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K+S Group

Results Presentation
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K+S Group

Dr Burkhard Lohr, Group Financial Officer

Thorsten Boeckers, Head of Investor Relations

QUESTIONS FROM

Lutz Grueten Commerzbank

Yonah Weisz, HSBC

Christian Faitz, Kepler Cheuvreux

Sophie Jourdier, Liberum Capital Limited

Neil Tyler, Redburn

Marc Gabriel, Bankhaus Lampe

Andreas Heine, Barclays

Marcus Meyer, B….

Oliver Schwarz, Warburg

Peter McKay, Exane BNP

Introduction

Dr Burkhard Lohr, Group Financial Officer
Ladies and gentlemen good morning and welcome to our Q1 conference call. Due to our shareholder meetings which kept us busy yesterday this conference call is scheduled for the day after the release of the interim report. Nevertheless it is important for me that I do not miss the opportunity to discuss the numbers with you.

We have also decided to hold the conference calls in the morning from now on in order to shorten the time between the release and the opportunity to answer your questions. So let's begin with a brief presentation on slide two.

Presentation

Norbert Steiner, Group Chief Executive
We anticipated two months ago that we would see a significant EBIT increase in 2015 compared to last year, looking at the first quarter we are on a very good track. The group EBIT 1 increased from €220m to €317m, this was mainly driven by a tremendously good performance in our Salt business.

The business unit Potash and Magnesium products also contributed and both businesses benefited from a stronger US dollar. Our Legacy project remains on track and Fit for the Future continues to drive cost discipline across the entire group.

Now let's go into the details on slide 3. The EBIT 1 of Salt business units benefited from improved pricing and a stronger US dollar. Our guidance obviously significantly improved 2015 financial results, excluded any further adjustment of the interest rate on our mining provision. As you can see here we had to adjust the assumption downwards again, which led to a lower financial result compared to the year before.

The effect on the P&L was negative €24m which was partly offset by the absence of interest costs on the bond paid back in September 2014. Despite the previously described impact we still expect a significantly better financial result for the full year 2015 compared to the minus €126m in 2014.

Now please move to slide number 4. I think we have sufficiently covered the effects during the EBIT increase so in this slide I will focus on the major offsetting impacts. We have agreed with the union a new collective labour agreement for our workers in Germany, in addition to an increase of 2.7% in 2016, a one off in demand of €20m will be paid this year and was recognised in the first quarter.

The cash payout will occur in Q2 and is therefore a phasing effect. Another effect is the higher variable compensation due to the expected increase of the EBIT in 2015 versus 2014. You may miss Fit for the Future here please keep in mind what we said when we released our Q4 numbers and the 2015 outlook, we were very successful in reducing costs by the end of 2014.

We've already reduced costs by around €30m in 2013 and further by more than €120m in 2014, this was more than we expected and of course these savings will remain. We are doing our utmost to identify further potential on top of the key €150m and are on a very good track. We expect a slightly higher contribution in 2015 compared to 2014 but given the good start of the programme incremental savings will be much smaller compared to the amount seen in 2014, in fact were rather marginal in Q1.

Please move to slide number 5. Cash generation on the operating level remained strong, the decline compares to Q1 last year is mainly due to an increase in receivables in the first three months of 2015 due to higher average selling prices particularly in the Potash business.

Our free cash flow was in the positive at €98m despite higher investment in the Legacy project. When we look at the balance sheet net financial debt declined compared to year end 2014 due to the positive free cash flow in Q1. Including provisions the net debt remained at the same level as mining provisions increased after the previously mentioned reduction of interest rates.

Please turn to our Potash business on slide 6. The average selling price increased further compared to Q1 '14 it increased by more than €50 per tonne, it is driven by price recovery and positive currency effects. Roughly half comes from higher market prices; one quarter comes from sales of higher margin products and another quarter from the stronger US dollar.

I think in this case it also makes sense to compare the price development quarter over quarter. In Q1 '14 the average selling price was €291 per tonne, in fact Q1 '15 is an additional €23 higher. This increase is mostly due to the further strengthening of the US dollar in the first quarter of 2015.

With regard to current trading in the markets we see the slowing trend, the following trends, overall the demand is good however below the record volumes of last year. Europe is running normal while our key overseas markets are very competitive.

Now move to slide number 7. What's interesting on this chart is the cost per tonne development, please remember what we said throughout last year, we achieved a great deal in 2014 especially in the first half but we also said this level was not sustainable as we tried to take costs wherever possible. Some of these savings went beyond the scope of Fit for the Future and that will not recur.

Our ongoing aim is to keep cost per tonne, meaning revenues minus EBIT over volumes, below the 2013 level in Potash. This excludes the increased opex for the Legacy project and we are on the right track.

Looking at the Q1 '15 number in particular, we already mentioned one off payment under the collective labour agreement and higher variable payments are the main effects. Having said that Q1 '15 costs would be just below €200 per tonne excluding the effects just mentioned.

Now please turn to the Legacy project update on slide 8. Constant progress has been made since our last update in March, we have now spent about 55% of capex and over 85% of the contracts with suppliers are signed. I was able to personally see the progress we've made during my most recent visit at the site just three weeks ago. You can see the current status in the pictures at the bottom of the page and the next slide which is slide number 9.

Not only has the snow gone but the detailed engineering is also now fully completed and the permit for the port facilities has been granted. Main components for the ECC were further assembled and steel bodies for the factory are growing. Despite the fact that there is plenty of work ahead we are still confident in beginning the commissioning of the site and the start up sequences in summer next year. All of this is in line with the allocated budget of Canadian $4.1 billion.

Please turn to our Salt business on slide 10. The salt business continued at the most to the EBIT 1 improvement in the first quarter, despite adverse effects from another mild winter in Europe and overall lower volumes compared to the record Q1 '14 the operating results increased by €53m up 60% to €142m. This was particularly driven by higher de-icing prices in North America and another above average winter volume wise in that region. We want to emphasise once again that our diversification strategy is a good one; the results show that we made the right choice.

Let's conclude with our guidance on slide 11. We have changed a couple of the functions in light of more recent information. In March we expected global sales volumes in potash to decline slightly compared to the 2014 number which was more than 65 million tonnes based on what was known at that time. This number has now been revised upwards to around 68 million tonnes. 2014 was a real record year which we do not expect to repeat in 2015. We now expect a moderate decline compared to the slight decline before revision.

After seeing the full effect of the Salt de-icing business in North America in Q1 we are now more confident in salt volumes. Customer inventories are low and we expect another good restocking in preparation for the next winter. Volumes could be at the same levels as last year, 24 million tonnes. Finally for planning purposes we have adjusted the euro US dollar ratio from 115 to 110.

And to complete the picture please turn to slide 12. I'm sure you remember this EBIT bridge, the components have not changed, all in all this leads us to anticipate revenues higher than previously expected, we now forecast a significant increase compared to the €3.8bn in 2014. The main driver for this change is our Salt business, it's also affirms our confidence and the significant increase of EBIT 1 already expected.

Considering everything together the management team is confident that the Group will deliver a good performance this year. And now we will be happy to answer your questions.

Questions and Answers

Telephone Operator
Ladies and gentlemen if you would like to ask a question please press *1 on your telephone keypad, if you change your mind and wish to withdraw your question please press *1 again, you will be advised when to ask your question.

The first question comes from the line of Lutz Grueten, Commerzbank, please go ahead.

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Lutz Grueten Commerzbank
Hi good morning thanks for taking one question. I'm referring to page 7 and the unit costs per tonne, the 219 which is reported for Q1 was disturbed by a couple of one off items you've mentioned and also the opex for Legacy. Is it fair to assume that the average 2015 will be below that 219 or 212 so that the peak really that was seen in Q1 and the upcoming quarters will be below that number? Thank you.

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Dr Burkhard Lohr, Group Financial Officer
Thanks for your question. We expect for the entire year 2015 to see an average cost per tonne number which is below the number of 2013 so below the 219. But please keep in mind that this is adjusted for the increasing opex for our Legacy project.

We are one year ahead from production and that's why the opex number - is delivering a volume already this year so that we have to adjust otherwise the cost per tonne number would not be really comparable to the years before. But if you make this adjustment you end up with a number below 13 meaning, coming back to your question that we will see the number below the €219 per tonne.

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Lutz Grueten Commerzbank
Could you just remind me what the expected opex is Legacy related 2015 full year?

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Dr Burkhard Lohr, Group Financial Officer
It's around 60 million for this year.

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Lutz Grueten Commerzbank
Thank you.

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Telephone Operator
The next question comes from the line of Yonah Weisz from HSBC, please go ahead.

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Yonah Weisz, HSBC

Yes hi good morning, if I may a couple of questions please. First of all on your balance sheets and working capital, there was a pretty nice increase in trade receivables, I'm wondering if you could discuss what drove the absolute level - the absolute level fairly higher than last year? Is there any impact from currency driving that level?

And in more detail perhaps the terms that you provide to your Brazilian customers because of the poor economic situation there are you giving them more credit or are you giving them better terms and how that impacts capital for the future?

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Dr Burkhard Lohr, Group Financial Officer
May I answer this question directly because I'm afraid that you've come up with a couple of questions it will be difficult to remember the first one so let us go question by question. First of all there is no currency impact in our working capital numbers that you are referring to. And we have not changed our condition to our client especially in South America but purely the volumes and the price driven volume would be declined has increased so that's why we ended up at the 31st of March with a higher total entire volume which increased our working capital.

But if your question has the background, has the risk increased here? I can clearly say no because they're using instruments to ensure are achievable and we have very good track record in not having have bad receivables.

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Yonah Weisz, HSBC
Okay thank you for that. If I may turn to the operating circumstances, the operating forecast hedges, your operating hedges has an expense or a loss this quarter of €62m which is a fairly high amount if you look at that line over the past couple of years. Would you be able to explain how that occurred, first of all what this is linked to, where do these operating hedges come into your business, your daily business and why this outcome of a major loss occurred?

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Dr Burkhard Lohr, Group Financial Officer
First of all I wouldn't call them a loss it's a temporary valuation of instruments and this can vary significantly quarter by quarter and that's why we excluded this from EBIT 1 and this is if you wish the bridge between EBIT 1 and EBIT 2. So we are using instruments, currency, hedge instruments to be more precise, options and we are developing a colour structure and due to the development of the US dollar especially we have to evaluate these instruments. And with a very strong US dollar we have some instruments with a negative temporary evaluation and that's come up to the €62m, a picture can be completely different in the next quarter.

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Yonah Weisz, HSBC
Okay thank you. And maybe if I may just one last question, I've just seen in Europe, how are you seeing farmers or client in Europe's reaction to the changing foreign

exchange rate and your ability to use that as a reason to increase potash prices in Europe, what is the sensitivity or ability to absorb higher prices due to forex amongst your client base in Europe?

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Dr Burkhard Lohr, Group Financial Officer
Potash is a US dollar driven product, this is true in Europe as well, of course not every temporary development will be transferred in higher euro prices, but as we are facing a quite sustainable strong dollar period we have seen slight increase in our euro prices which were US dollar driven. So the trend in higher euro prices which were driven by the strong US dollar has started, it's hard to predict how much this will or how big the effect will be in the course of this year but yes there is development and we are happy to gain these additional earnings.

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Yonah Weisz, HSBC
Thank you very much.

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Dr Burkhard Lohr, Group Financial Officer
You're welcome.

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Telephone Operator
The next question comes from the line of Christian Faitz, from Kepler Cheuvreux, please go ahead.

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Christian Faitz, Kepler Cheuvreux
Yes I have two questions if I may. First of all can you talk about potash trends in Brazil into Q2, how was demand situation, how has higher pricing developed to date?

And second on Salt, coming out of the de-icing season in Q1 do you have a feeling how the inventory situation at the European municipalities is at present, i.e. how do you see Q3 '15 demand before the next year de-icing season?

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Dr Burkhard Lohr, Group Financial Officer
Yes first of all we all have seen a weaker development in the first quarter in Brazil which was not a big surprise after the first quarter in '14 was a record quarter. Now of course second quarter is not entirely done but the first week shows quite a normal development, stable prices and normal volumes and we are quite confident that we will see a normalisation of the situation in Brazil.

The European Salt situation is of course is a bit difficult; the complete opposite situation to North America, inventories are completely empty there in North America but after this winter was mild, not as mild as the season before, we have a good amount of inventories in the stocks of our clients. And that will make it more difficult in this season, the next bidding season to succeed with new contracts but that is a situation that we had to face last year as well, price volatility in Europe is not as high as in North America so we are expecting only slight price decreases.

But volume wise it will be a challenge and we have to hope for good winter weather which as we've often said the situation can change entirely after two good winter weeks and without that effect we will see a difficult situation in Europe.

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Christian Faitz, Kepler Cheuvreux
So does the mean on the salt side unchanged from last year, short in North America but long in Europe in terms of inventories?

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Dr Burkhard Lohr, Group Financial Officer
Absolutely but I'm sure you are aware that the Northern American volume is higher than the European so that should balance in a positive development.

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Christian Faitz, Kepler Cheuvreux
Okay great very helpful thanks.

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Telephone Operator
The next question comes from the line of Sophie Jourdier from Liberum, please go ahead.

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Sophie Jourdier, Liberum Capital Limited
Morning I've got a couple of questions please, if you take them one by one. The first question your overseas realised potash price in the first quarter in dollars was I think about $375 a tonne which was quite a big sequential increase from the fourth quarter when I think prices overseas were about 360. I just wondered it seems against the trends of dollar prices having you know stabilised or even perhaps come down a bit in places like Brazil since the end of last year. So I wonder whether you could explain what's going on there and whether you think given current prices that that level is sustainable so that's the first question?

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Dr Burkhard Lohr, Group Financial Officer
Okay first of all we are very happy about this development and that proves that we are a bit different than others because we could slightly change our product mix and we have easily sold more SOP into these markets and that was the effect that you were asking for.

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Sophie Jourdier, Liberum Capital Limited
Thank you. And just a follow up on that, what sort of percentage of your SOP do you export into overseas markets?

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Thorsten Boeckers, Head of Investor Relations
In general when you look at our SOP Sophie, when you look at our total SOP production I would say that one third goes to overseas markets and two thirds stays in Europe.

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Sophie Jourdier, Liberum Capital Limited
Thank you very much. And the second question I had actually was on Salt, I mean you used to say if I remember correctly that a sort of normal EBIT for the year was €170 to €190m, I guess the euro dollar's changed a bit but you're going to easily exceed that this year I would have thought. And I just wondered, and it doesn't seem a particularly fantastic year I mean North America very good but as you've said Europe is under pressure. I just wondered whether you could just talk to us what your sort of aspirations are for this salt business on perhaps a three year view?

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Dr Burkhard Lohr, Group Financial Officer
I will try to answer it this way, you are aware of our Salt 2020 project and our target is to significantly improve the salt profitability by 2020 and meaning with an average winter, we did not have an average winter this year, we have elaborated on that already so we will have a positive effect winter related. But we are on a good track to achieve the target for 2020 which should deliver a normalised EBIT of more than €250m for the Salt business.

It's difficult to say where are we on that track already so I'm no able to give you a precise number what is a normalised EBIT of this year but we are in a way on this track from the 170 to the 250.

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Sophie Jourdier, Liberum Capital Limited
Perfect that's really helpful thank you very much.

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Telephone Operator
The next question comes from the line of Neil Tyler from Redburn, please go ahead.

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Neil Tyler, Redburn
Thank you good morning. Just one from me please regarding the Legacy project and you've outlined some of the costs over the next year or two, beyond that you've got some very helpful slides on ultimate production costs per tonne that you predict but

that's only after the secondary mining is completed and your slides state that that's going to more efficient cost wise. Can you help us perhaps think about the medium term cost ramp up or cost per tonne, either of those figures, sort of 17, 18, 19, those sorts of years in terms of what the burden is going to be before the mine itself is at optimal output rates? Thank you.

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Dr Burkhard Lohr, Group Financial Officer
I'm afraid I'm not able to answer this in the way that you're happy with it because we wouldn't like to increase trend - and see where we give you the cost per tonne during the ramp up phase that would really go a bit too far. But it's important to take into consideration that we are already in 2018 will break even in terms of EBIT, that is the only indication that I can give you but I'm really not able to give you for every single year during the ramp up phase cost per tonne number.

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Neil Tyler, Redburn
Okay but I'll perhaps ask it another way, if you add the numbers that you have disclosed for total costs by the end of next year you'll be I believe at about €200m of operating cost for Legacy in aggregate. Presumably or can you give me an indication of how that figure compares to total operating costs anticipated?

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Thorsten Boeckers, Head of Investor Relations
Yes I think we have guided one that in 2016 the opex showing up in the EBIT coming from Legacy is north of €100m. But business for about half a year I wouldn't double this number now in order to come to the full year in 2017 contribution and then we also have first production already in 2017. But this gives you at least a number of what could it be in 2016, against this we don't want to go beyond 2016 from this point of now.

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Neil Tyler, Redburn
Okay alright, thank you anyway.

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Dr Burkhard Lohr, Group Financial Officer
Sorry for that.

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Neil Tyler, Redburn
No that's okay, alright, thanks.

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Telephone Operator
The next question comes from the line of Marc Gabriel, from Bankhaus Lampe, please go ahead.

Marc Gabriel, Bankhaus Lampe
Yes good morning everybody. I have two questions, first of all in addition to what the colleague's just said could you remind us what volume of production you expect in 2016 from Legacy already after the ramp up?

And the second question is regarding the discount rate for your provisions it seems still a little bit high with 3.3% while we saw many companies already using 1.5% discount rate and the question is why do you still use that high discount rate and what would be the impact on the provision if we say take 1 percentage point lower discount rates?

Dr Burkhard Lohr, Group Financial Officer
Thank you Mr Gabriel. First of all the ramp up Legacy starts in the second half in summer 2016 and we're not expecting any sales because the volumes which will be not very meaningful will be put into our stocks. So the first year with meaningful production end sales will be '17, as you know we will have the full capacity of phase 1 the end of 2017 meaning the first 2 million tonnes will be available at the end of '17. And in '17 we will see something between a very small number starting in '17 capacity wise and the 2 million tonnes. But '16 you should not put any significant volumes in your models. This is by the way exactly what we entirely have planned in our business plan for this volume wise in '16.

Your second question I think we should first of all make clear what we are talking about. We have again adjusted our discount rates for the mining provisions which have a very long maturity. And with a 3.2% which we have put into our numbers now we are on a very low level if you compare that to under other industries who have kind of this provision as well mainly the energy industries, they're working with numbers which are partially 1% higher.

We are not expecting further significant decrease, of course I cannot rule out any further decreases but 1% is very un-probable and we have even seen the trends which go in the opposite direction, interest rate especially in the long end have increased business development which matures. I don't know but again I cannot rule out a further small adjustment but I'm not expecting another percent especially when we compare to others that are not that cautious obviously.

And when you talk about 1.5%, etc, these are the discount rates that we look for our pension liabilities which have a shorter maturity.

Marc Gabriel, Bankhaus Lampe
Okay understood. And just on the volume of Legacy for 2017 is it then fair to assume that you might reach already half of the production volume of the 2 million tonnes in 2017, so 1 million tonnes additional?

Dr Burkhard Lohr, Group Financial Officer
That's a linear assumption which is most probably not that wrong.

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Marc Gabriel, Bankhaus Lampe
Okay good luck, thank you very much.

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Telephone Operator
The next question comes from the line of Andreas Heine, from Barclays, please go ahead.

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Andreas Heine, Barclays
Yes three questions if I may. The first is on the price implication of the product mix, so the prices indeed for the first quarter were higher than I expected, looking forward was it product mix effect you were mentioning, referring to in the first quarter and seasonal Q1 impact or is the product mix for the remainder of the year also better?

And you were referring to SOP can you have any visibility how the SOP price might be going into the third quarter do you see any weakening, softening indication here or is it fair to assume that it stays on this level?

And then the last one at least also going back to the Legacy and the volume so if you produce in 2016 already some 100,000 tonnes of inventory is that then the ongoing inventory level you need or should we enter the production in 2016 to the sales volume in 2017?

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Dr Burkhard Lohr, Group Financial Officer
Let me start with the SOP price in the third quarter, we had always indicated that we might see a weakening of the outstanding situation in the second half of this year. But that was more or less an assumption that we are cautious, an assumption that we take due to all the developments that we have seen, slight further capacity in the market, the price development in China, etc. But there is no hard indication that this really might occur. So we might see the start of a weaker SOP price in the second half but that it is not for sure that is going to begin in Q3 already.

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Thorsten Boeckers, Head of Investor Relations
The answer to the question on the product mix going forward if you remember where this comes from, why we have now a more favourable product mix towards overseas, when you compare it with Q1 last year, Q1 last year was negatively affected by the accident in Unterbreizbach. And mostly our deliveries to overseas customers was negatively affected there and this is just a normalisation because when you go into the Q1 of the years before the product mix overseas was a bit higher.

So Unterbreizbach also affected the second quarter '14 so I would expect also that we will see Q2 '15 compared to Q2 '14 again a better product mix with overseas coming from specialities especially.

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Dr Burkhard Lohr, Group Financial Officer
And coming to your last question you should not add 2016 numbers on '17 sales because we need some level of stock in T….. and in Vancouver, maybe even parts of what we produce in '17 will not be entirely sold.

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Andreas Heine, Barclays
Fine thanks.

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Telephone Operator
The next question comes from the line of Marcus Meyer from B…., please go ahead.

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Marcus Meyer, B….
Good morning gentlemen, two questions as well. So first of all on the change of your potash market assumptions can you give more a flavour of what moderate means for you for the potash market?

And secondly there were a lot of M&A rumours in agro market and also your company was named and in your view would it make sense in terms of market share perspective possibly to consolidate the potash markets further?

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Thorsten Boeckers, Head of Investor Relations
Marcus can you repeat the first question I didn't fully get it?

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Marcus Meyer, B….
So the first question was in your guidance or your outlook you changed the assumption for the potash market and now it's in moderate decline, what does moderate mean if you could give more flavour on that?

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Thorsten Boeckers, Head of Investor Relations
Okay can I answer this right away because you've got more or less an adjustment of the basis of the 2014 figures and we're using there the IFA numbers and they have increased or revised the number for especially demand in Asia but also some other markets like US and also Latin America upwards. So we stick to our assumption for this year and yes what means moderate, moderate means moderate, I mean when you look

at, I always keep in mind the 68 million has 4 million of specialities included and when I exclude that we shouldn't be with our expectation too far away from what the others give you in more concrete numbers.

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Dr Burkhard Lohr, Group Financial Officer
Yes and coming to your question 2 which is kind of tricky, you know that we are an oligopoly with higher market entrance barriers and this is always a place for rumours and activities and of course you cannot entirely rule that out that we would see further consolidation. But I'm not aware of any current activities and I'm not the man who will produce further rumours but again in this kind of setting you cannot rule that out.

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Marcus Meyer, B….
Okay.

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Telephone Operator
The next question comes from the line of Oliver Schwarz, from Warburg, please go ahead.

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Oliver Schwarz, Warburg
Good morning gentlemen. Speaking about tricky I find it rather tricky to predict the correct price for de-icing especially when I'm looking on it on a sequential basis. In Q4 we had €66 per tonne and that declined to €65 in Q1 2015 despite the fact that the business was mostly driven by good sales in North America and we had a very strong appreciation of the US dollar versus the euro. So I figured that the price of the de-icing salt on average should have been higher in Q1 2015 if you compare that to Q4 2014. Could you elaborate on that, what's the mechanics behind that?

And secondly sticking with the Salt business the other salts you sell in the Salt business being for the chemical business, being it for consumption or whatever, prices increased quite nicely here. Again, what's behind that, is that the industry especially in North America picking up more salt for the business or is that purely currency driven, could you elaborate on that one also please?

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Thorsten Boeckers, Head of Investor Relations
Oliver let me answer the first question and the main reason here why it didn't increase but rather decline slightly quarter over quarter, it's the regional mix in North America because when you remember where the strong winter happened it was on the East Coast and this time less in Mid West and there we have regional difference in prices in North America. So we saw more de-icing on the East Coast than anywhere else and this compensated for the positive FX effect you have expected.

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Oliver Schwarz, Warburg
Okay.

Dr Burkhard Lohr, Group Financial Officer
And to your second question we have several effects in the year, first of all the positive base price effect that we see every year, we have a very stable development here and especially in some chemical industries, North America which is picking up as you know, this is one portion of what you have seen. Another portion is currency driven. But very interesting this portion number 3 we see some ripple effects, if we have a strong price development in de-icing that has some effect on non-de-icing salt as well and we've seen that in North America.

Oliver Schwarz, Warburg
Interesting thank you.

Telephone Operator
The next question is a follow up question from the line of Yonah Weisz from HSBC, please go ahead.

Yonah Weisz, HSBC
Hello and thank you for taking an extra follow up question. On this call you've discussed a couple of times the date when Legacy starts to become fully operational and I'm just wondering if you could remind me or refresh my memory in terms of the accounting, when should we look at Legacy as a fully normal continuing operation of K+S as opposed to building in progress capex project? And how that impacts capitalisation of interest and so on and so forth, when is the turnover quarter essentially?

Dr Burkhard Lohr, Group Financial Officer
2016 is in this sense a kind of transition year; we will not have full depreciation only one half or even a smaller portion. So the first real normal year let's say in these terms is 2017.

Yonah Weisz, HSBC
Is there a quarter, so all four quarters of '16 will be kind of transition and the first proper quarter will be first quarter '17?

Dr Burkhard Lohr, Group Financial Officer

Yes but it will be tricky to expect the quarterly effect of '16, I think we have to give you guidance at the end of this year. But the first normal year let's say will be '17 and the first year with positive EBIT contribution will be 2018.

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Yonah Weisz, HSBC
Thank you.

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Telephone Operator
We currently have no questions coming through so as a reminder if you would like to ask a question please press *1 on your telephone keypad now.

The next question comes from the line of Peter McKay from Exane BNP, please go ahead.

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Peter McKay, Exane BNP
Yes morning clearly my initial effort to press *1 defeated me this morning. I just had a quick question on the cost per tonne in potash; you obviously flagged the labour agreement, the €20m impact there. The higher variable payments which are linked to the significant increase in EBIT, should we assume that that sort of 3 or 4 euros per tonne which is my guestimate what it was, in Q1 that's an ongoing number per quarter for the rest of this year, just wanted to clarify that please?

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Dr Burkhard Lohr, Group Financial Officer
I'll give you the total number it's about €10m entirely.

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Peter McKay, Exane BNP
For the full year?

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Thorsten Boeckers, Head of Investor Relations
No in the quarter.

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Peter McKay, Exane BNP
Oh in the quarter right understood, thank you. And that's recurring sorry just to be clear?

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Thorsten Boeckers, Head of Investor Relations
Well I mean as long as we expect a significant increase in the EBIT yes.

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Peter McKay, Exane BNP
Right okay thank you.

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Dr Burkhard Lohr, Group Financial Officer
I think it's fair to assume that we will see that in the further quarters as well.

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Peter McKay, Exane BNP
Yes absolutely, thank you.

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Telephone Operator
Thank you, we have no further questions coming through so we'll hand back to Dr Burkhard Lohr for closing remarks, please go ahead.

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Dr Burkhard Lohr, Group Financial Officer
Yes ladies and gentlemen thank you for joining us today at this different time but I enjoyed speaking earlier on the line for you. We had a very good start into the new year especially due to the good performance of our Salt business. And Legacy's on track and we have every reason to believe in a good Group performance for the rest of 2015 and thank you for now and have a good day.

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END