

K+S Aktiengesellschaft

Tough in Rough Times

Capital Markets Day

Merkers - November 12th, 2015

Dr. Andreas Radmacher, Business Unit Potash and Magnesium Products



Experience growth.

The Potash Market

It's complicated ...

- Industry facing supply side driven challenges
 - increasing capacities
 - fragmentation of the industry
- Those challenges might lead to subdued price environment in the short-term

... but!

- Long-term dynamics remain positive for fertilizers
- Continued demand growth makes the potash market still an attractive market to operate in

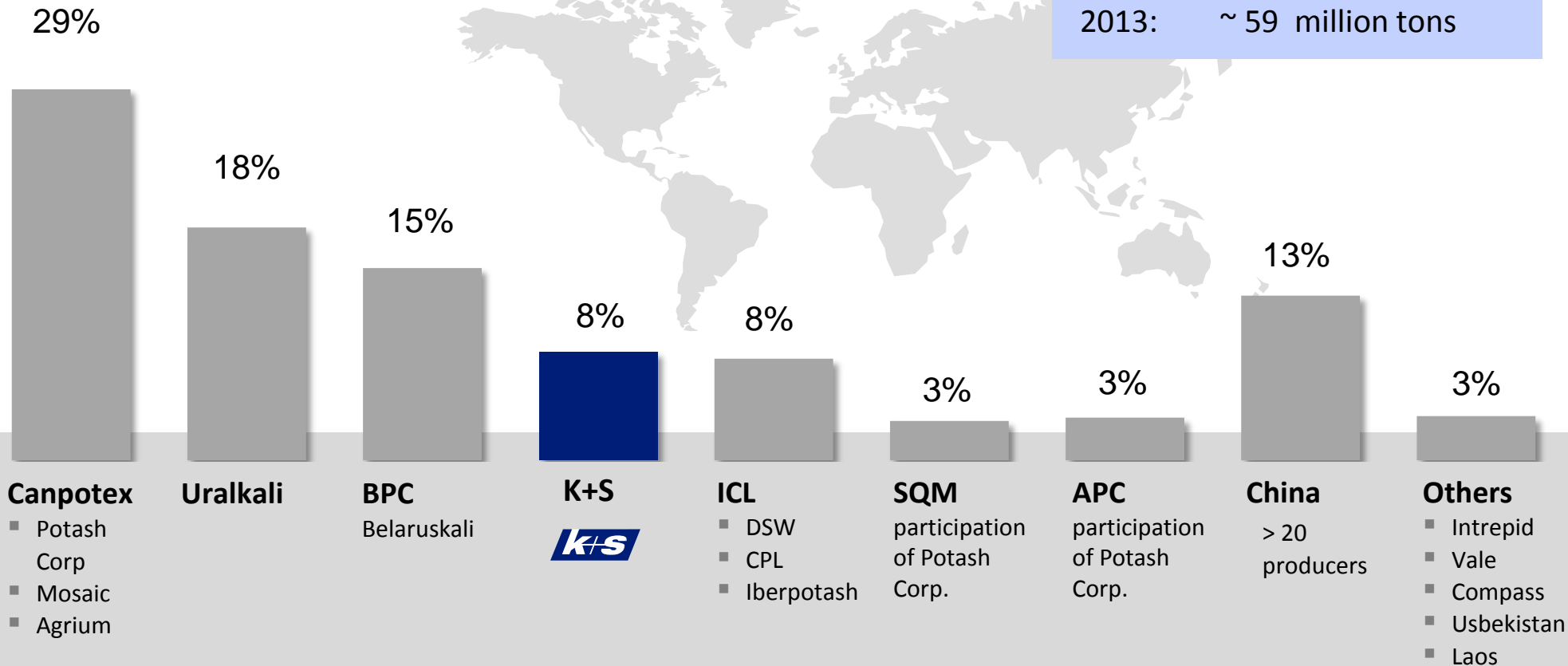
Supplier Structure on the World Potash Market

Year 2014

World Potash Sales Volumes:¹⁾

2014: ~ 68 million tons

2013: ~ 59 million tons



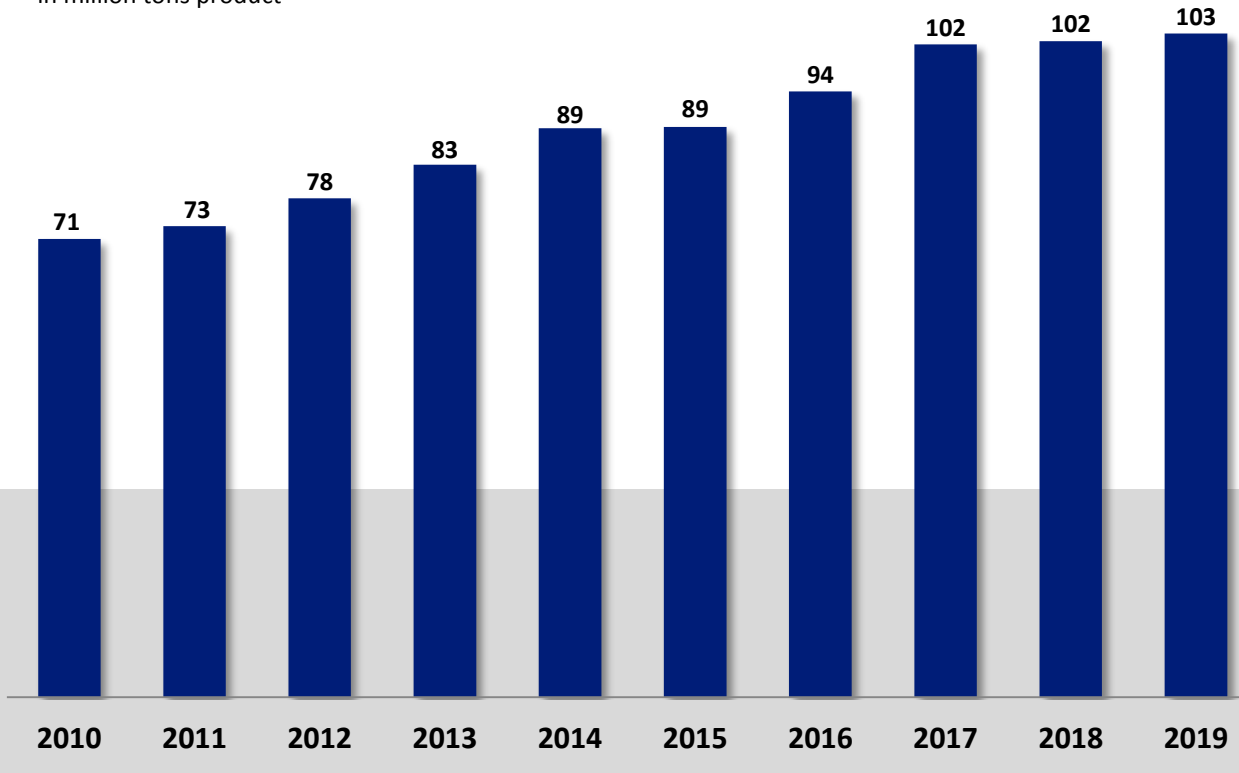
Sources: IFA, K+S

1) Incl. potassium sulphates and potash grades with lower K₂O content

Increasing Capacities & Higher Fragmentation

Development of capacities for MOP, SOP & KMgSOP¹⁾

in million tons product

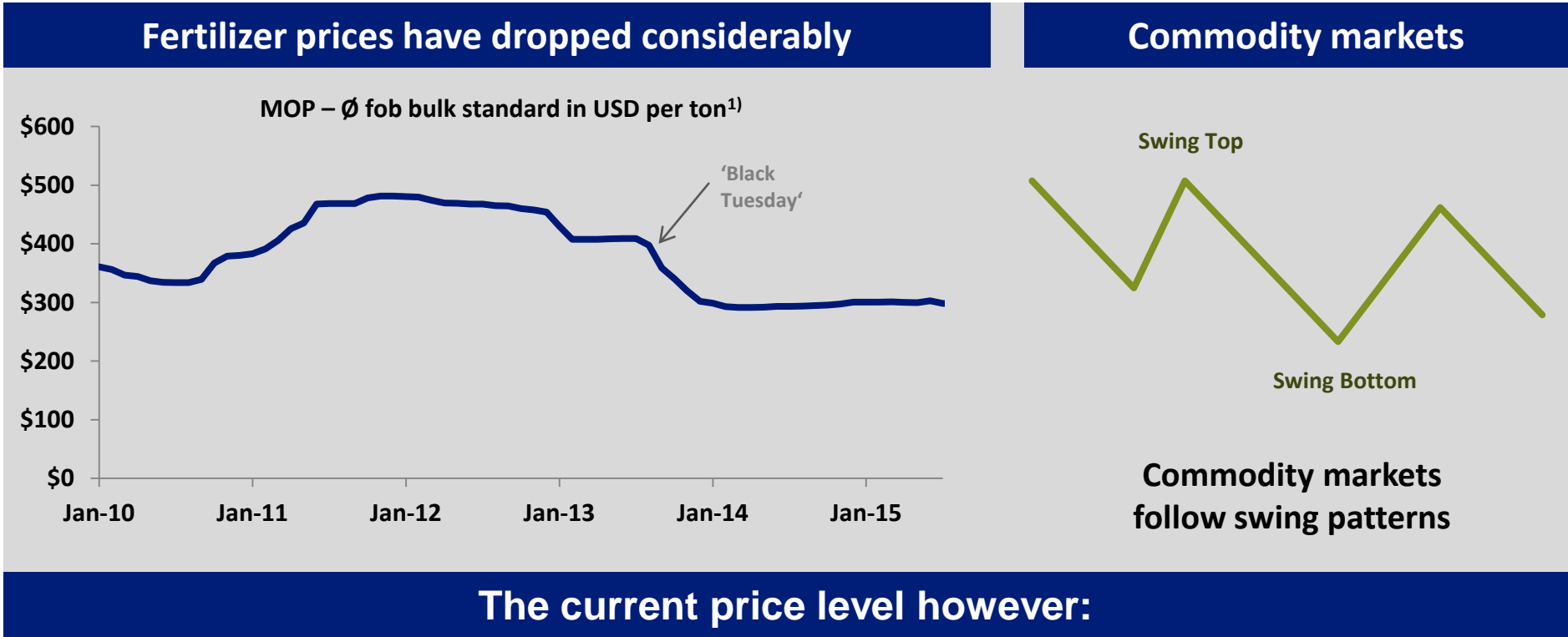


- Execution of projects with high probability would **significantly increase capacities** in the next few years
- **Capacity utilization rates will decrease**
- **Higher fragmentation** on the supply side
 - **New entrants**
 - **Split-up of BPC**

Source: IFA

1) Germany includes MOP and other K products given in MOP equivalent

The Industry is Facing Pressure in the Short and Medium-Term. Pricing Headwinds in the Medium-Term Possible



- Incentivizes an increased use of fertilizer
 - Keeps new players from entering the industry through greenfield projects
- ➔ **The industry will emerge stronger in three to five years**

Source: FMB International Price Guide

1) Ø: FOB Vancouver, FOB NW Europe, FOB Israel, FOB FSU

The Potash Market

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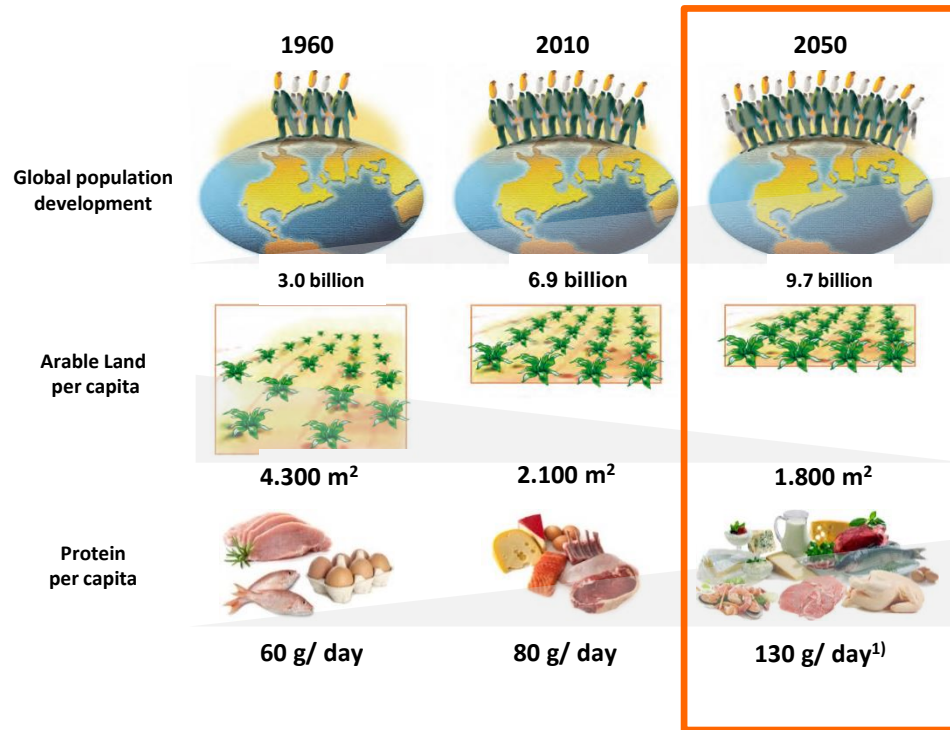
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Long-Term Dynamics Positive for Fertilizer

Less arable land – but more protein consumption per capita



➔ Each year additional 80m people need to be fed – this equals to the population of Germany

➔ Available arable land per capita will decrease at the same time

➔ By 2050 an expanded world population will be consuming two thirds more animal protein than it does today

In 2050, less than half of a soccer field will be available to feed one person year round - 80 percent of future growth in crop production will come from yield advancements driven by balanced use of fertilizers

Sources: UN, World Population Prospects, 2012 Revision, UNDP, 2013; FAOStat 2014

1) FAO 2014 - forecasts based on the expected increase in animal protein

Demand Growth Will Continue in the Future

IFA

McKinsey

IHS Chemical

K+S KALI
Factor Model

CRU Consulting



Growth in Potash Demand
is by all estimations
expected to be
between **1.7- 4.9% p.a.**



Adding Value Along Our Entire Supply Chain



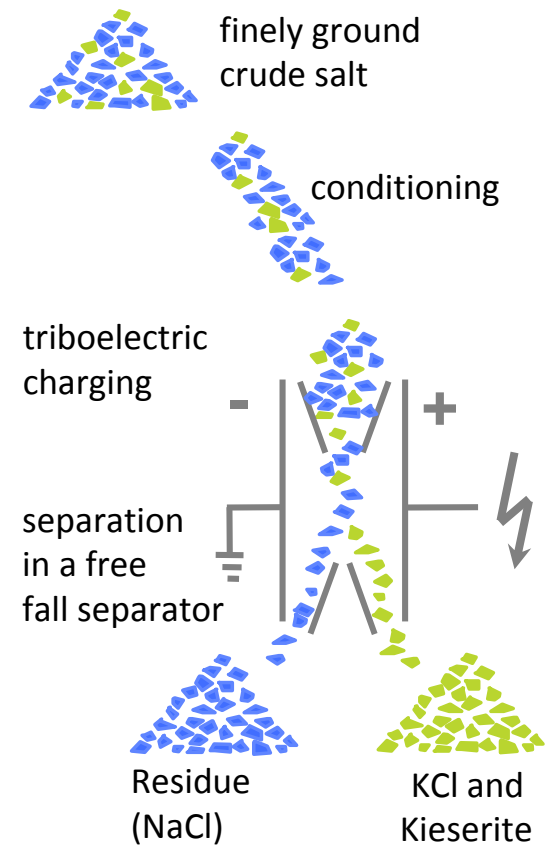
5 German mines | Legacy

K+S is Leveraging its Profound Expertise in Production & Technology

- **Continuously improving the efficiency of our mining** for example through our cost savings program Fit for the Future and by revolutionizing underground working
- **Optimizing our production portfolio** by evaluating potential depots for future mining
- **State-of-the-art Potash processing methods** such as the unique K+S ESTA[®] separation method

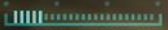


ESTA[®] - Electrostatic Separation



K+S Potash and Magnesium Products

Shaping the Future of Underground Working



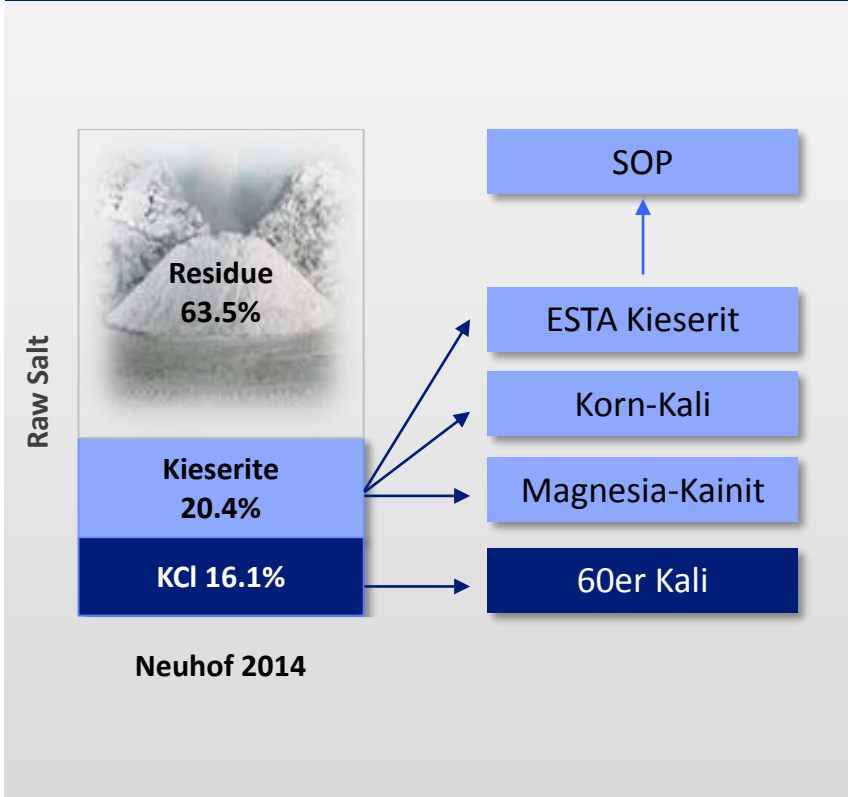
ZUKUNFT GRUBE
MINE FUTURE



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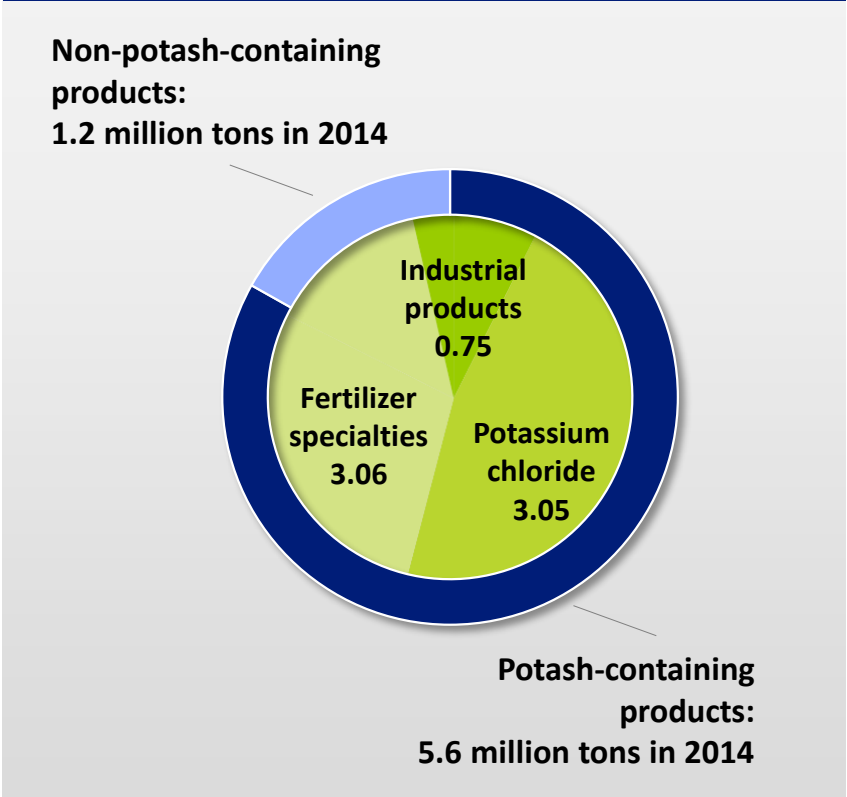
K+S is Utilizing the Entire Range of Minerals in its Complex Deposits

Mineral extraction at our Neuhof site



➔ Reducing specific costs of our MOP products \$\$\$

K+S product offering



➔ Extending our product offering

Decoupling from Volatilities in the Commodity Market by Adding Value with our Broad Range of Specialties



Leading supplier of Sulphate of Potash



Leading supplier in KCl Pharma!
One of the leading suppliers in Food & Feed products



We offer KCl for applications such as drilling and electrolysis

- KALISOP**
- Korn-Kali®**
- Patentkali®**
- ESTA® Kieserit**
- EPSoTop®**



Food processing & fortification



Feed for pets & commercial livestock



High-purity pharma salts



Construction Materials

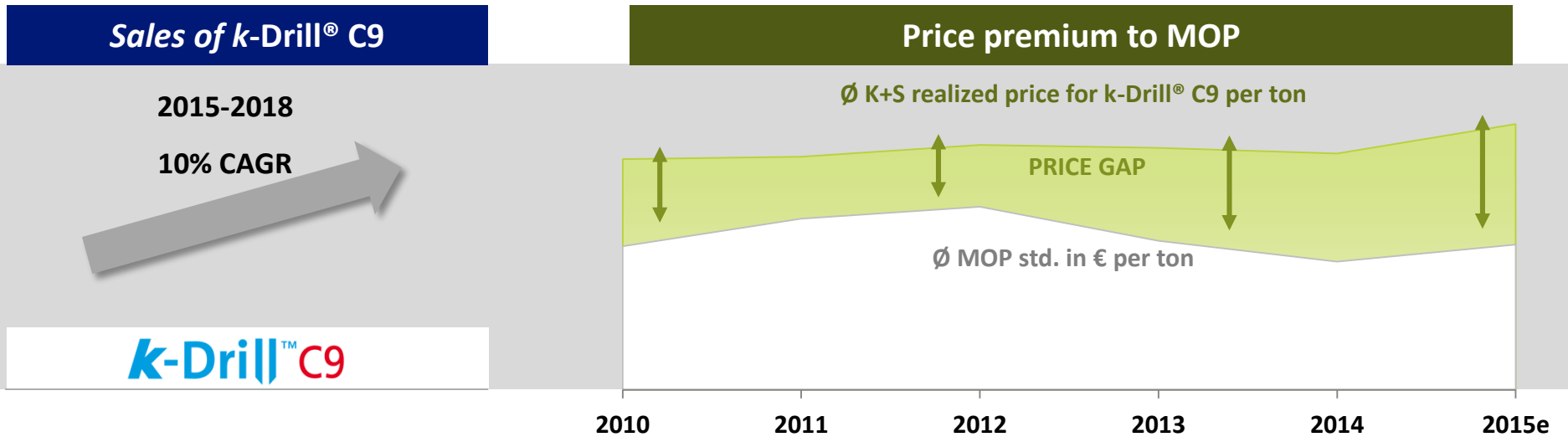


Chlor-Alkali Electrolysis
Oil Drilling Muds



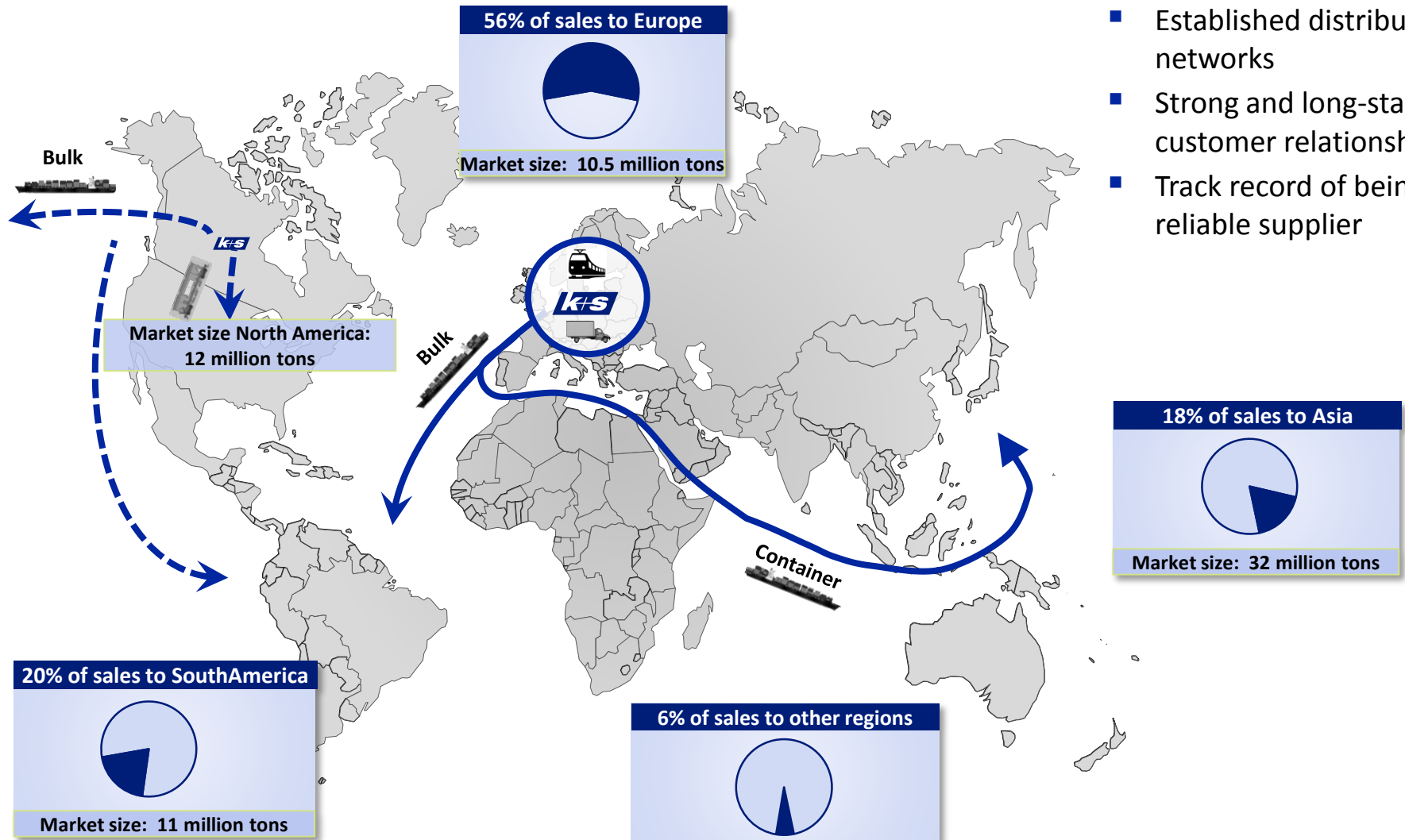
Pulp & Paper Detergents

K+S Built a Strong Presence in the Drilling Additive Market



- **k-Drill® C9** is part of our high performance additive portfolio for oil and gas drilling used to prepare brines for drill-in, completion, fracturing, and work over fluids
- K+S has successfully developed our position in this niche segment and achieved differentiation from the MOP commodity market by:
 - Introducing the **k-Drill®** brand
 - Offering special product quality through refinement
 - Holding accredited certifications

K+S has a Leading Position in Europe and a Strategic Presence in Most Important Overseas Markets



- Established distribution networks
- Strong and long-standing customer relationships
- Track record of being a reliable supplier

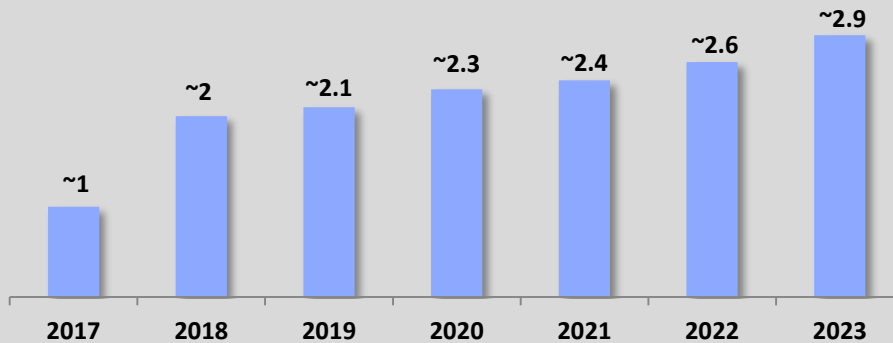
Strengthening our Global Presence by Building a Second Source Strategy with our New Legacy Mine



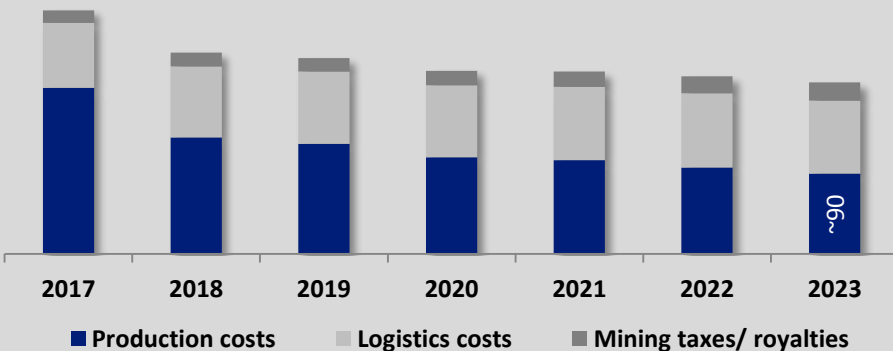
- Expanding our current production portfolio in Germany with a North American production site → **Second source supplier**
- Securing a **good asset base** with **competitive production costs**
- Sales and distribution through **existing distribution structures** of the K+S group
- **Exclusive outline agreement** with **Koch Fertilizer** about supply and sales of Potash fertilizers in the US
- **Regional growth projects** in China and SEA
- **Flexible multi-product strategy**

Legacy Ramp-Up Plan

Expected sales volume ramp-up (million tons)



Expected costs per ton (CAD)



- Legacy will produce about 20-30% of total output in form of Industrial Potash from 2018 on
- Competitive costs of production
- Logistics costs estimated as average from site to various target destinations (incl. site to port)
- Mining taxes/ royalties to fluctuate with potash prices

Summary

Commodities

- Focus on costs and efficiency
- Expanding our low cost product base through Legacy and building a second source strategy
- Intelligent value chain management

Specialties

- Diversification into new segments and applications
- Creating value through product refinement
- Achieving a value-based differentiation from our competitors
- Leveraging customer relationships with BU Salt

K+S will remain a responsible and strong player in the Potash and Magnesium market!