Experience growth.

Q3/18 Quarterly Report

K+S GROUP

- Earnings before interest, taxes, depreciation and amortisation (EBITDA) significantly down on the previous year mainly due to disposal limitations as well as higher freight costs as a consequence of the extreme drought in Germany
- Adjusted free cash flow significantly up on the previous year
- Positive trend in demand for potash continues
- Bethune mine performance improved
- Expansion of tailings pile capacity for the Hattorf site approved
- Good early fills business for de-icing salt in North America

- Outlook for financial year 2018 adjusted: EBITDA between € 570 million and € 630 million expected, mainly weather-related

KEY PERFORMANCE DATA

KEY INDICATORS (IFRS)

		Q3/17	Q3/18	%	9M/17	9M/18	%
Revenues	**€ million**	**726.5**	**840.1**	**+ 15.6**	**2,594.9**	**2,821.8**	**+ 8.7**
– of which Potash and Magnesium Products business unit	€ million	357.7	422.2	+ 18.0	1,218.5	1,351.4	+ 10.9
– of which Salt business unit	€ million	328.8	375.0	+ 14.0	1,255.4	1,337.5	+ 6.5
– of which Complementary Activities	€ million	39.5	41.7	+ 5.6	119.8	130.4	+ 8.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**€ million**	**76.7**	**36.4**	**– 52.5**	**389.5**	**378.3**	**– 2.9**
– of which Potash and Magnesium Products business unit	€ million	42.4	3.4	– 92.0	195.0	214.8	+ 10.2
– of which Salt business unit	€ million	37.3	41.5	+ 11.3	201.7	185.7	– 7.9
– of which Complementary Activities	€ million	7.1	6.2	– 12.7	22.5	24.1	+ 7.1
EBITDA margin	**%**	**10.6**	**4.3**	**–**	**15.0**	**13.4**	**–**
– Potash and Magnesium Products business unit	%	11.9	0.8	–	16.0	15.9	–
– Salt business unit	%	11.3	11.1	–	16.1	13.9	–
– Complementary Activities	%	18.0	14.9	–	18.8	18.5	–
Operating earnings (EBIT I)	**€ million**	**12.3**	**– 58.1**	**–**	**178.1**	**102.3**	**– 42.6**
– of which Potash and Magnesium Products business unit	€ million	1.7	– 68.5	–	75.0	5.1	– 93.2
– of which Salt business unit	€ million	16.8	21.7	+ 29.2	123.1	127.9	+ 3.9
– of which Complementary Activities	€ million	5.9	5.0	– 15.3	16.9	20.4	+ 20.7
Earnings after tax, adjusted [1]	€ million	1.5	– 60.6	–	115.0	13.6	– 88.2
Earnings per share, adjusted [1]	€	0.01	– 0.32	–	0.60	0.07	– 88.2
Capital expenditure [2]	€ million	157.5	124.4	– 21.0	567.8	278.1	– 51.0
Depreciation and amortisation [2]	€ million	64.4	94.5	+ 46.7	211.4	276.0	+ 30.6
				–			
Net cash flows from operating activities	€ million	– 1.9	– 16.3	–	382.5	275.9	– 27.9
Adjusted free cash flow [3]	€ million	– 215.2	– 153.8	+ 28.5	– 240.8	– 59.6	+ 75.2
Net debt as of 30 September	€ million	–	–	–	3,939.2	4,299.2	+ 9.1
Net debt/EBITDA (LTM)		–	–	–	8.1	7.6	–
Equity ratio	%	–	–	–	43.9	40.7	–
Return on capital employed (LTM)	%	–	–	–	2.6	2.3	–
Book value per share as of 30 September	€	–	–	–	22.28	21.90	– 1.7
Average number of shares	million	191.4	191.4	–	191.4	191.4	–
Employees as of 30 September [4]	number	–	–	–	14,765	15,018	+ 1.7
Market capitalisation as of 30 September	€ billion	–	–	–	4.4	3.5	– 21.6
Enterprise value (EV) as of 30 September	€ billion	–	–	–	8.4	7.8	– 7.1

[1] 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 Q3/18: 30.0% (Q3/17: 29.6%).
[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] 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

+ K+S GROUP revenues rose to € 840.1 million in the quarter under review from € 726.5 million in the previous year, an increase of around 16%.
+ Larger sales volumes of potassium chloride from the Bethune plant and higher market prices for potash and magnesium products had a positive impact on the revenue trend. Increased sales volumes in the Salt business unit and higher prices for de-icing salt in North America were further contributory factors.
+ The positive effects described were substantially eroded in particular by weather-related production stoppages at the integrated Werra plant and a disproportionate increase in transport costs. These events reduced earnings before interest, taxes, depreciation and amortisation (EBITDA) for the third quarter by half, from € 76.7 million in the previous year to € 36.4 million in 2018.
+ Adjusted Group earnings after taxes amounted to € – 60.6 million (Q3/17: € 1.5 million), resulting in earnings per share of € – 0.32 (Q3/17: € 0.01). In addition to the effects described, this is due to higher depreciation and amortisation compared to the previous year, in particular as a result of the start of depreciation of the Bethune plant in September 2017. Furthermore, higher interest expenses burdened earnings compared to the previous year. Especially, after the commissioning of the Bethune mine, previously capitalized interest costs are now reflected in the financial result.

FINANCIAL POSITION

CAPITAL EXPENDITURE

in € million	Q3/17	Q3/18	%	9M/17	9M/18	%
Potash and Magnesium Products business unit	128.1	89.4	– 30.2	491.3	207.5	– 57.8
Salt business unit	27.2	31.1	+ 14.3	71.4	63.4	– 11.2
Complementary Activities	0.9	1.1	+ 25.1	1.9	2.5	+ 34.0
Reconciliation	1.3	2.8	> 100	3.2	4.7	+ 46.0
K+S Group	**157.5**	**124.4**	**– 21.0**	**567.8**	**278.1**	**– 51.0**

+ At € 275.9 million, net cash flows from operating activities in the first nine months fell short of the prior-year figure (9M/17: € 382.5 million) mainly due to higher income tax payments in the second quarter of 2018.
+ Net cash flows used in investing activities (after adjusting for purchases/sales of securities and other financial investments) improved to € – 335.5 million (9M/17: € – 623.3 million), an increase primarily resulting from the scheduled decrease in capital expenditure, particularly for the Potash and Magnesium Products business unit.
+ The adjusted free cash flow was therefore still negative but improved significantly to € – 59.6 million (9M/17: € – 240.8 million).
+ In the quarter under review, the K+S GROUP issued a corporate bond with a total volume of € 600 million, a coupon of 3.25% p.a. and a term up to 2024. Net cash flows from financing activities amounted to € 471.0 million, up from € 373.9 million in the previous year.
+ As of 30 September 2018, net cash and cash equivalents amounted to € 312.9 million (31 December 2017: € 175.7 million; 30 September 2017: € 271.9 million).

OVERVIEW OF CASH FLOWS

in € million	9M/17	9M/18
Net cash flows from operating activities	382.5	275.9
Net cash flows from/(used in) investing activities	– 607.9	– 613.2
Free cash flow	**– 225.4**	**– 337.3**
Adjustment for purchases/sales of securities and other financial investments	– 15.4	277.7
Adjusted free cash flow	**– 240.8**	**– 59.6**

NET ASSETS

+ The net debt of the K+S GROUP at the reporting date was € 4,299.2 million (31 December 2017: € 4,140.5 million; 30 September 2017: € 3,939.2 million); net financial liabilities, excluding non-current provisions, amounted to € 3,100.1 million (31 December 2017: € 2,974.1 million; 30 September 2017: € 2,780.0 million). The increases compared with 31 December 2017 were essentially attributable in each case to a negative adjusted free cash flow.
+ Due to the issue of a corporate bond in the quarter under review to refinance a corporate bond maturing in December 2018, financial liabilities increased to € 3,564.4 million at the reporting date (31 December 2017: € 3,021.7 million; 30 September 2017: € 2,960.6 million).
+ The net debt/EBITDA ratio amounted to a factor of 7.6 as of 30 September 2018 (31 December 2017: factor of 7.2; 30 September 2017: factor of 8.1).

NET DEBT

in € million	30 September 2017	31 December 2017	30 September 2018
Cash on hand and bank balances	277.4	182.6	318.2
Non-current securities and other financial investments	13.3	7.0	9.8
Current securities and other financial investments	24.1	11.4	286.7
Financial liabilities	−2,960.6	−3,021.7	−3,564.4
Liabilities from finance leases	−154.2	−173.0	−170.5
Reimbursement claim Morton Salt bond	20.0	19.6	20.1
Net financial liabilities	**−2,780.0**	**−2,974.1**	**−3,100.1**
Provisions for pensions and similar obligations	−162.4	−166.4	−183.4
Provisions for mining obligations	−996.8	−1,000.0	−1,015.7
Net debt	**−3,939.2**	**−4,140.5**	**−4,299.2**

EFFECTS OF CHANGES IN ACCOUNTING POLICIES

+ First-time application of IFRS 9 as of 1 January 2018 led to a remeasurement of the shares in subsidiaries, joint ventures, associates and other equity investments that are not included in the consolidated financial statements due to immateriality. These were previously measured at cost and from 2018 will be recognised at fair value. The resulting increase in the carrying amounts by € 51.6 million was recognised in other comprehensive income as of 1 January 2018. The other changes resulting from IFRS 9 and first-time application of IFRS 15 did not have any major effects on the interim financial statements. Further detailed explanations on the changes in accordance with IFRS 9 and IFRS 15 can be found on pages 154 – 157 of the 2017 Annual Report.

SEGMENTS OF THE K+S GROUP

POTASH AND MAGNESIUM PRODUCTS BUSINESS UNIT

KEY INDICATORS

in € million	Q3/17	Q3/18	%	9M/17	9M/18	%
Revenues	357.7	422.2	+ 18.0	1,218.5	1,351.4	+ 10.9
– of which potassium chloride	152.1	215.3	+ 41.6	505.3	645.8	+ 27.8
– of which fertilizer specialities	143.6	155.3	+ 8.1	515.1	531.6	+ 3.2
– of which industrial products	62.0	51.6	– 16.8	198.1	174.0	– 12.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	42.4	3.4	– 92.0	195.0	214.8	+ 10.2
Operating earnings (EBIT I)	1.7	– 68.5	–	75.0	5.1	– 93.2

REVENUES UP ON THE BACK OF CANADIAN PRODUCTION AND HIGHER POTASH PRICES

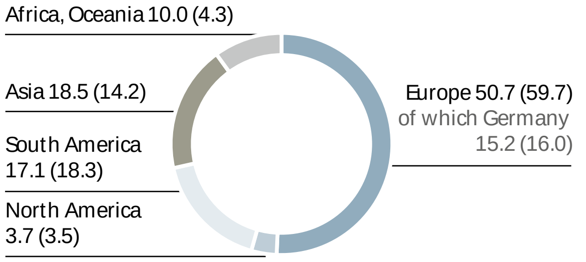
+ Revenues for the Potash and Magnesium Products business unit amounted to € 422.2 million in the quarter under review. This significant year-on-year increase was due to an overall increase in volumes thanks to the production output of the Bethune plant, which improved over the course of the year. In addition, higher fertilizer prices, especially overseas, had a positive impact.
+ At 1.56 million tonnes in the quarter under review, sales volumes were tangibly higher than the prior-year figure (Q3/17: 1.41 million tonnes). Sales volumes of potassium chloride (MOP) climbed 29% to 0.86 million tonnes, while sales of fertilizer specialties remained flat on the previous year at 0.56 million tonnes due to the sell-off of inventories in spite of production stoppages in Germany. Sales volumes of industrial products decreased by 23% to 0.14 million tonnes, mainly as a result of availability factors.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q3/18	9M/18
Change in revenues	+ 18.0	+ 10.9
– volume/structure-related	+ 9.8	+ 7.9
– price/pricing-related	+ 7.8	+ 5.7
– currency-related	+ 0.4	– 2.7
– consolidation-related	–	–

+ Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell to € 3.4 million in the third quarter (Q3/17: € 42.4 million). The effect of higher sales volumes was eroded by earnings losses for the production stoppages leading to a lack of contribution margins and higher costs for the remote disposal of wastewater resulting from the extreme drought.
+ In the third quarter, EBIT I came to € – 68.5 million (Q3/17: € 1.7 million) due to the aforementioned effects and the depreciation and amortisation for the Bethune plant that now had to be recognised for the entire quarter.

REVENUES BY REGION JULY – SEPTEMBER 2018 (IN %)



Previous year's figures in brackets

DEVELOPMENT OF REVENUES, SALES VOLUMES AND AVERAGE PRICES BY REGION

		Q1/17	Q2/17	Q3/17	9M/17	Q4/17	2017	Q1/18	Q2/18	Q3/18	9M/18
Revenues	**€ million**	**473.7**	**387.1**	**357.7**	**1,218.5**	**485.0**	**1,703.5**	**488.7**	**440.5**	**422.2**	**1,351.4**
Europe	€ million	304.0	227.9	213.4	745.3	257.5	1,002.8	306.0	244.2	214.3	764.6
Overseas	US$ million	180.7	175.5	170.9	527.1	264.4	791.5	224.7	233.6	242.0	700.9
Sales volumes	**t million (product)**	**1.82**	**1.54**	**1.41**	**4.77**	**1.94**	**6.71**	**1.94**	**1.71**	**1.56**	**5.22**
Europe	t million (product)	1.14	0.86	0.80	2.80	0.97	3.77	1.11	0.89	0.75	2.75
Overseas	t million (product)	0.68	0.68	0.62	1.98	0.97	2.94	0.84	0.83	0.81	2.47
Average price	**€/t (product)**	**259.8**	**252.0**	**253.0**	**255.3**	**250.1**	**253.8**	**251.6**	**257.2**	**270.0**	**258.9**
Europe	€/t (product)	265.6	265.3	268.9	266.4	264.6	266.0	276.3	274.4	285.7	278.5
Overseas	US$/t (product)	266.2	259.0	273.4	266.8	276.5	269.0	269.1	282.8	297.5	283.3

INTEGRATED WERRA PLANT TEMPORARILY CLOSED OWING TO EXTREME DROUGHT

+ In the third quarter, we were forced to suspend production at the Hattorf and Wintershall sites of the Werra plant for three and five weeks, respectively. This was owing to the unusually long drought, which resulted in extremely low water levels in the Werra river. Consequently, discharge of saline wastewater into this river was possible only to a limited extent, although we have reduced the amount of wastewater by the kainite crystallisation and flotation facility (KCF) and have been able to gain additional flexibility by expanding our basin capacity and fully exploiting additional measures.
+ For temporary wastewater disposal, we made intensive use of additional remote measures such as discharge into the inactive K+S Bergmannssegen-Hugo mine (Hanover region).
+ The production stoppages described as well as the additionally necessary measures for offsite disposal reduced EBITDA by approximately € 80 million in the third quarter.

EXPANSION OF TAILINGS PILE CAPACITY FOR THE HATTORF POTASH SITE APPROVED

+ The licensing authorities approved the application for the expansion of tailings pile capacity at the Hattorf site on 11 October 2018. The disposal reliability for solid production residues this will provide is an essential requirement for operation of the potash mine.
+ The current approval status is valid for five to six years. In addition, the authorities are currently reviewing the application for the second phase of the expansion of tailings pile capacity, which is expected to last until the early 2040s.
+ We are also confident that we will receive the required permits for the expansion of tailings pile capacity at the Wintershall and Zielitz sites in due time.

SALT BUSINESS UNIT

KEY FIGURES

in € million	Q3/17	Q3/18	%	9M/17	9M/18	%
Revenues	328.8	375.0	+ 14.0	1,255.4	1,337.5	+ 6.5
– of which de-icing salt	51.2	88.8	+ 73.4	392.6	498.5	+ 27.0
– of which consumer products	97.8	100.1	+ 2.3	307.1	298.4	– 2.8
– of which industrial salt	74.8	83.9	+ 12.1	236.9	248.8	+ 5.0
– of which food processing	60.2	56.2	– 6.6	185.1	162.3	– 12.3
– of which salt for chemical use	38.0	37.1	– 2.4	107.8	101.8	– 5.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	37.3	41.5	+ 11.3	201.7	185.7	– 7.9
Operating earnings (EBIT I)	16.8	21.7	+ 29.2	123.1	127.9	+ 3.9

TANGIBLE INCREASE IN REVENUES

+ Revenues for the Salt business unit in the quarter under review saw a tangible increase year-on-year to € 375.0 million (Q3/17: € 328.8 million), due mainly to higher revenues in the North American de-icing salt business resulting from volume and price effects.
+ Revenues from salt for consumer products, food processing, industrial salt and salt for chemical use remained stable in the quarter under review. Decreases in sales volumes in the salt for chemical use business in South America were offset by higher sales volumes of industrial salts. Average revenues were both at the level of the prior-year quarter and comparable with the second quarter of this year.

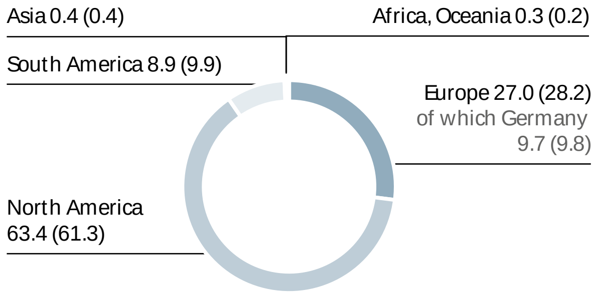
TANGIBLE INCREASE IN EARNINGS

+ In the third quarter, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by more than 11% to € 41.5 million (Q3/17: € 37.3 million) on the back of the overall encouraging early fills business in North America for the coming winter. EBIT I amounted to € 21.7 million, up from € 16.8 million in the previous year.
+ This uptrend was offset in particular by higher logistics costs.

VARIANCE COMPARED WITH PREVIOUS YEAR

in %	Q3/18	9M/18
Change in revenues	**+ 14.0**	**+ 6.5**
– volume/structure-related	+ 10.2	+ 12.4
– price/pricing-related	+ 5.0	+ 0.7
– currency-related	– 1.2	– 6.6
– consolidation-related	–	–

REVENUES BY REGION JULY – SEPTEMBER 2018 (IN %)



Previous year's figures in brackets

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

		Q1/17	Q2/17	Q3/17	9M/17	Q4/17	2017	Q1/18	Q2/18	Q3/18	9M/18
De-icing salt											
Revenues	€ million	310.9	30.5	51.2	392.6	220.6	613.2	361.4	48.3	88.8	498.5
Sales volumes	t million	5.07	0.57	1.02	6.66	4.00	10.66	6.89	0.94	1.59	9.42
Average price	€/t	61.3	53.6	50.4	59.0	55.1	57.5	52.5	51.4	55.9	52.9
Consumer products, food processing, industrial salt and salt for chemical use											
Revenues	€ million	290.1	275.9	270.9	836.9	275.9	1,112.9	262.4	271.5	277.4	811.3
Sales volumes	t million	2.43	2.26	2.49	7.18	2.48	9.66	2.45	2.51	2.54	7.50
Average price	€/t	119.6	122.0	108.8	116.5	111.3	115.2	107.1	108.2	109.4	108.2

REPORT ON RISKS AND OPPORTUNITIES

Please see the relevant comments in our 2017 Annual Report from page 100 onwards and in the 2018 Half-Yearly Financial Report from page 14 onwards for a detailed description of possible risks and opportunities.

The risk described on page 107 of the 2017 Annual Report of a refusal or revocation by a court of official permits for the disposal of solid production residues changed as follows as of 30 September 2018 in relation to the Hattorf site: the application for the extension of tailings pile capacity was approved. This means that the approval process started in 2011 for the expansion of tailings pile capacity is continuing to progress well. The approval granted, which is valid for five to six years, relates to the first part of the project. Relevant risks pertaining to the disposal of solid production residues at the Hattorf site have been significantly mitigated for this period. In addition, the authorities are currently reviewing the application for the second phase of the expansion of tailings pile capacity, which is expected to last until the early 2040s.

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 FOR 2018

+ The medium- to long-term trends for the future industry situation described on pages 114 – 115 of the 2017 Annual Report still largely apply.
+ Potash and Magnesium Products business unit
  + We continue to expect a slight upward trend in the average price overall in 2018. While a further recovery across all products in the market seems possible, for our reported average price dampening effects will arise in some cases from the regional mix and from the weighting of our product groups, largely due to the increase in production at our plant in Canada.
  + Our previous estimate of our future results of operations for the 2018 financial year was based on the expectation of a hydrological normal year and the assumptions that there would be no weather-related stoppages in potash production at our Werra plant. However, due to the extreme drought, production stoppages occurred at our Hattorf and Wintershall sites in September which together reduced our earnings before interest, taxes, depreciation and amortisation (EBITDA) by approximately € 80 million in the quarter under review and are now also reflected in our forecast for the year as a whole.
  + Owing to the prolonged drought, we cannot entirely rule out further production stoppages during the remainder of the year; these are not included in the named range. Even temporary precipitation would not lead to a normalisation of water levels. Further extensive shipments of saline water for remote disposal and related additional expenses will therefore be necessary in the fourth quarter.
  + For the year as a whole, we continue to anticipate significantly higher sales volumes than in the previous year. However, given this situation, we now assume a sales volume of roughly 7.5 million tonnes (previously 7.4 – 7.8 million tonnes; 2017: 6.7 million tonnes). The production volume is expected to amount to around 7.7 million tonnes in the 2018 financial year.
+ Salt business unit
  + Our outlook assumes that the de-icing salt business will see a winter that is within the long-term meteorological average. As the 2017/18 winter season was better than in the previous year, we still forecast significant volume growth in the de-icing salt business for the 2018 financial year (2017: 10.7 million tonnes). Sales of salts that are not used for road safety are projected to be slightly higher than the 2017 figure (9.7 million tonnes). On the whole, we therefore continue to expect tangibly higher sales volumes (2017: 20.3 million tonnes) in the Salt business unit for the 2018 financial year.

+ K+S Group
  + In light of the above, we now estimate that EBITDA for the K+S GROUP for the 2018 financial year will fall within a range of € 570–630 million (2017: € 577 million).
    + The upper and lower end of the range essentially reflects the weather-related opportunities and risks that arise for the remainder of the year from the de-icing salt business, but also from the water levels and associated domestic transports.
    + For the Potash and Magnesium Products business unit, we continue to forecast a significant increase in EBITDA (2017: € 269 million), above all due to the increase in volumes at the Bethune plant and despite the weather-related outage days.
    + In the Salt business unit, EBITDA should now decline moderately compared to 2017 (€ 325 million) (previously: unchanged). This is due in particular to higher logistics costs, which should more than erode a tangible increase in sales volumes.
  + Consequently, we now also anticipate a significant decrease in ROCE (previously: significant increase; 2017: 3.2%).

DEVELOPMENT OF FORECASTS FOR FULL-YEAR 2018

		ACTUAL 2017	Forecast 2017 Annual Report	Forecast Q1/18	Forecast Q2/18	Forecast Q3/18
K+S Group						
Revenues	€ billion	3.63	tangible increase	tangible increase	3.90 – 4.10	3.90 – 4.10
EBITDA	€ million	576.7	significant increase	significant increase	660 – 740	570 – 630
Group earnings after taxes, adjusted [1]	€ million	145.0	significant increase	significant increase	110 – 160	55 – 85
Adjusted free cash flow	€ million	– 389.8	significant improvement, still slightly negative	significant improvement, remains negative	significant improvement, remains negative	significant improvement, remains negative
ROCE	%	3.2	significant increase	significant increase	significant increase	significant decrease
EUR/USD exchange rate	EUR/USD	1.13	1.20	1.21	1.21	1.20
Potash and Magnesium Products business unit						
Sales volumes	million tonnes	6.7	significant increase	significant increase	7.4 – 7.8	round 7.5
Production volumes	million tonnes	7.1				round 7.7
Salt business unit						
Sales volumes – solid salt	million tonnes	20.3	tangible increase	tangible increase	tangible increase	tangible increase
– of which consumer products, food processing, industrial salt and salt for chemical use	million t	9.7	moderate increase	slight increase	slight increase	slight increase

[1] 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 Q3/18: 30.0% (Q3/17: 29.6%).

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, 12 November 2018
K+S Aktiengesellschaft
Board of Executive Directors

INCOME STATEMENT

INCOME STATEMENT [1]

in € million	Q3/17	Q3/18	9M/17	9M/18	12M/17	LTM [2]/18
Revenues	**726.5**	**840.1**	**2,594.9**	**2,821.8**	**3,627.0**	**3,853.9**
Cost of sales[3]	533.7	650.0	1,741.9	2,006.3	2,414.6	2,679.0
Gross profit	**192.8**	**190.1**	**853.0**	**815.5**	**1,212.4**	**1,174.9**
Selling expenses[3]	134.8	172.7	486.7	557.0	704.5	774.8
General and administrative expenses	54.2	54.1	166.7	169.2	231.4	233.9
Research and development costs	3.8	3.0	12.6	9.9	16.6	13.9
Other operating income	34.6	14.3	116.5	116.6	187.8	187.9
Other operating expenses	28.1	37.3	132.3	118.2	186.1	172.0
Income from investments, net	0.6	–	2.9	4.4	4.5	6.0
Gains/(losses) on operating anticipatory hedges	20.3	0.6	57.6	– 26.4	61.2	– 22.8
Earnings after operating hedges (EBIT II)[4]	**27.4**	**– 62.1**	**231.7**	**55.8**	**327.3**	**151.4**
Finance income	1.4	3.1	7.7	6.2	10.6	9.1
Finance costs	16.2	31.2	44.1	89.2	53.4	98.5
Other financial result	5.6	1.8	14.9	1.0	16.4	2.5
Financial result	**– 9.2**	**– 26.3**	**– 21.5**	**– 82.0**	**– 26.4**	**– 86.9**
Earnings before tax	**18.2**	**– 88.5**	**210.2**	**– 26.3**	**300.9**	**64.4**
Income tax expense	5.8	– 25.1	57.4	– 7.4	116.3	51.5
– of which deferred taxes	– 8.0	– 21.9	– 16.3	– 42.4	– 14.4	– 40.5
Earnings for the period	**12.3**	**– 63.4**	**152.8**	**– 18.9**	**184.6**	**12.9**
Non-controlling interests	0.1	–	0.1	0.1	–	–
Earnings after tax and non-controlling interests	**12.2**	**– 63.4**	**152.7**	**– 19.0**	**184.6**	**12.9**
Earnings per share in € (basic ≙ diluted)	**0.06**	**– 0.33**	**0.80**	**– 0.10**	**0.96**	**0.07**

RECONCILIATION TO OPERATING EARNINGS (EBIT I) AND EBITDA [1]

in € million	Q3/17	Q3/18	9M/17	9M/18	12M/17	LTM[2]/18
Earnings after operating hedges (EBIT II)	**27.4**	**– 62.1**	**231.7**	**55.8**	**327.3**	**151.4**
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	– 9.8	– 9.7	– 39.9	13.2	– 37.2	15.9
Elimination of prior-period changes in the fair value of operating anticipatory hedges	– 2.2	13.7	– 6.5	33.3	– 10.3	29.5
Recognised income (–)/expenses (+) of currency hedging for capital expenditure in Canada	– 3.2	–	– 7.2	–	– 9.0	– 1.8
Operating earnings (EBIT I)	**12.2**	**– 58.1**	**178.1**	**102.3**	**270.8**	**195.0**
Depreciation and amortisation (+)/impairment losses (+)/reversals of impairment losses (–) on non-current assets	**69.0**	**96.0**	**233.7**	**280.6**	**330.0**	**376.9**
Capitalised depreciation expenses recognised directly in equity (–)[5]	**– 4.5**	**– 1.5**	**– 22.3**	**– 4.6**	**– 24.1**	**– 6.4**
EBITDA	**76.7**	**36.4**	**389.5**	**378.3**	**576.7**	**565.5**

[1] Rounding differences may arise in percentages and numbers.
[2] LTM = last twelve months.
[3] Due to a structural distinction between production costs and selling expenses in 2017, the previous year was adjusted. There was a reclassification from selling expenses to cost of sales of € 63.7 million (12M/17: € 91.6 million).
[4] Key indicators not defined in the IFRS regulations.
[5] These are depreciations of assets used for the production of other assets, plant and equipment. Depreciation is capitalised as part of cost and not recognized in profit or loss.

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS [1]

in € million	Q3/17	Q3/18	9M/17	9M/18	12M/17	LTM [2]/18
Earnings after operating hedges (EBIT II)	**27.4**	**– 62.1**	**231.7**	**55.8**	**327.3**	**151.4**
Income (–)/expenses (+) arising from changes in the fair value of outstanding operating anticipatory hedges	–9.7	–9.7	–39.8	13.2	–37.2	15.8
Elimination of prior-period changes in the fair value of operating anticipatory hedges	–2.2	13.7	–6.5	33.3	–10.3	29.5
Realised gains (–)/losses (+) from currency hedging for capital expenditure in Canada	–3.2	–	–7.2	–	–9.0	–1.8
Depreciation, amortisation, impairment losses (+)/reversals of impairment losses (–)	64.3	94.5	211.3	276.0	305.9	370.6
Increase (+)/decrease (–) in non-current provisions (excluding interest rate effects)	–5.4	4.6	–16.7	3.2	5.4	25.3
Interest received and similar income	2.0	2.1	8.9	4.7	10.6	6.4
Realised gains (+)/losses (–) on financial assets/liabilities	–10.6	9.7	–20.0	18.8	–20.2	18.6
Interest paid (–)	–0.9	–6.8	–30.2	–46.2	–63.5	–79.5
Income tax paid (–)	–20.8	–3.5	–0.6	–60.1	–36.0	–95.5
Other non-cash expenses (+)/income (–)	0.6	2.3	4.5	–0.2	2.0	–2.7
Gain (–)/loss (+) on sale of assets and securities	0.4	2.1	2.5	0.3	–22.4	–24.6
Increase (–)/decrease (+) in inventories	–53.7	–38.8	–48.7	–27.0	–31.1	–9.4
Increase (–)/decrease (+) in receivables and other operating assets	48.0	–61.8	154.0	100.5	–99.9	–153.4
Increase (+)/decrease (–) in liabilities from operating activities	–44.7	21.7	–69.8	–86.8	–34.0	–51.0
Increase (+)/decrease (–) in current provisions	7.0	15.8	11.5	–8.5	22.9	2.9
Allocations to plan assets	–0.4	–0.1	–2.3	–1.1	–3.6	–2.4
Net cash flows from operating activities	**– 1.9**	**– 16.3**	**382.5**	**275.9**	**306.8**	**200.2**
Proceeds from sale of assets	1.4	2.6	3.1	4.7	60.0	61.6
Purchases of intangible assets	–1.3	–2.1	–3.9	–4.7	–11.3	–12.1
Purchases of property, plant and equipment	–212.7	–132.1	–616.3	–328.9	–743.5	–456.1
Purchases of financial investments	–0.7	–5.9	–6.2	–6.6	–7.6	–8.0
Proceeds from the sale of consolidated companies	–	–	–	–	5.8	5.8
Proceeds from sale of securities and other financial investments	34.3	9.6	39.6	25.4	62.4	48.2
Purchases of securities and other financial investments	–9.1	–240.3	–24.2	–303.1	–29.3	–308.2
Net cash flows used in investing activities	**– 188.1**	**– 368.2**	**– 607.9**	**– 613.2**	**– 663.5**	**– 668.8**
Dividends paid	–	–	–57.4	–67.0		
Proceeds from other allocations to equity	–	–	2.0	–		
Purchases of own shares	–	–	–2.4	–		
Sales of own shares	–	–	0.2	–		
Repayment (–) of borrowings	–6.8	–104.3	–360.5	–241.8		
Proceeds (+) from borrowings	121.9	600.1	792.0	779.8		
Net cash flows from/(used in) financing activities	**115.1**	**495.8**	**373.9**	**471.0**		
Cash change in cash and cash equivalents	**– 74.9**	**111.3**	**148.5**	**133.7**		
Exchange rate-related change in cash and cash equivalents	–0.5	2.5	–15.2	3.5		
Consolidation-related change in cash and cash equivalents	–	–	3.9	–		
Net change in cash and cash equivalents	**– 75.4**	**113.8**	**137.2**	**137.2**		
Net cash and cash equivalents as of 1 January	**–**	**–**	**134.7**	**175.7**		
Net cash and cash equivalents as of 30 September	**–**	**–**	**271.9**	**312.9**		
– of which cash on hand and bank balances	–	–	277.4	318.2		
– of which cash received from affiliated companies	–	–	–5.5	–5.3		

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

BALANCE SHEET

BALANCE SHEET – ASSETS [1]

in € million	30 September 2017	31 December 2017	30 September 2018
Intangible assets	976.9	962.8	979.3
– of which goodwill from acquisitions of companies	684.1	672.7	691.6
Property, plant and equipment	6,679.5	6,692.6	6,760.0
Investment properties	5.3	5.3	5.2
Financial investments	19.8	21.0	78.4
Other financial assets	53.0	46.3	32.6
Other non-financial assets	14.9	29.0	20.4
Securities and other financial investments	13.3	7.0	9.8
Deferred taxes	121.1	95.2	132.4
Non-current assets	**7,883.9**	**7,859.3**	**8,018.1**
Inventories	719.1	690.9	727.2
Trade receivables	512.0	714.9	673.2
Other financial assets	102.7	107.6	93.0
Other non-financial assets	156.5	155.9	152.6
Income tax refund claims	25.1	31.7	23.1
Securities and other financial investments	24.1	11.4	286.7
Cash and cash equivalents	277.4	182.6	318.2
Current assets	**1,817.0**	**1,895.1**	**2,274.0**
TOTAL ASSETS	9,700.9	9,754.4	10,292.1

BALANCE SHEET – EQUITY AND LIABILITIES 1

in € million	30 September 2017	31 December 2017	30 September 2018
Issued capital	191.4	191.4	191.4
Share premium	645.7	645.7	645.7
Other reserves and net retained earnings	3,424.8	3,322.1	3,352.1
Total equity attributable to shareholders of K+S Aktiengesellschaft	4,261.9	4,159.2	4,189.2
Non-controlling interests	1.6	1.5	1.6
Equity	**4,263.5**	**4,160.7**	**4,190.8**
Financial liabilities	2,951.2	2,451.8	2,723.9
Other financial liabilities	146.2	154.2	155.9
Other non-financial liabilities	9.0	10.2	10.9
Income tax liabilities	–	48.5	45.9
Provisions for pensions and similar obligations	162.4	166.4	183.4
Provisions for mining obligations	996.8	1,000.0	1,015.7
Other provisions	149.2	156.4	166.2
Deferred taxes	279.6	252.6	248.7
Non-current liabilities	**4,694.3**	**4,240.2**	**4,550.5**
Financial liabilities	9.4	569.9	840.5
Trade payables	239.1	288.4	243.0
Other financial liabilities	95.7	89.3	117.8
Other non-financial liabilities	47.7	58.8	54.9
Income tax liabilities	77.1	54.6	27.4
Provisions	274.0	292.3	267.1
Current liabilities	**743.1**	**1,353.5**	**1,550.8**
TOTAL EQUITY AND LIABILITIES	9,700.9	9,754.4	10,292.1

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

FINANCIAL CALENDAR

DATES

	2018/2019
2018 Annual Report	14 March 2019
Quarterly Report, 31 March 2019	14 May 2019
Annual General Meeting, Kassel	15 May 2019
Dividend payment	20 May 2019
Half-Yearly Financial Report, 30 June 2019	15 August 2019
Quarterly Report, 30 September 2019	14 November 2019

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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.