

**We invest in winners.** That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

### K+S AG

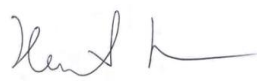
The name K+S stands for the two business segments in which the commodity company has been producing and finishing mineral products for 125 years. The group, which is based in Kassel, is the world's largest salt producer and among the top potash suppliers with a market share of almost 10 percent. It became the top player in the salt market after two takeovers. In 2006, the company acquired the largest South American provider SPL from Chile for USD 500 million. Three years later, it bought the leading North American producer Morton Salt for USD 1.7 billion. Since then, annual production capacities of 32 million tons of table, commercial, industrial and road salts in Europe, North and South America provide a stable basis for generating a projected annual cash flow (after investments) of around EUR 200 million.

With an annual capacity of 7 million tons, the German potash facilities contribute the far bigger cash flow. They service a mega trend as a growing global population with increasingly protein-oriented eating habits has to increase agricultural productivity; and that is only possible with mineral fertilizer. Production costs are around EUR 200 per ton, depending on capacity utilization. Margins are high but volatile, because the global price for potash fluctuates considerably, usually between USD 300 and 400 per ton. The oligopolistic structure of providers received a shock

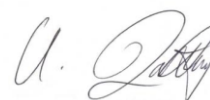
in 2013 when Uralkali terminated the Russian distribution alliance with Belaruskali. Both make up a third of global production. Canadian providers Potash, Mosaic and Agrium form a second pillar in the market as an export company. They supply the Americas and Asia, and are greatly affected by the current market weakness in China and Brazil.

K+S, as the only potash producer in Western Europe, is able to compensate for this volatility with logistical advantages and fertilizer specialties in its strong home market. In addition, K+S is building a production facility in Canada for EUR 3 billion. It is slated to go into production in 2016, with expected annual production volumes of two to three million tons in the medium term. Hence K+S would be the only provider with its own production locations on two continents; it would be able to reduce its average costs and put pressure on the Canadian providers. Potash reacted and in June wanted to pay EUR 41 per share to take over K+S. But the K+S Executive Board refused to cooperate by noting that the offer did not reflect the fundamental value and was not in the interest of the company. Potash retreated and the K+S share price dropped to EUR 23. Now the company has regained a favorable valuation with a market value of EUR 4.5 billion. The Executive Board is forced to act, as K+S remains an attractive takeover target.

Sincerely yours



J. Henrik Muhle



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