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## **EANS-News: K+S Aktiengesellschaft / Expansion of potash capacities Green Light for Legacy Project in Canada**

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Company Information/K+S Aktiengesellschaft

Subtitle: K+S Aktiengesellschaft / Expansion of potash capacities  
Green Light for Legacy Project in Canada

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Expansion of potash capacities  
Green Light for Legacy Project in Canada

The Supervisory Board approved the plan of the Board of Executive Directors of total capital expenditure of CAD 3.25 billion (about EUR 2.4 billion)

Total capacity of 2.86 million tonnes of potassium chloride p.a. expected in 2023

Start of production and first volumes expected in 2015

Further expansion of production capacity to 4 million tonnes of potassium chloride p.a. possible in the long-term

The Legacy Project is one of the world's economically most attractive potash greenfield projects

The Supervisory Board of K+S Aktiengesellschaft approved the plan of the Board of Executive Directors to implement the Legacy Project in the Canadian province of Saskatchewan. For this purpose, capital expenditure totalling 3.25 billion Canadian dollars (CAD, equivalent to about EUR 2.4 billion) have been approved.

"The Legacy Project is a significant step towards the expansion of our potash capacities and enables us to participate in the growth of the global potash market. Together with our existing potash mines in Germany, this will considerably strengthen the international competitiveness of K+S and consequently benefit the entire K+S Group in Europe and overseas," says Norbert Steiner, Chairman of the Board of Executive Directors of K+S. "Furthermore, the new site will have a positive impact on our average production costs and increase our flexibility," Steiner continues.

Feasibility study revised and optimised

K+S had acquired the Canadian exploration and development company Potash One (now K+S Potash Canada), at the beginning of 2011, and has been revising and optimising the existing feasibility study over recent months. A concept was developed, which is optimally consistent with the production and market forecasts of K+S and demonstrates very positive viability.

Production start in 2015

Initial infrastructure construction works in the areas of water supply, electricity and road development as well as drilling activities have already begun at the site. Through to 2015, K+S will develop a potash production based

on solution mining in southern Saskatchewan with first quantities of potassium chloride. By 2017 the two million tonne mark shall be reached. This will be followed by the gradual expansion of production capacity to 2.86 million tonnes by 2023.

In a further expansion phase, total output of 4 million tonnes of potassium chloride annually would be achieved about ten years later.

#### Attractive potash deposit with high material content

The Legacy Project area is located about 50 km north of the city of Moose Jaw (Saskatchewan). The initial exploration area at the Legacy Project, which only makes up a fraction of the total permitted area of K+S Potash Canada (formerly Potash One), has proven reserves of 160 million tonnes of final potash product. Considering the target annual production, this results in a useful life of more than 55 years, including the ramp-up curve. At about 18%, the K<sub>2</sub>O content is significantly higher than that of the German sites and will therefore enable more efficient and more economic extraction. The remainder of this one potash lease area contains additional resources of almost a billion tonnes of potassium chloride.

#### Strong economic attractiveness

The sharp ramp-up curve means that the project in 2016 already will probably be significantly positive in terms of EBITDA and that EBIT practically should reach the profit threshold. In the coming years, parallel to the ramping up of production capacity, substantial contributions to earnings can be expected.

"Our Legacy Project is one of the world's economically most attractive greenfield projects," says Joachim Felker, member of the Board of Executive Directors of K+S Aktiengesellschaft whose responsibilities include the Potash and Magnesium Products business segment. "The benefits of the project include the already existing very good infrastructure, the significantly earlier availability of product that solution mining brings and, not least, our many years of expertise as an established potash producer," continues Felker.

#### Expanding the global presence of K+S

The Legacy Project supplements the existing German production network of K+S with an important North American site. This makes possible a unique diversification of production among potash producers. In future, the new site will be the starting point primarily for sales to the emerging growth markets of Asia and South America as well as in North America. K+S will carry out distribution via its tried and tested infrastructure.

#### Financing of the project on a solid basis

With a level of indebtedness of under 25%, the K+S Group enjoys a very solid balance sheet structure. The financing of the Legacy Project should be able to be provided predominantly from liquidity and future cash flows. The refinancing of the bond maturing in 2014 is assumed in this.

K+S also intends to maintain its existing, essentially earnings-driven dividend policy with a payout ratio of 40 to 50% of adjusted Group earnings after taxes and, moreover, strive to retain its "Investment Grade" rating.

#### Further expansion potential exists

In addition to the Legacy Project, over the coming years, K+S will also explore in more detail the other permit areas taken over from Potash One in southern Saskatchewan. Due to the limited geological data, the deposits there cannot yet be divided into resources and reserves. However, the exploration permits are located in areas of known geologically high-quality potash deposits in Saskatchewan and should for that reason constitute a future potential that is not to be underestimated. Therefore, a Legacy Project II or III cannot be ruled out in the future.

## Advantages for the province of Saskatchewan

With Legacy, the first greenfield potash project in over forty years will be implemented in Saskatchewan. At present, around 30 people are employed at K+S Potash Canada in Saskatoon. During the construction phase, more than 1,000 people will be working on the site during peak times. In its final expansion stage, the new K+S site will employ more than 300 people. Additionally, external contractors will support the brine plant and plant operations over the long term.

Assuming annual production of 2.86 million tonnes of KCl and on the basis of current potash prices, the province of Saskatchewan will in future receive considerable income in the form of taxes and royalties.

## Experience growth

The K+S Group is one of the world's leading suppliers of standard and speciality fertilizers. In the salt business, K+S is the world's leading producer with sites in Europe as well as North and South America. K+S offers a comprehensive range of goods and services for agriculture, industry, and private consumers which provides growth opportunities in virtually every sphere of daily life. The K+S Group employs more than 14,000 people. The K+S share - the commodities stock on the German DAX index - is listed on all German stock exchanges (ISIN: DE000KSAG888, symbol: SDF). Further information about K+S can be found at [www.k-plus-s.com](http://www.k-plus-s.com) and information about the Legacy Project and K+S Potash Canada at [www.ks-potashcanada.com](http://www.ks-potashcanada.com).

## Note to editors

We are offering a conference call with members of the Board of Executive Directors for investors and analysts in English today at 2:30 p.m. Shareholders, investors, representatives of the press and all other interested parties are invited to follow the conference via a live webcast at (<http://www.k-plus-s.com/kspcen>) or by phone under +49-(0)69-71044-5598. The presentation of the conference call can be found on our website. The conference will be recorded and will also be available as a podcast.

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## Forward-looking statements

This press release contains forward-looking statements that are subject to various risks and uncertainties. Such statements represent management's best judgment as determined on the basis of all the information currently available. Statements in this press release other than purely historical information as well as statements on future plans and objectives or on expected results constitute forward-looking statements. Forward-looking statements are based on numerous assumptions and are subject to all business-related risks and uncertainties. The companies assume no obligation to update the forward-looking

statements contained herein.

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