

K+S Aktiengesellschaft

# Salt - Indispensable for Life ... and for K+S

Capital Markets Day

Merkers - November 12th, 2015

Mark Roberts, Business Unit Salt



Experience growth.

**3**

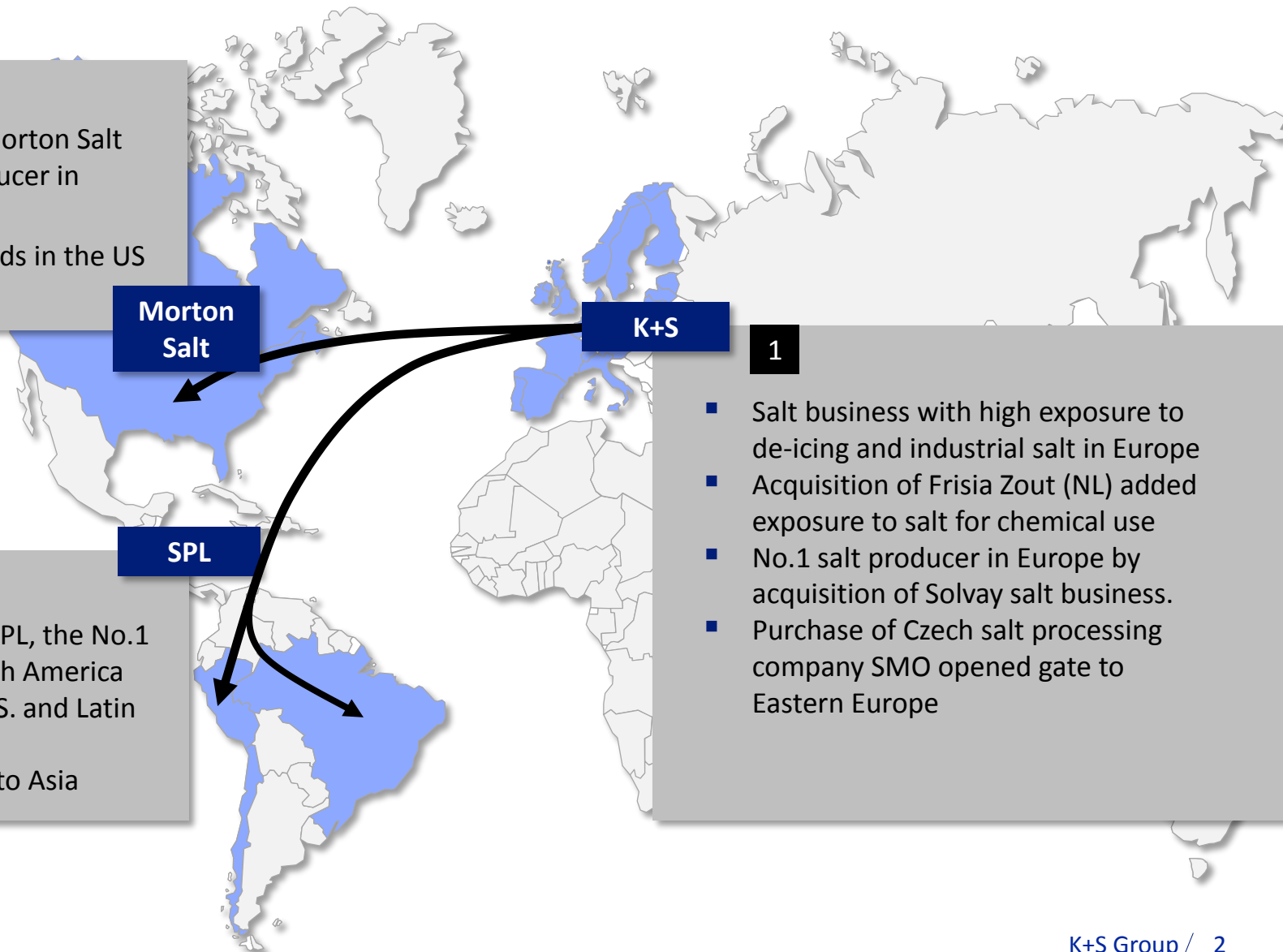
- 2009 acquisition of Morton Salt the premier salt producer in North America
- Well established brands in the US and Canada

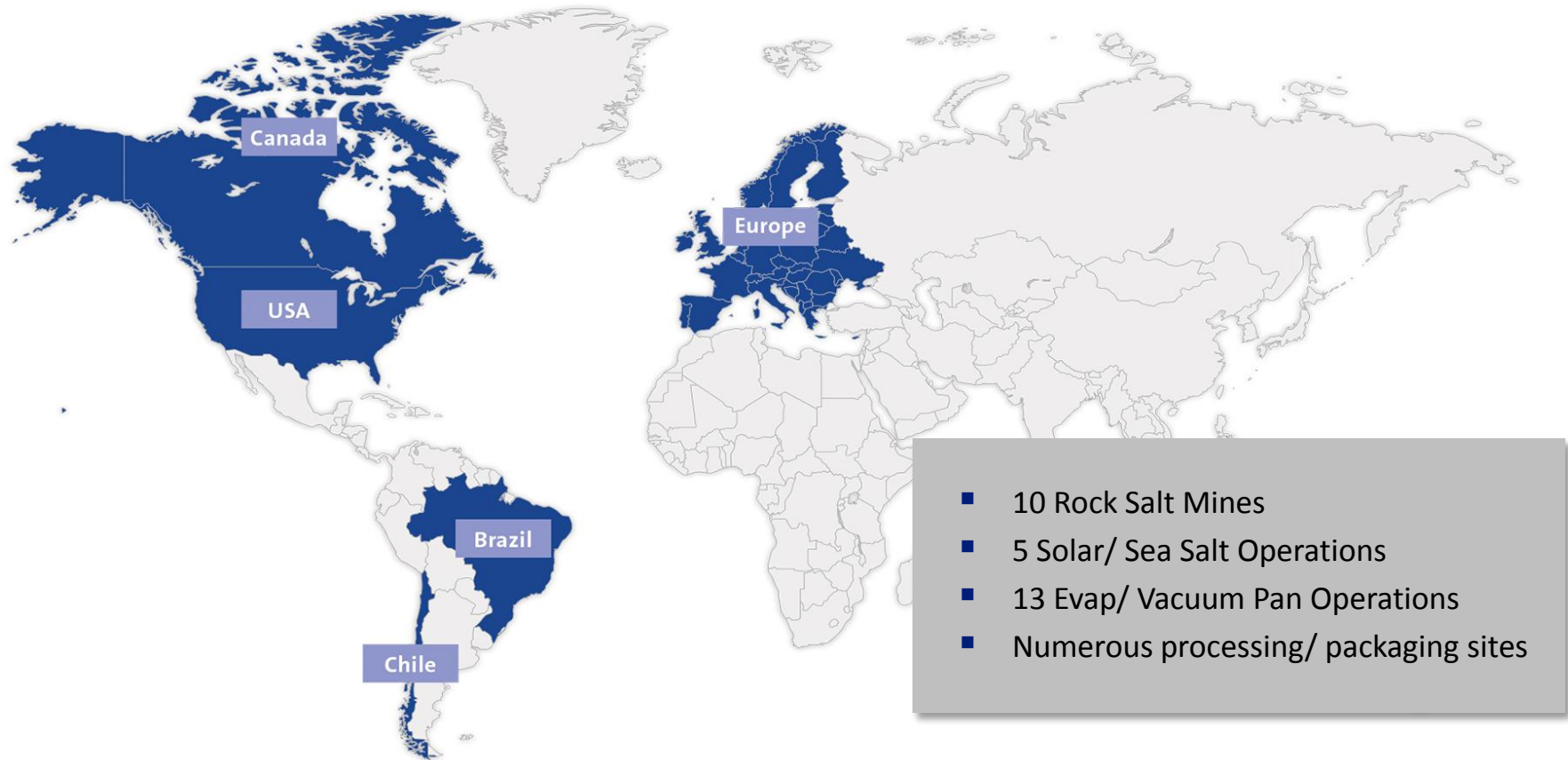
**Morton Salt****K+S****1**

- Salt business with high exposure to de-icing and industrial salt in Europe
- Acquisition of Frisia Zout (NL) added exposure to salt for chemical use
- No.1 salt producer in Europe by acquisition of Solvay salt business.
- Purchase of Czech salt processing company SMO opened gate to Eastern Europe

**2**

- 2006 acquisition of SPL, the No.1 salt producer in South America
- Market entry into U.S. and Latin America
- Expansion potential to Asia

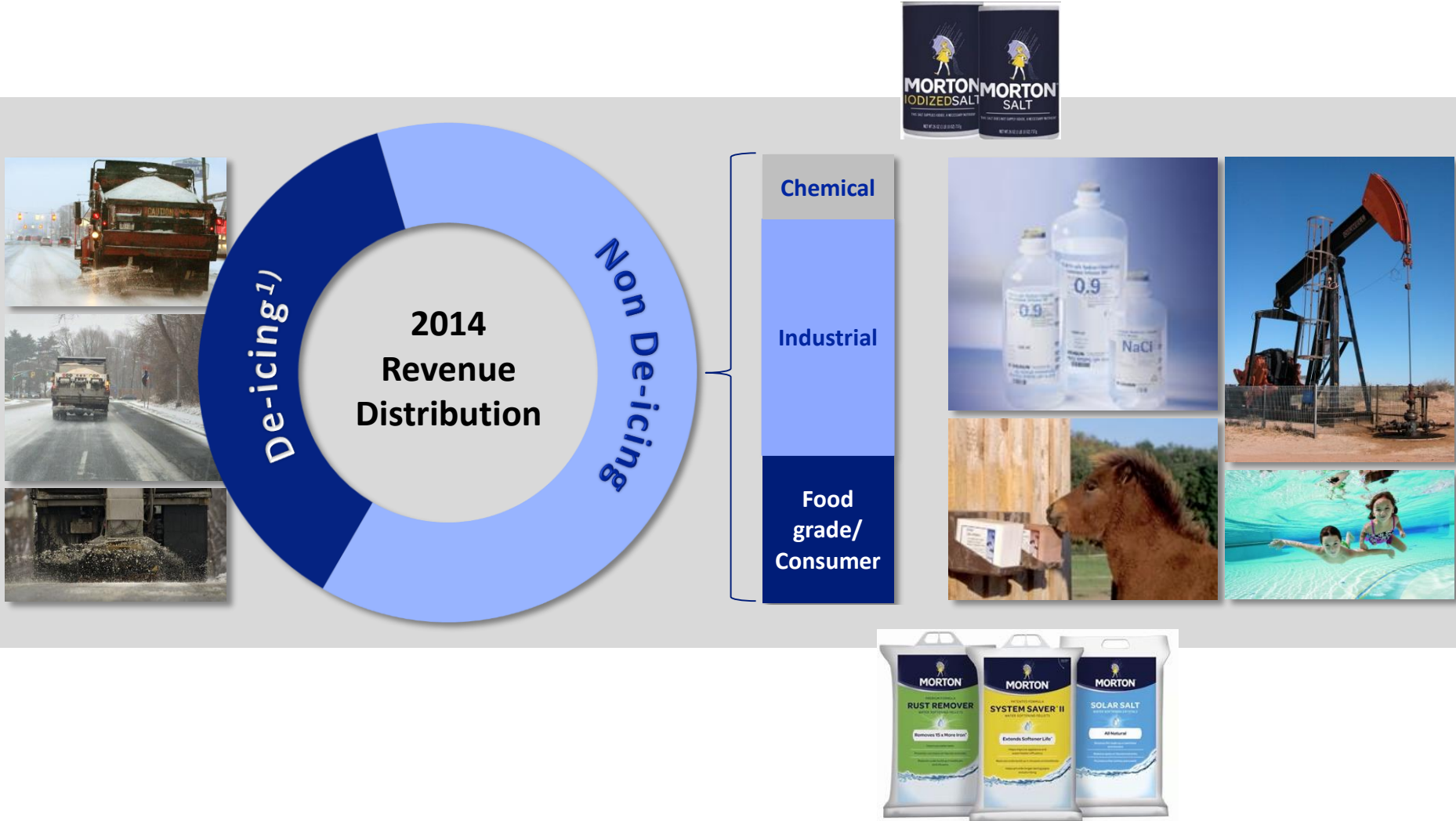
**SPL**



- 10 Rock Salt Mines
- 5 Solar/ Sea Salt Operations
- 13 Evap/ Vacuum Pan Operations
- Numerous processing/ packaging sites

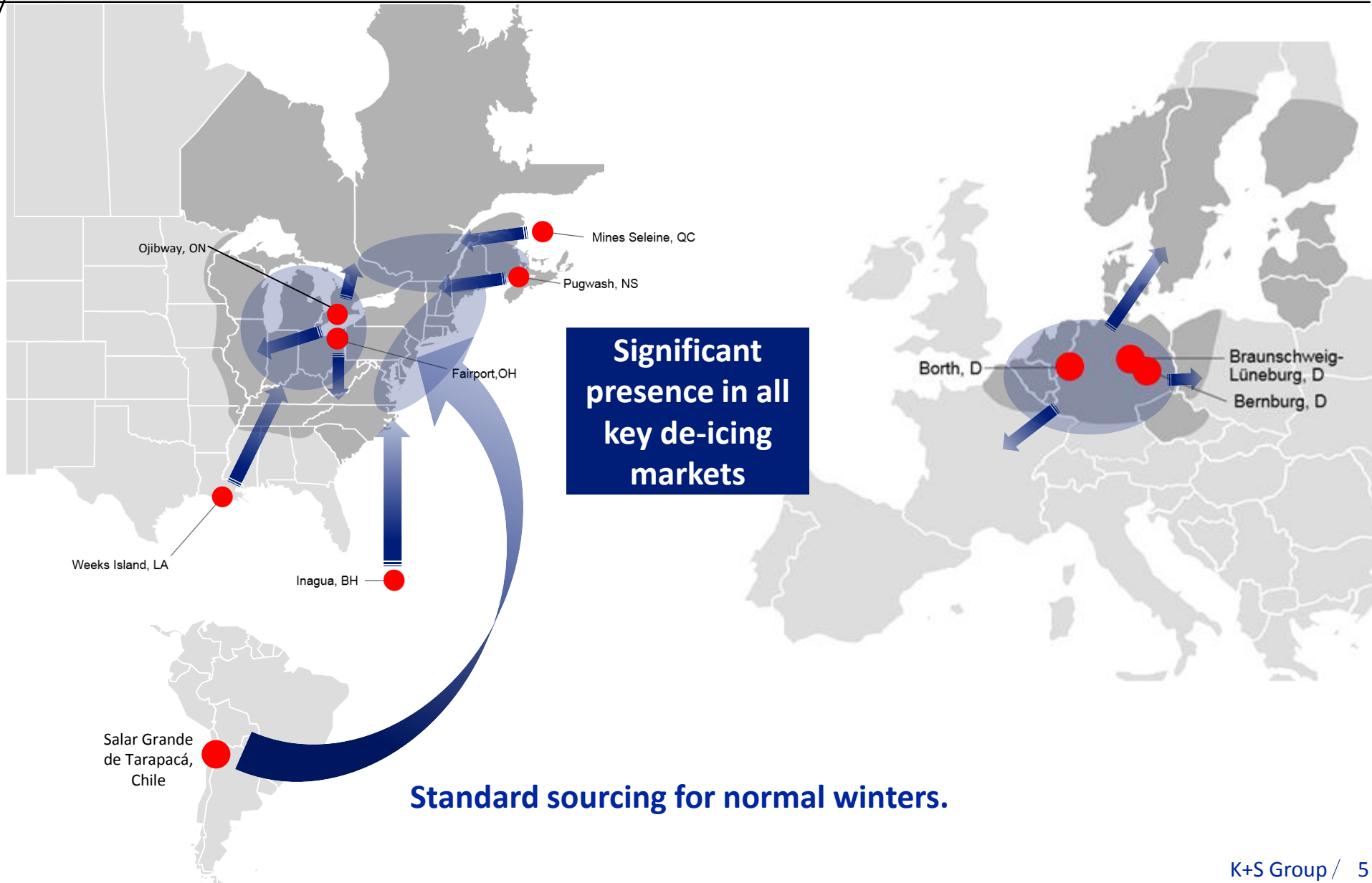
## Our competitive edge

- More than 30 assets on 3 continents allow close proximity to customers in a business that is highly freight-cost sensitive
- Broad range of products due to variety of production methods
- Best in class supply chain assets and competence
- Industry best cost production in Chile



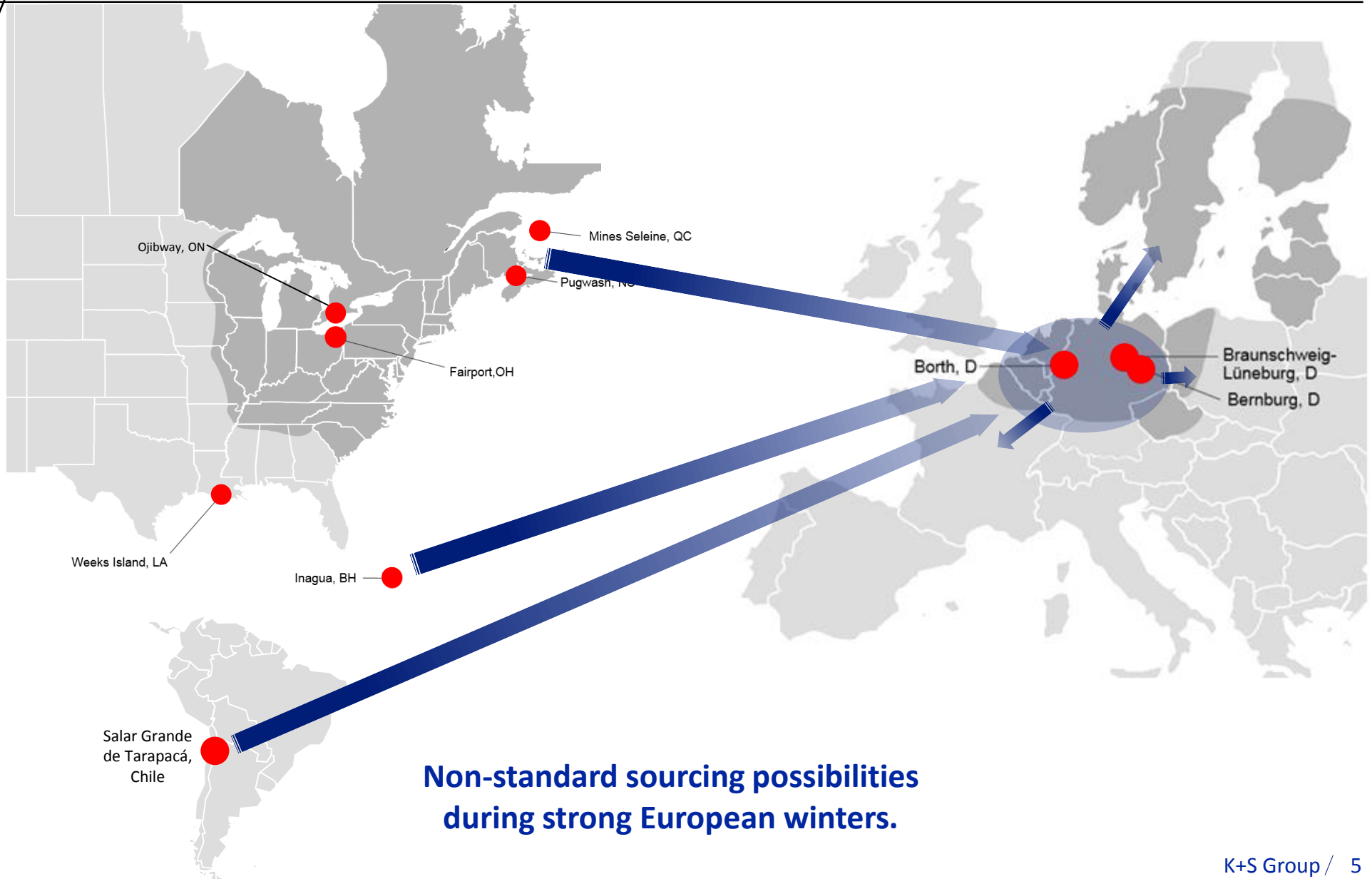
1) De-icing figure normalized for winter effects

# De-icing Salt Sourcing – Unique Advantages



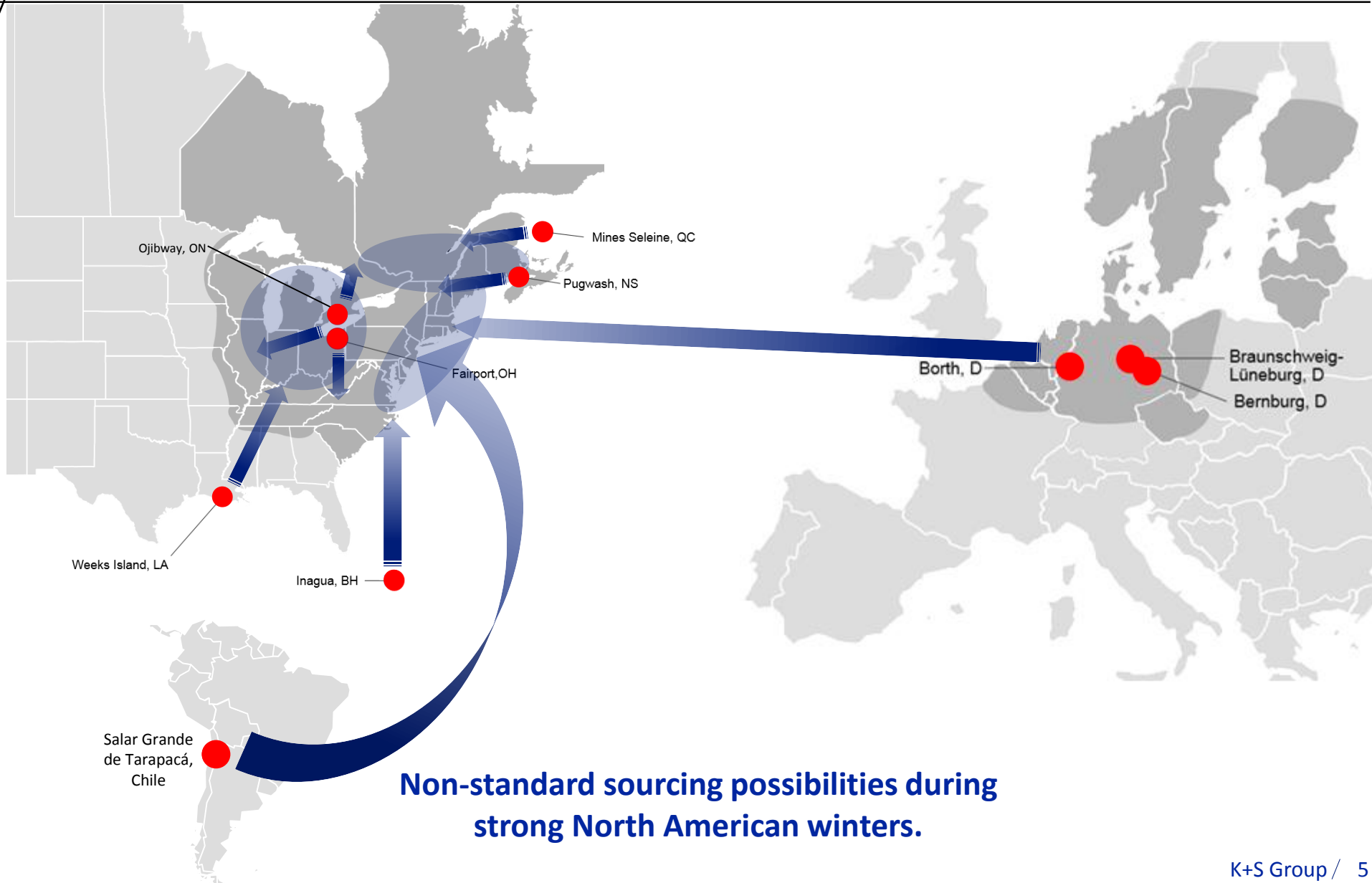
**Significant presence in all key de-icing markets**

**Standard sourcing for normal winters.**



**Non-standard sourcing possibilities during strong European winters.**

# De-icing Salt Sourcing – Unique Advantages



**Non-standard sourcing possibilities during strong North American winters.**

# Consumer Products: Competitive Edge with Strong Brands



## Main applications

- Table salt
- Water softening
- Pool Salt
- Home (packaged) de-icing

## Customers

- Consumers via retailers

## Our competitive advantage

- Brand equity supports price premiums over competitive brands and private labels



1) Price premium over competitive brands and private labels





## Main applications

- Salt for oil/ gas drilling fluids
- Dialysis / Infusions
- Commercial water softening
- Animal lick stones
- Food processing / preservation

## Customers

- Oil drilling industry
- Pharmaceutical industry
- Agriculture
- Food processing industry

## Our competitive advantages

- Broad production footprint with close proximity to customers provides unrivalled service and supply certainty
- Widest product range in the salt industry



### Main applications

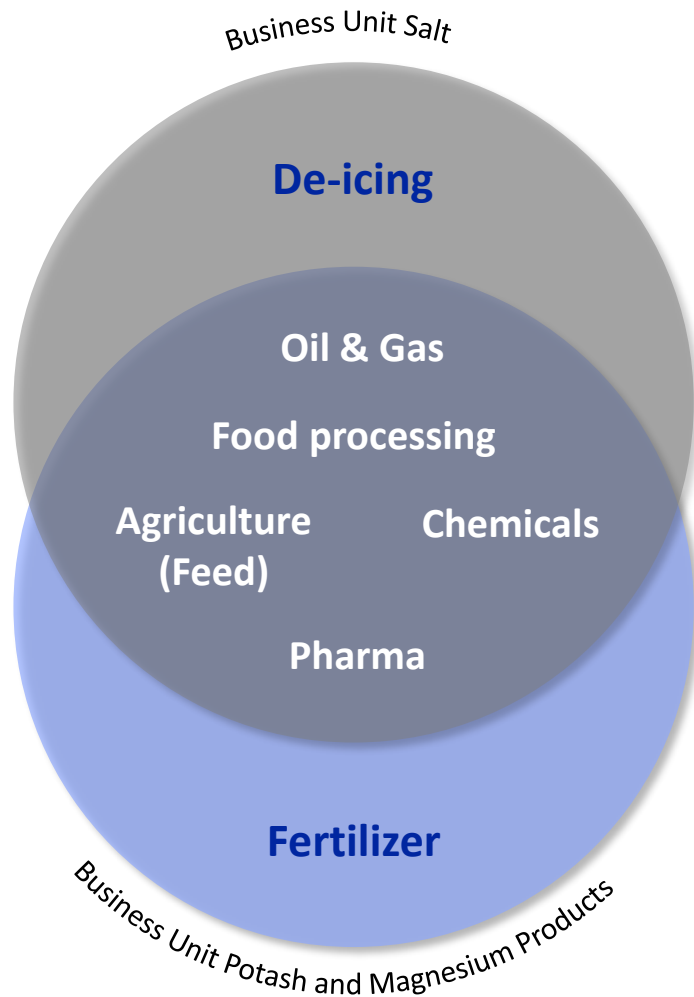
- Soda ash
- Chlorine production

### Downstream customers

- Glass producers
- PVC producers

### Our competitive advantages

- Unrivalled footprint with close proximity to customers
- Chilean rock salt quality nearly matches vacuum salt quality
  - Low cost production
  - Additional process on customers side not necessary



- Significant overlap in most of our market segments
- Identify and leverage which business unit has the best market access and customer relationships
- Market oriented synergies
  - Morton selling BU Potash's KaliSel in the US



- Operational synergies
  - Common production methods
  - Define common operational KPIs
  - Procurement



- Launched in January 2014
- In house developed bottom-up approach
- More than 400 colleagues contributed to brainstorming and target setting
- Strategic targets comprised of numerous initiatives
- Each initiative attached to a hard financial target
- Constantly monitoring progress

Priority areas



**GROWTH**

- Market share growth
- New segments
- New regions



**EFFICIENCY**

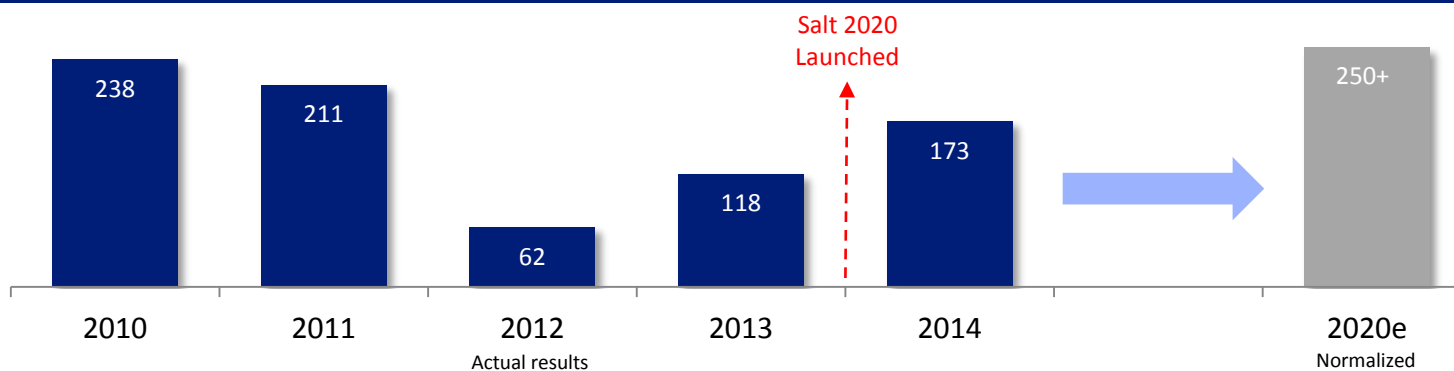
- Fit for the Future
- Business and technical processes
- Supply chain and distribution network improvements



**CULTURE**

- Safety first!
- Remove silo thinking
- Transparency/ Trust
- High performance and engaged workforce

**Expected EBIT development**



**Equals more than € 400 million EBITDA**



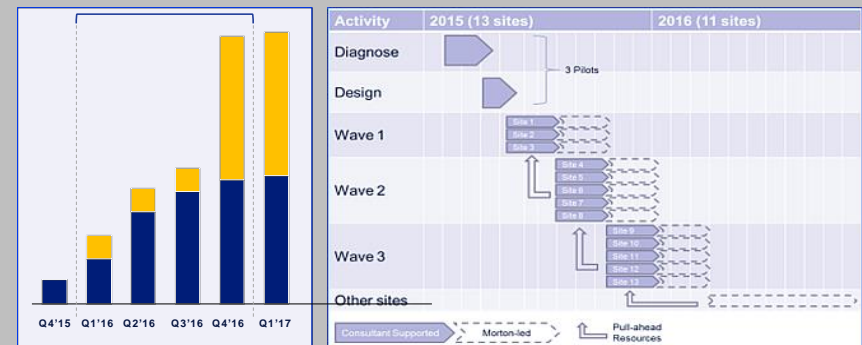
## New copper leaching extraction process

- 42% of global copper production in Chile and Peru
- K+S well positioned in Chile
- Development of new process that increases yields and reduces environmental footprint in copper leaching
- Market potential of 1.5 million tons by 2020 estimated
- Further optimization of leaching process to spur sales in progress

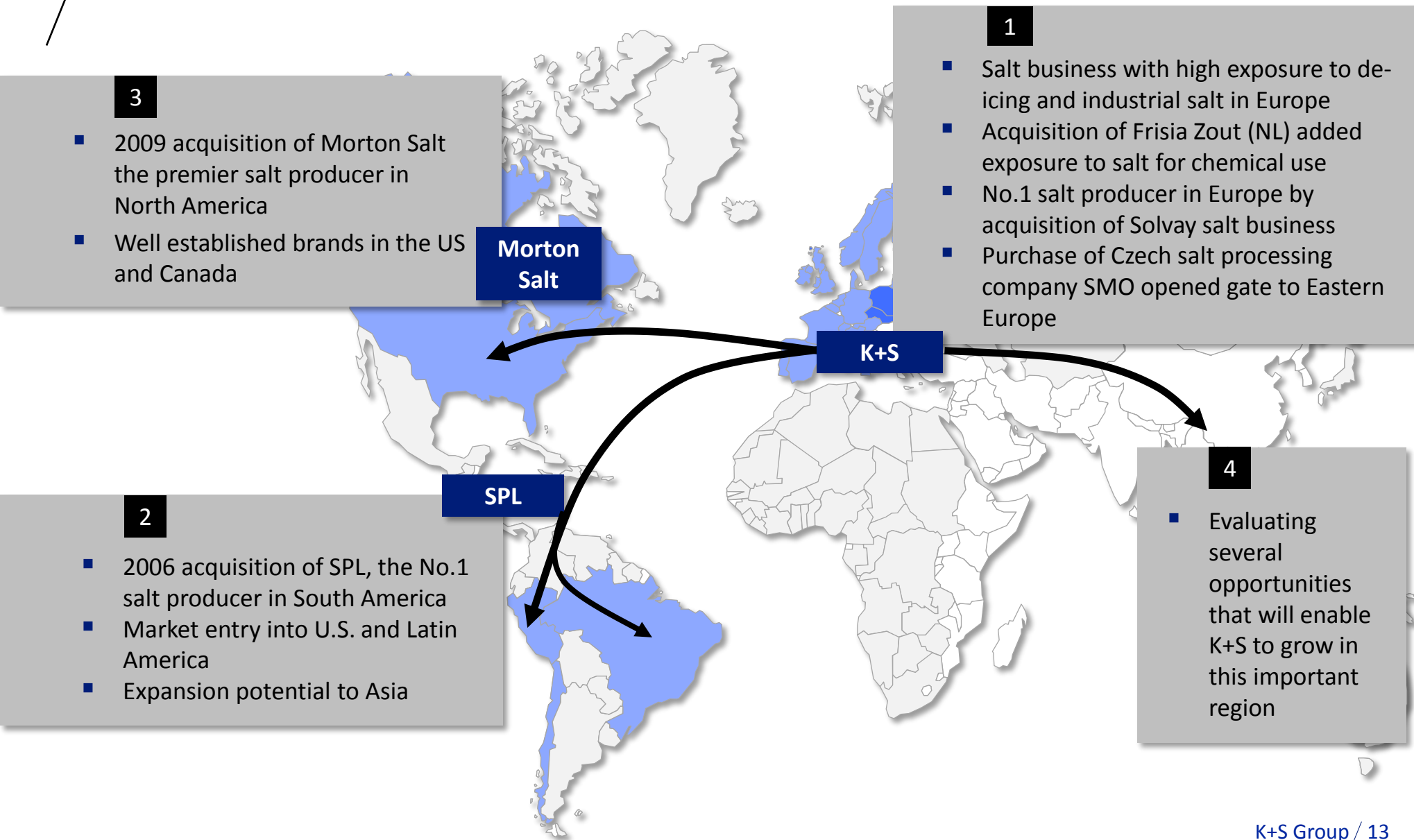


## Project SCORE: Improve Morton's efficiency sustainably

- Internally managed project to improve operational efficiency of Morton
- More than 50 employees at 13 sites involved
- Strong EBIT impact expected



# Strong Platform with Opportunity for Further Growth



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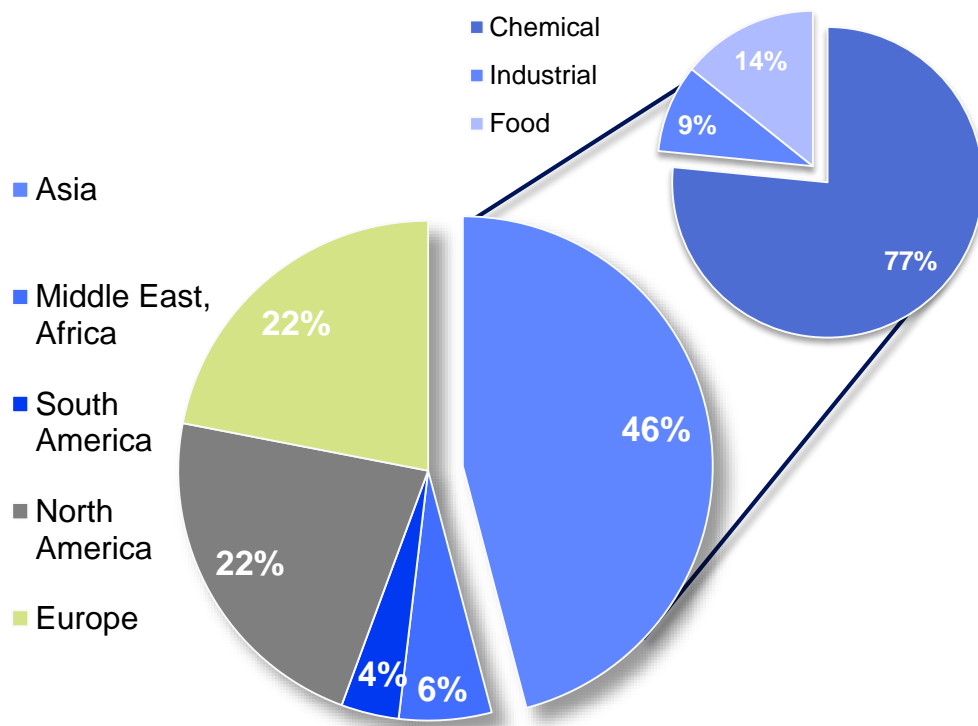
SPL

4

- Evaluating several opportunities that will enable K+S to grow in this important region

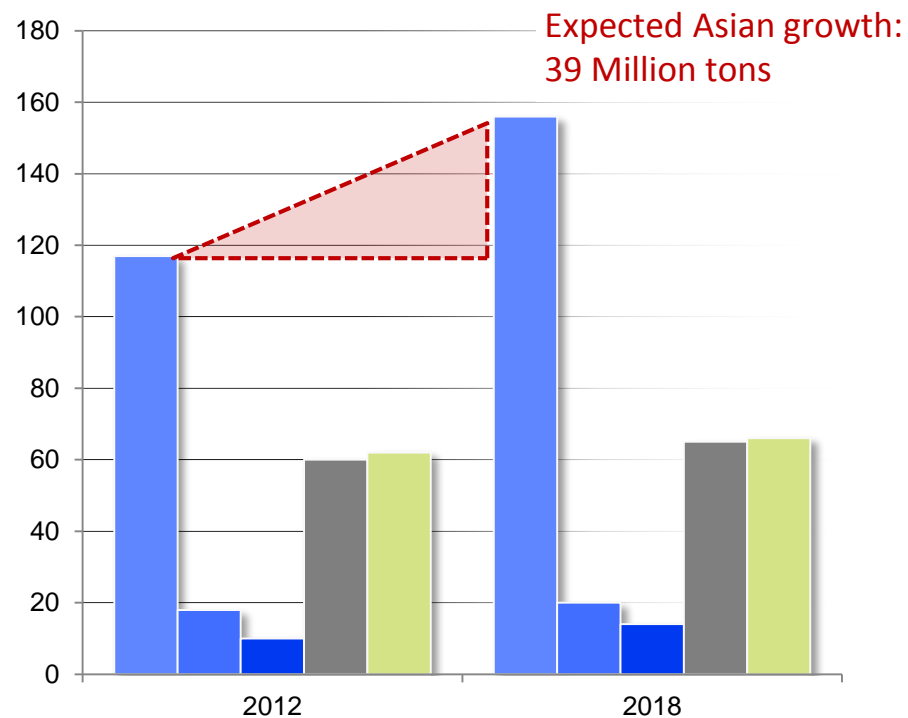
## 2014 world salt demand share

285 Million tons total demand



## 2012 – 2018 salt demand growth

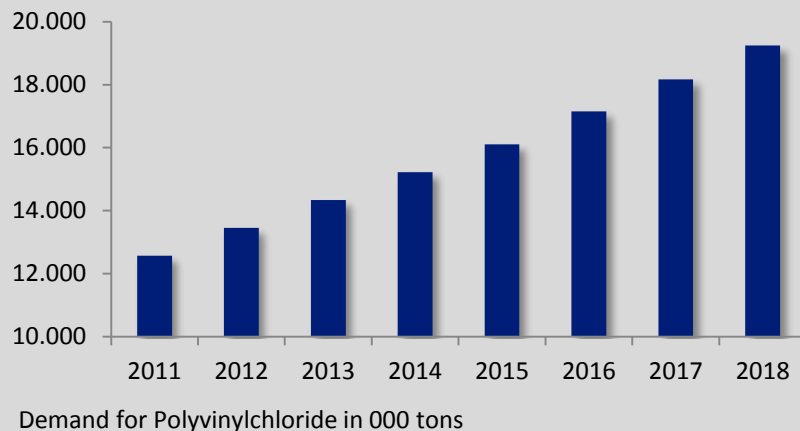
in Million tons



The Asian share of the world salt demand is likely to reach almost 50% by 2018

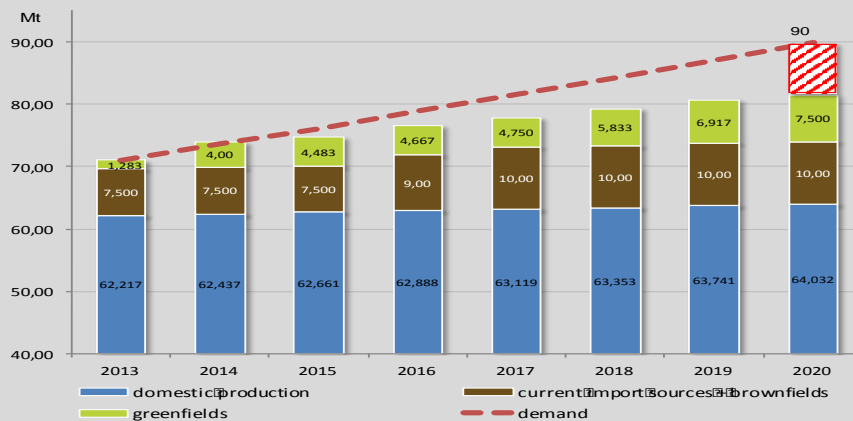


## Growing demand for PVC in China



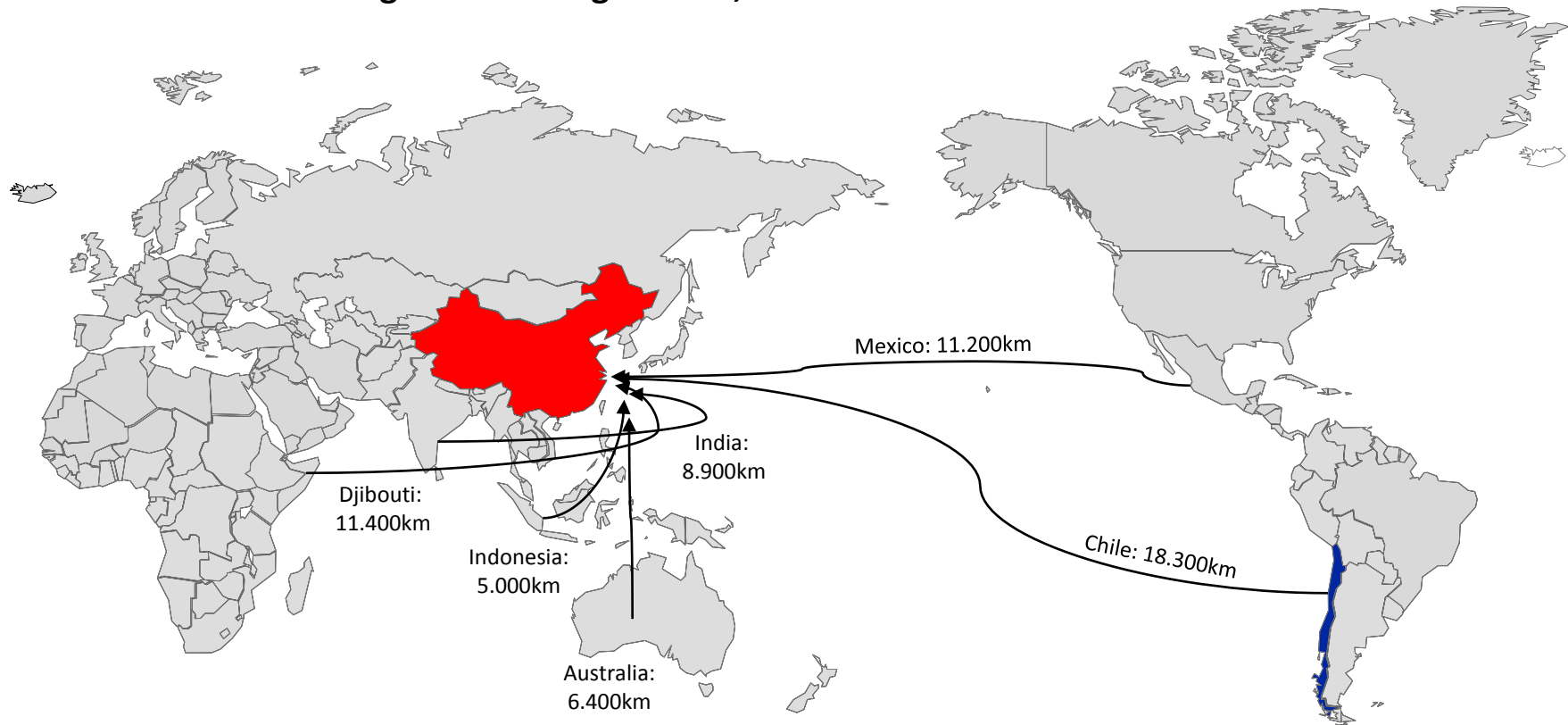
- Total share of China’s PVC consumption is expected to grow to 39% of global demand by 2018 (2012: 35%)
- A growth rate of 6.1% until 2018 (CAGR) is projected
- Chemical salt demand is closely linked to PVC demand

## Unfilled gap in supply of 8.5 million tons by 2020 projected



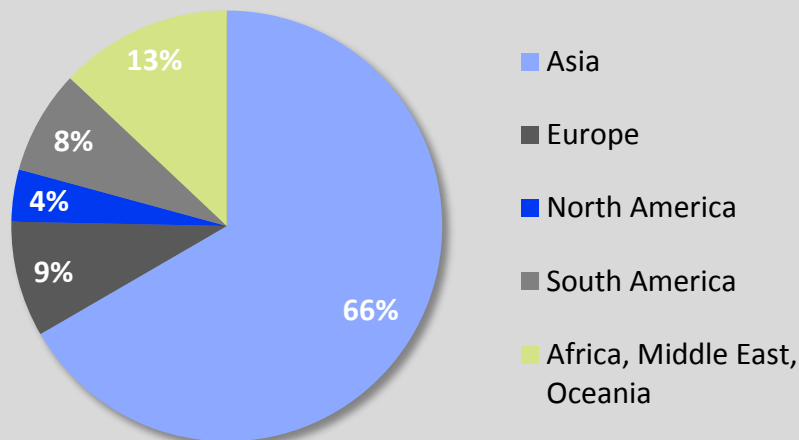
- Chinese net domestic salt production stagnating
- Greenfield and brownfield expansions underway, but supply/ demand gap persists
- Growth in demand has been and will increasingly be covered mainly by imports

## Distance from various regions to Shanghai Port, China



Current freight rates and low production cost supports spot business to Asia from Chile, However we are evaluating several possible projects that will enable us to be sustainably competitive in the chemical market in this region

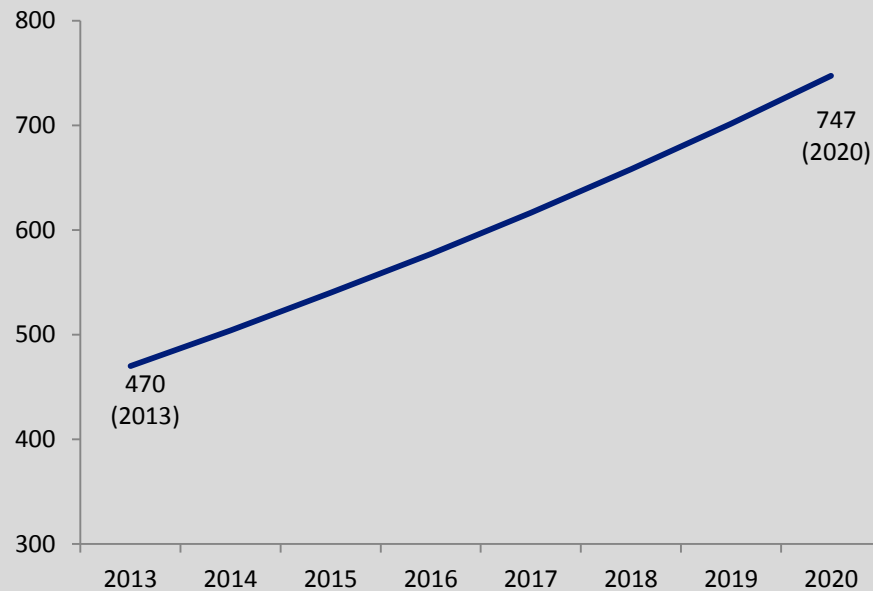
## Food grade salt demand by region



- Asian per-capita consumption of salt is 30% higher than in North America or Europe
- The edible salt market in China is controlled by a state monopoly policy
- Morton Salt has a long-established and highly unique joint venture with Shanghai Salt (a China National Salt company) to package and distribute Morton-branded table salt products in China
- Our brand is increasingly recognized in China
- Opportunity to broaden regional scope and to establish Morton brand further as supplier of premium branded salt



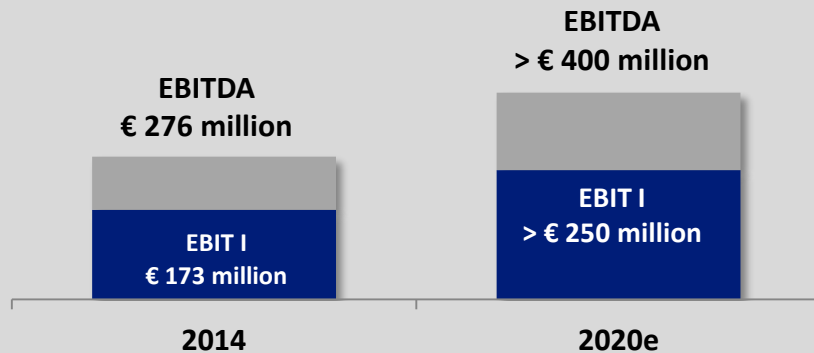
## Global pharma salt demand



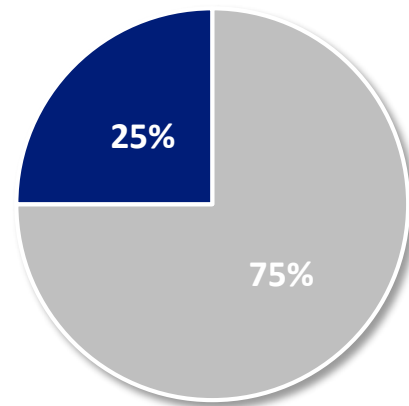
NaCl only, in 000 tons

- K+S already has a good market position in the US and Europe in this high margin niche market
- Solid relationships with the key, global infusion/ dialysis customers such as Fresenius, Baxter, and B. Braun
- Aging population and improving medical supply will drive further growth (In 1995, the average age in China was 27 - by 2025 it will be 40)
- Global growth largely driven by increasing demand in Asia
- K+S evaluating opportunities to step into this growing market, leveraging local personnel in our Shenzhen office

## Salt earnings development



## Salt contribution to group 2020 EBITDA target



- K+S has built a strong position in global salt markets.
- Our diversified product portfolio and broad regional presence makes K+S a preferred supplier for our customers
- Salt markets showing an attractive supply/ demand balance
- Industry-best brands support strong margins and future growth
- Positive demand drivers in Asia represent a great opportunity for K+S to fill white spots and to participate in market growth
- Salt 2020 Strategy well on track to enhance business unit's profitability

**To enrich and protect life  
through the power of salt**

# We love salt.

Every day, we will work passionately as a global team to provide the world with this essential mineral.

And we will deliver value to our customers and grow our business in a sustainable way through our unique people, products and production network.

# DEEP VALUE

A yellow underground mining truck is shown in a dark, rocky tunnel. The truck is positioned in the center of the frame, facing right. The tunnel walls are rough and uneven, with some water dripping from the ceiling. The lighting is dim, with a bright light source illuminating the truck and the tunnel floor.

Q&A session