11.3**		
Net cash and cash equivalents as of 1 January	**–**	**–**	**370.3**	**118.5**		
Net cash and cash equivalents as of 30 September	**–**	**–**	**303.4**	**129.8**		
– of which cash on hand and bank balances	–	–	308.8	134.7		
– of which cash invested with affiliated companies	–	–	0.7	0.4		
– of which cash received from affiliated companies	–	–	−6.1	−5.3		

[1] Rounding differences may arise in percentages and numbers.
[2] Previous year's figures have been adjusted. Further detailed explanation of the adjustment can be found in the Notes (37) to the 2015 Annual Report on page 185.
[3] LTM = last twelve months (Q4/15 + Q1/16 + Q2/16 + Q3/16).

BALANCE SHEET

BALANCE SHEET – ASSETS [1]

in € million	30 September 2015 [2]	31 December 2015	30 September 2016
Intangible assets	1,049.7	1,068.3	1,034.8
– of which goodwill from acquisitions of companies	709.7	725.9	715.3
Property, plant and equipment	4,825.3	5,054.8	5,857.4
Investment properties	6.4	6.4	6.3
Financial assets	14.6	14.1	27.4
Other financial assets	113.8	112.1	66.9
Other non-financial assets	–	3.8	0.1
Securities and other financial investments	78.2	–	7.0
Deferred taxes	57.8	98.9	78.5
Claims for income tax refunds	–	0.1	–
Non-current assets	**6,145.8**	**6,358.5**	**7,078.4**
Inventories	645.2	705.3	720.7
Accounts receivable – trade	641.2	708.6	480.3
Other financial assets	137.0	101.2	178.0
Other non-financial assets	113.2	160.1	121.1
Claims for income tax refunds	67.7	76.8	71.9
Securities and other financial investments	105.3	40.0	21.4
Cash on hand and bank balances	308.8	123.1	134.7
Current assets	**2,018.4**	**1,915.1**	**1,728.1**
ASSETS	8,164.2	8,273.6	8,806.5

BALANCE SHEET – EQUITY AND LIABILITIES [1]

in € million	30 September 2015 [2]	31 December 2015	30 September 2016
Subscribed capital	191.4	191.4	191.4
Capital reserve	645.7	646.5	645.7
Other reserves and accumulated profit	3,296.9	3,456.5	3,399.0
Total K+S AG shareholders' equity	4,134.0	4,294.4	4,236.1
Minority interests	1.1	1.2	1.4
Equity	**4,135.1**	**4,295.6**	**4,237.5**
Financial liabilities	1,513.9	1,514.9	2,213.0
Other financial liabilities	38.3	40.7	20.5
Other non-financial liabilities	5.0	6.3	7.3
Provisions for pensions and similar obligations	163.9	166.1	240.5
Provisions for mining obligations	1,001.2	870.1	886.9
Other provisions	147.8	144.2	145.5
Deferred taxes	256.7	294.5	255.1
Non-current debt	**3,126.8**	**3,036.8**	**3,768.8**
Financial liabilities	4.8	28.8	9.4
Accounts payable – trade	261.8	306.0	250.5
Other financial liabilities	105.8	94.9	81.5
Other non-financial liabilities	35.3	24.9	41.1
Income tax liabilities	89.5	81.0	57.3
Provisions	405.1	405.6	360.4
Current debt	**902.3**	**941.2**	**800.2**
EQUITY AND LIABILITIES	8,164.2	8,273.6	8,806.5

[1] Rounding differences may arise in percentages and numbers.
[2] Previous year's figures have been adjusted. Further detailed explanation of the adjustment can be found in the Notes (22) to the 2015 Annual Report on page 175.

FINANCIAL CALENDAR

DATES	2016/2017
2016 Annual Report	16 March 2017
Quarterly Report, 31 March 2017	9 May 2017
Annual General Meeting, Kassel	10 May 2017
Dividend payment	11 May 2017
Half-Yearly Financial Report, 30 June 2017	15 August 2017
Quarterly Report, 30 September 2017	15 November 2017

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