



# Uralkali—Nourishing the Earth

## FY 2009 IFRS financial results and potash market outlook

Conference Call Presentation  
April 30, 2010



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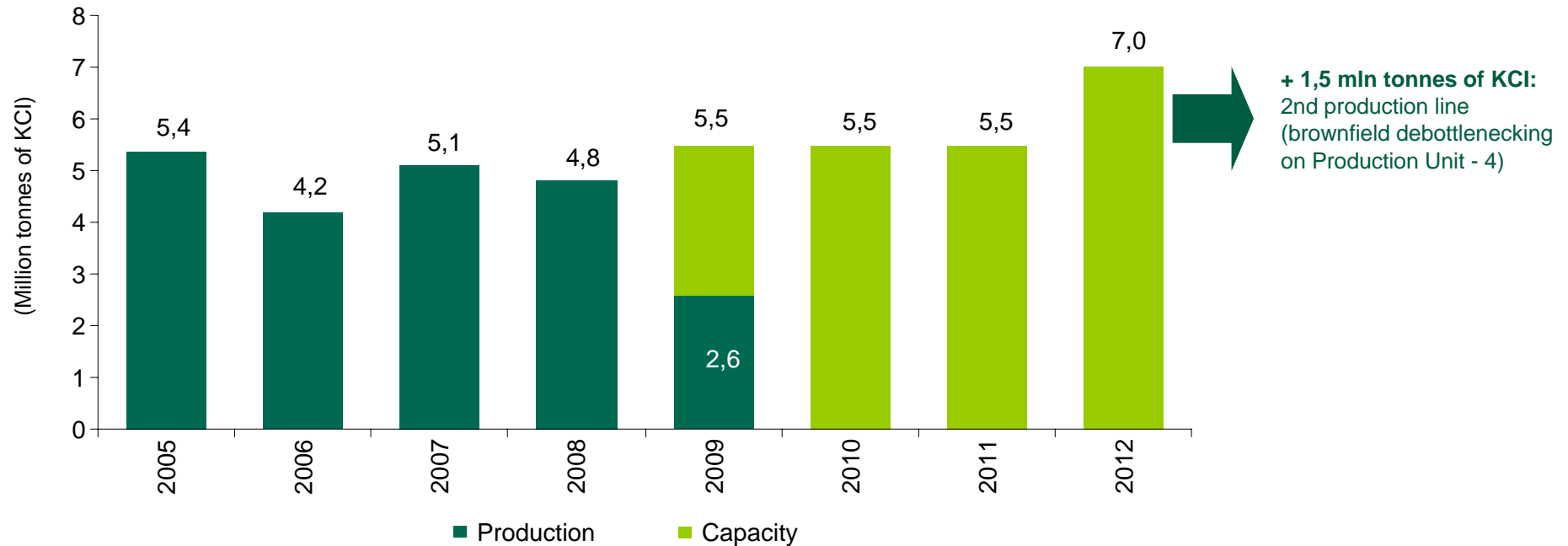
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# Agenda



- **Operating update**
- **FY 2009 Financial Results**
- **Potash Market Outlook**

# Well-Positioned to Meet Market Recovery



- **In addition to the 27% capacity expansion planned for 2012, Uralkali has an option for further long-term expansion at Mine-5**
- **Mine-5 key milestones:**
  - 2011 – preparation and approval of the mine construction design documentation
  - 2018 – reaching full capacity of the mine
  - Processing capacity - decision to be taken once potash market recovers and necessary approvals are granted

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# 2009 – Key Highlights

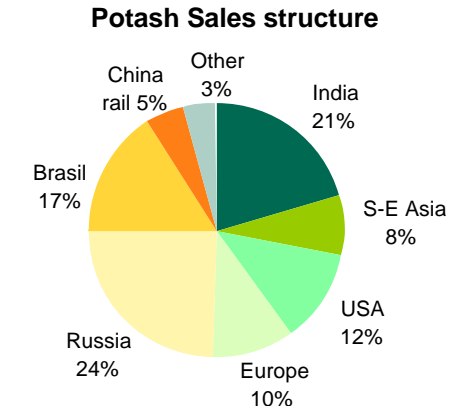
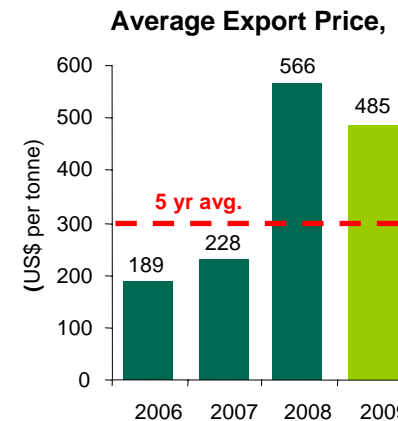
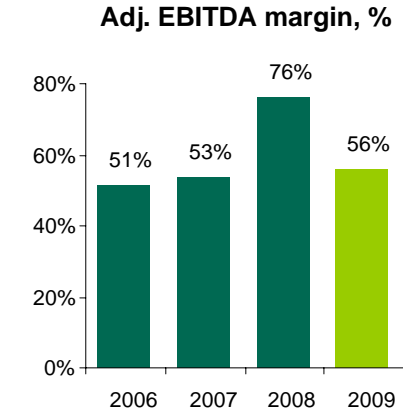
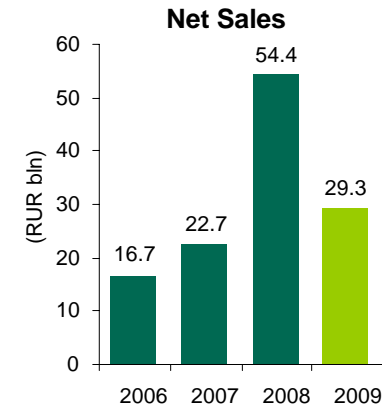
## IFRS Financial Results

(RUR mln)	2008	2009	Change, %
Production (Million tonnes)	4.8	2.6	-45%
Sales (Million tonnes)	4.7	2.5	-47%
<i>% of domestic sales</i>	11%	24%	
Gross sales	62,798	33,809	-46%
Net Sales <sup>1</sup>	54,355	29,314	-46%
Mine flooding costs (net of depreciation charge)	8,286	1,060	-87%
EBITDA <sup>2</sup> adjusted	41,349	16,375	-60%
<i>Margin<sup>3</sup></i>	76%	56%	
Net Profit	21,943	9,095	-59%
Operating Cash Flow	32,604	4,472	-86%
Capex	14,341	14,105	-2%
Expan/Mainten. proportion	53/47	47/53	
Debt	13,987	13,463	-4%
Cash	16,174	4,297	-73%
Net Cash/(Debt) <sup>4</sup>	2,187	-9,166	
Dividend Payout Ratio	39%		

### Notes:

1. Based on adjusted sales (sales net of freight, railway tariff and shipping costs)
2. Adjusted EBITDA is calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs
3. EBITDA Margin is calculated as EBITDA divided by Net Sales
4. Net cash position is calculated as cash and cash equivalents (including deposits) minus bank loans

## Key Considerations



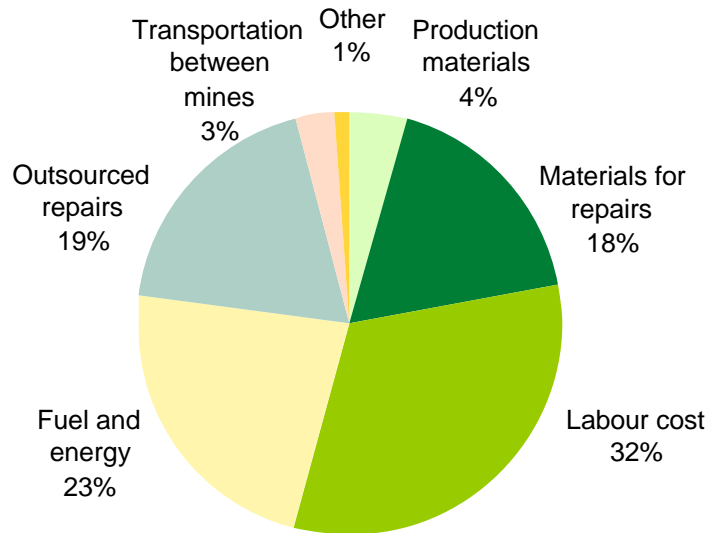
- The decrease in export sales and production in 2009, and the increase in the proportion of domestic sales, was caused by lower potash demand in export markets

# Costs



## Cash COGS

Cash COGS<sup>1</sup> structure (2009)



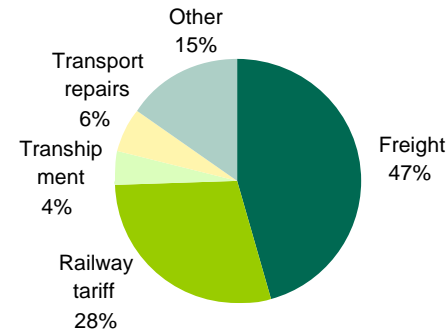
- Low cost producer within potash industry
- Fixed vs. variable cash COGS structure 60/40<sup>2</sup> is preferable to production volume growth
- Potash Cash COGS<sup>3</sup> 2009 – 70US\$ per tonne vs. 58US\$ per tonne in 2008
- Favourable effect of RUR devaluation
- Abnormal period due to production cut >50% in 2009

Notes:

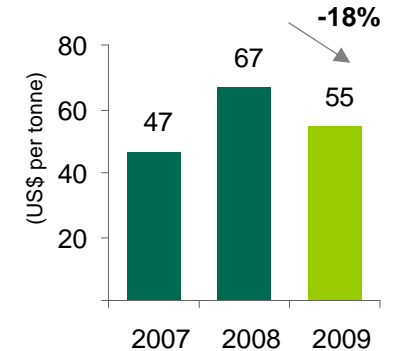
1. Cost of goods sold less depreciation
2. For 100% utilization rate. Actual utilization rate in 2009 was app. 50% and actual COGS structure was 80/20
3. Total cost of sales for potash sales (Note 7. Segment reporting) less depreciation in COGS (Note 14). Depreciation is divided proportionally btw. Potash and Other sales. (Cash COGS 2009 – 80US\$ per tonne vs. 65US\$ per tonne in 2008)

## Distribution costs

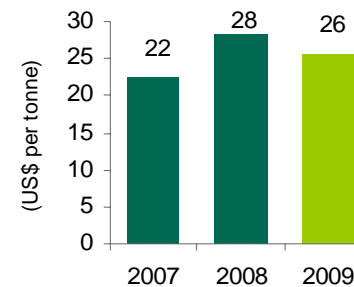
Distribution costs structure



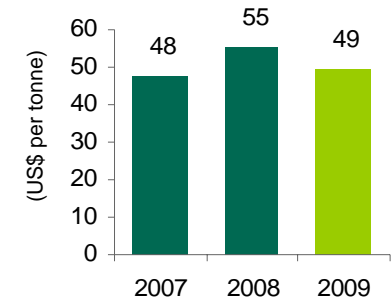
Effective freight rates<sup>4</sup>



SPb railway tariff<sup>5</sup>



China railway tariff<sup>5</sup>



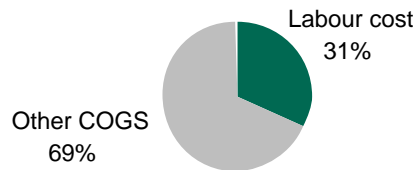
Notes:

4. Effective freight rates are calculated as freight cost divided by freight volumes
5. Effective railway tariff includes both loaded and empty railcars fares

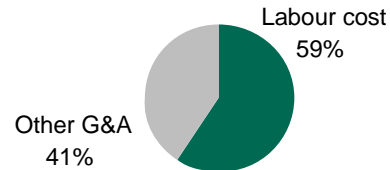
# Cost Cutting Programmes

## Productivity Increase

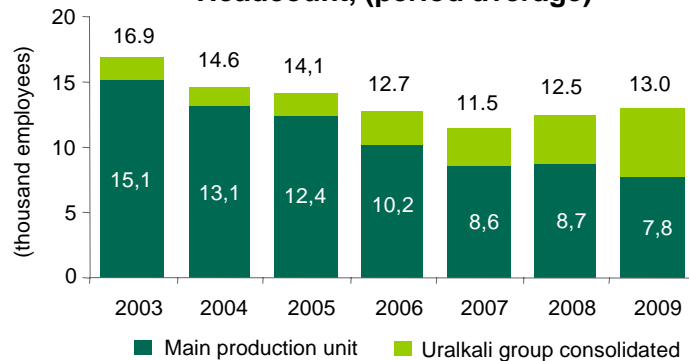
As % of cash COGS



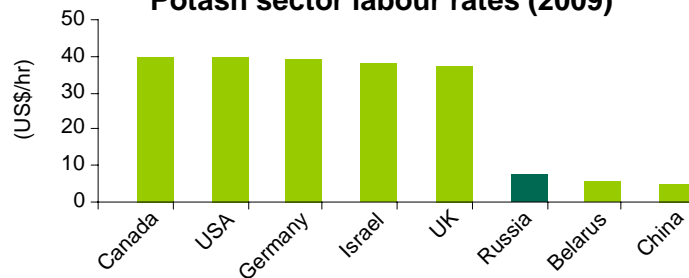
As % of cash G&A<sup>1</sup>



Headcount, (period average)



Potash sector labour rates (2009)



- Low labour cost compared to other potash producers
- Target – 6,000 employees in main production unit

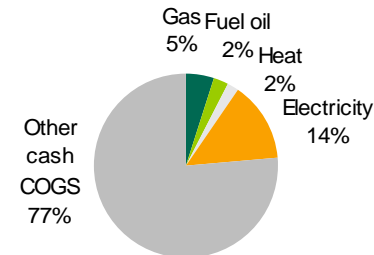
Source: Uralkali, British Sulphur Consultants

Notes:

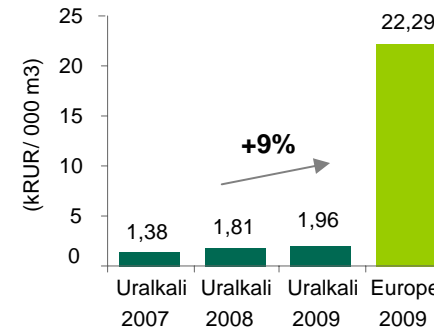
1. General and administrative expenses less depreciation and amortization

## Power Generation Programme

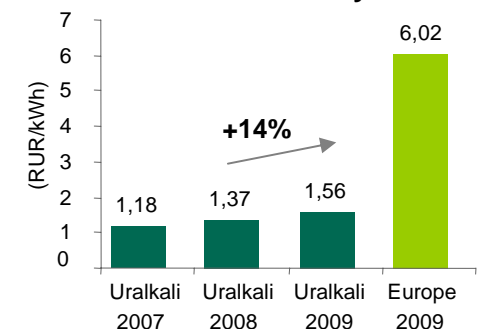
Fuel and energy costs 2009



Gas tariff<sup>3</sup>



Effective electricity tariff<sup>3</sup>



- Stage 1 launched in 1Q 2008, Stage 2 – end of 2009
- License for parallel operation of the turbines expected in mid 2010
- After full implementation, expected efficiency gain is 50 RUR per tonne of potash production<sup>4</sup>

Notes:

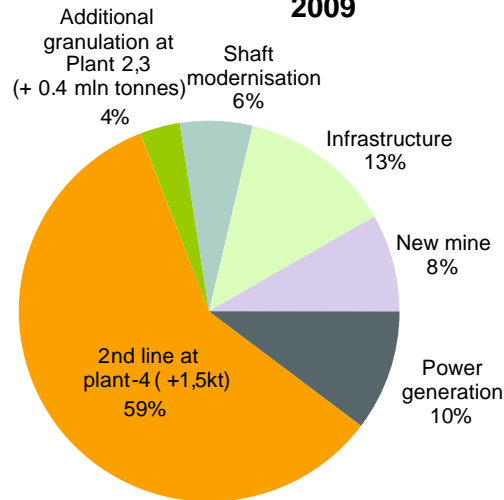
3. Average natural gas and electricity prices charged in 2009 to final industrial consumers in UK, Germany and Spain per [www.epp.eurostat.ec.europa.eu](http://www.epp.eurostat.ec.europa.eu), converted to RUR at a US\$/RUR exchange rate of 31.75

4. We see the effect of the programme as the difference between the costs of purchased electricity and the cash costs of generated electricity, based on the assumptions that the company will operate at full capacity and the price increase will be 25% and 15% for gas, and 11% and 12% for electricity in 2010 and 2011 respectively

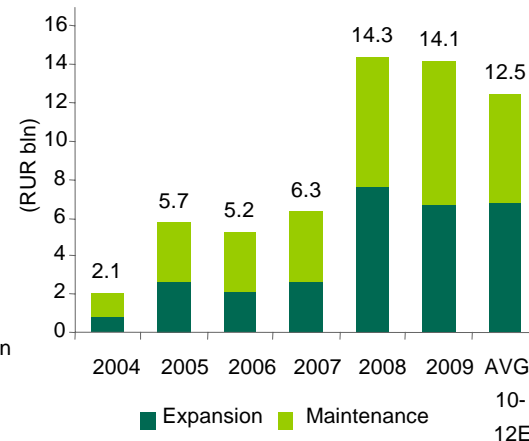
# Capex and Cash Flow

## Capex

Expansion CAPEX structure 2009

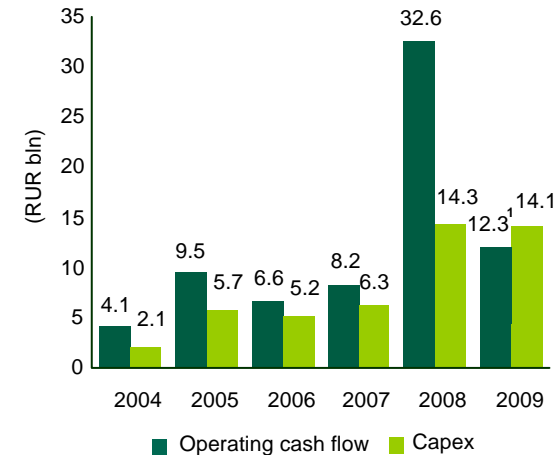


CAPEX Evolution

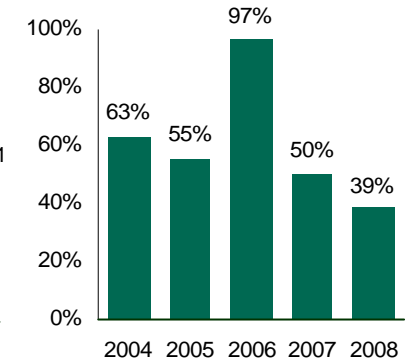


## Cash Flow

Oper. Cash Flow vs. CAPEX



Dividends Payout Ratio



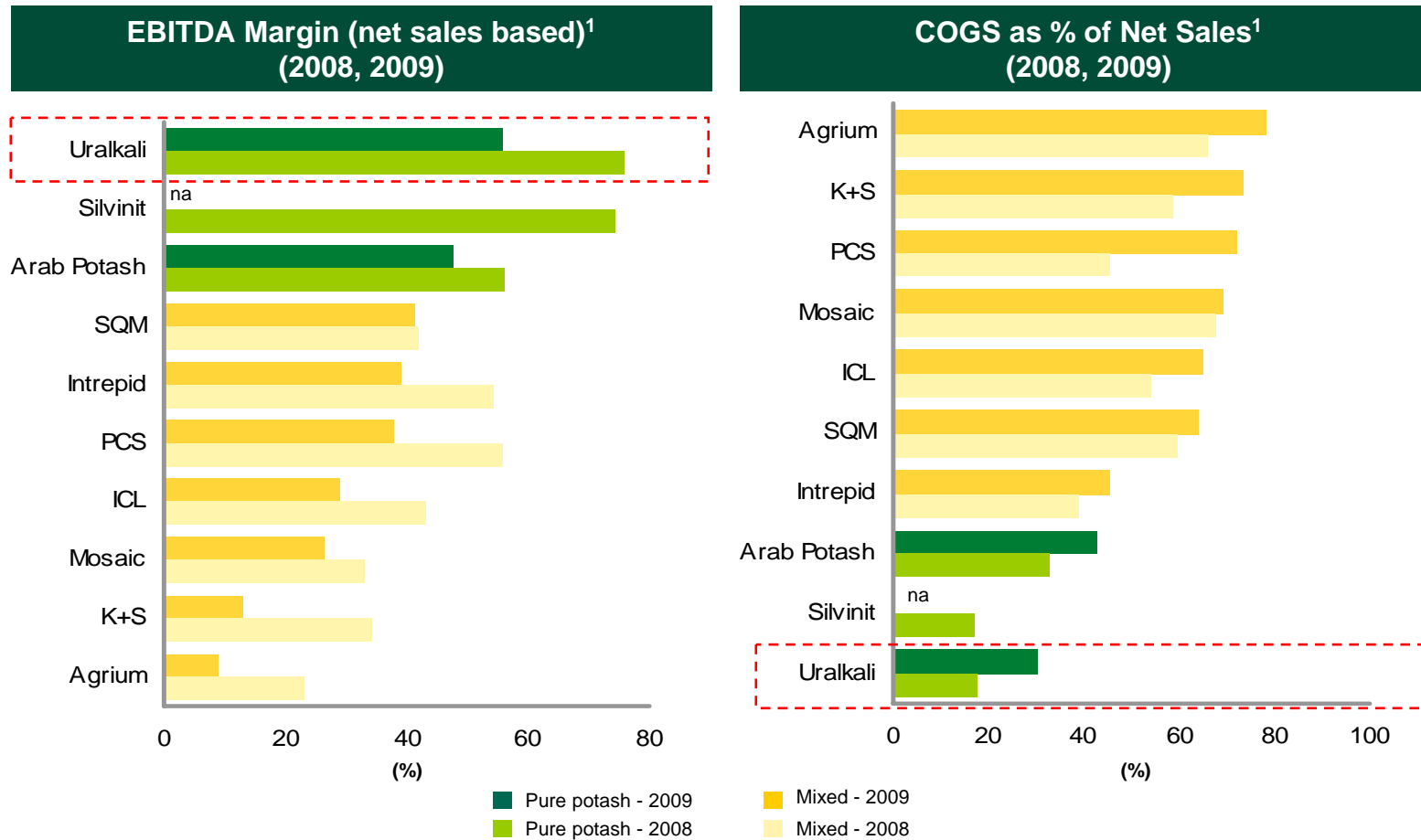
- 2009 Capex split ~ 50/50 expansion/maintenance
- 8.8 bln RUR – total amount of compensation related to Mine-1 flooding (2.3 bln RUR paid in April 2009, 5.5 bln RUR in December 2009, 1 bln RUR is expected to be paid in 2010)
- More than 95% of bank loans are in US\$, with an average interest rate of app. 2.49%

	2008 (US\$ mln)	2009 (US\$ mln)
Debt (bank loans)	476	445
Cash	551	142
Net Cash (Debt)	74	(303)

Notes:

1. Operating Cash Flow for 2009 was adjusted for the amount of compensations related to Mine-1 flooding, paid in 2009 (7.8 bln RUR)

# Superior Top Line Growth and Profitability



## Sustainable superior financial performance

Source: Relevant company reports, Uralkali audited IFRS financial statements

Note:

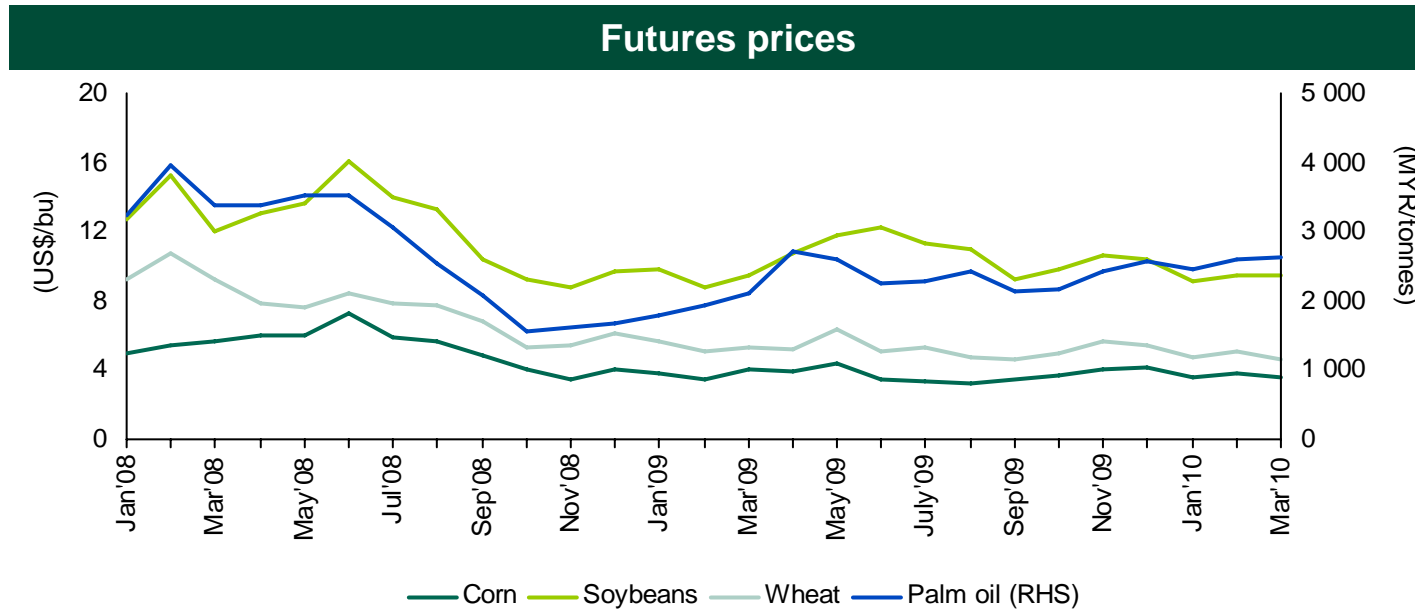
1. Based on gross sales for Silvinit, Arab Potash, Yara and SQM
2. Financial data for Mosaic is based on financial years ended May 2004, May 2008 and May 2009
3. Financial data for Silvinit is based on Bloomberg consensus forecast



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# Crop Prices Decreased in 2009



**Average Futures price**

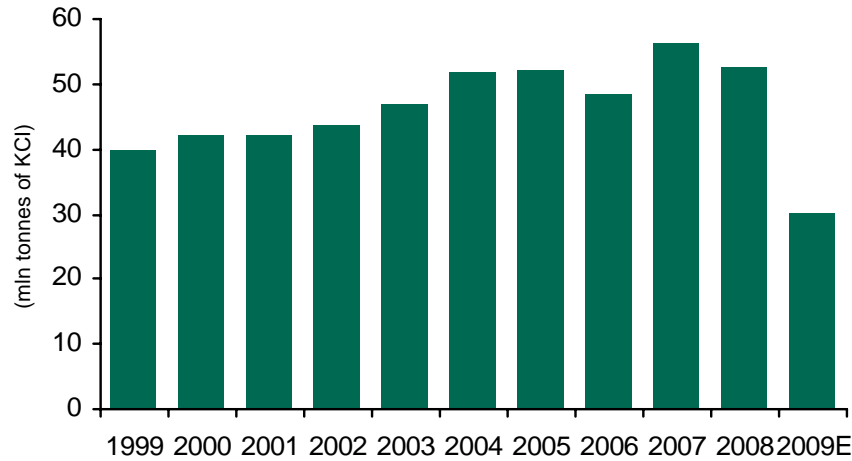
	2008	2009	2009/2008 (%)
Corn (US\$/bu)	5.28	3.76	(29)
Soybeans (US\$/bu)	12.35	10.44	(15)

Source: WSJ

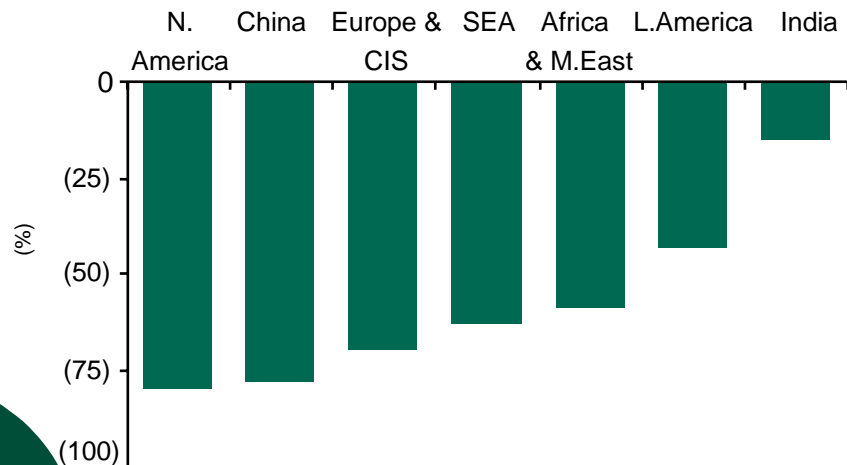
- Due to increased uncertainty over revenues, farmers did not invest significantly in agricultural supplies (e.g. fertilizers)

# 2009: Activity in The Global Potash Market Slowed Significantly

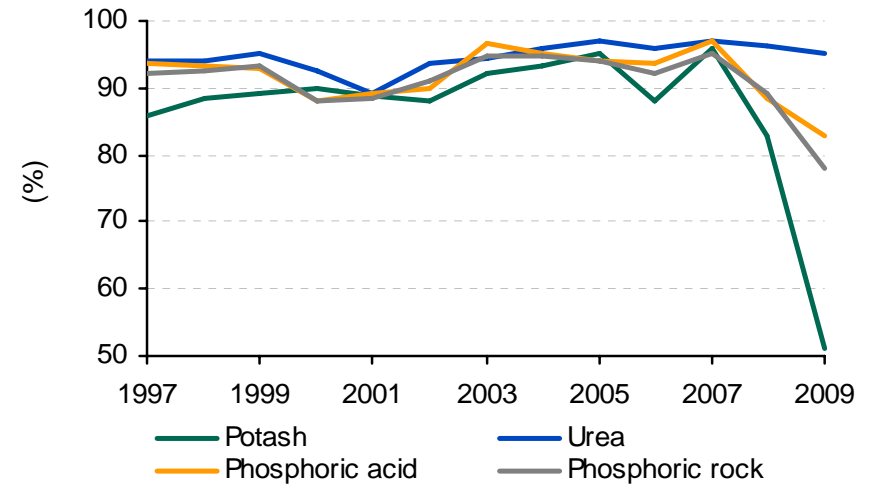
## Global potash sales fell 43% in 2009



## Imports to all major markets fell sharply in 2009

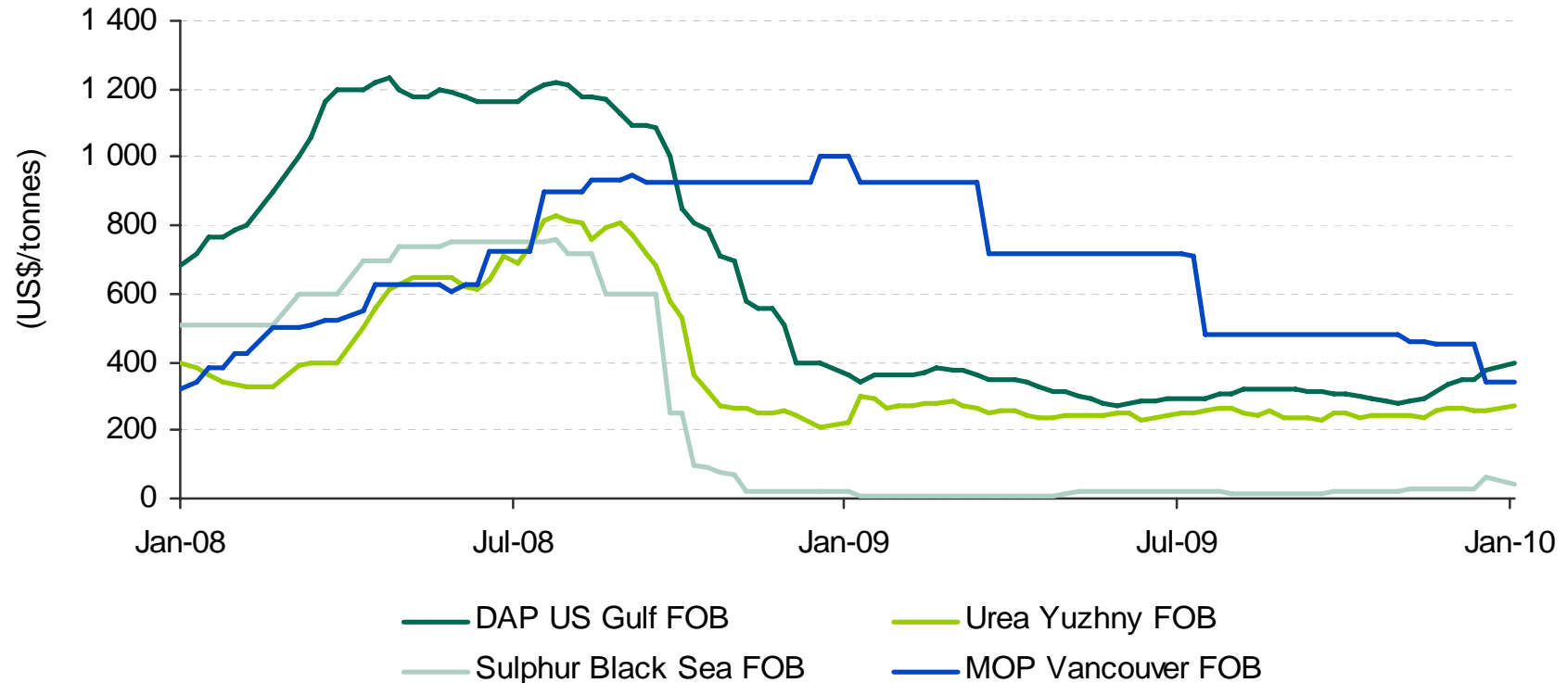


## Potash industry hit hardest by lower capacity utilization



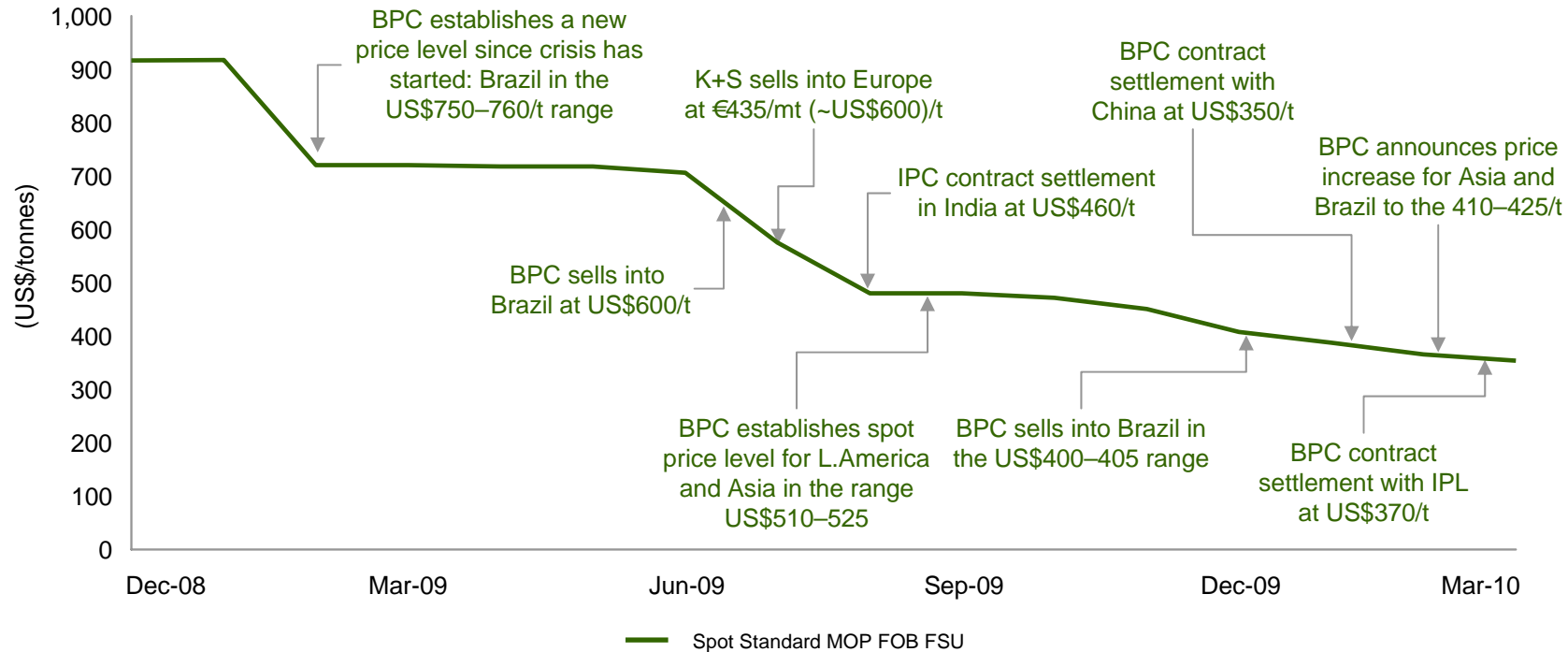
- Worldwide volumes were weak. Customers remained cautious, resulting in an unprecedented decline in potash sales
- The industry's average operating rates plunged to 52% of effective capacity due to depressed sales levels
- Settlements with China and India, the largest contract markets for potash, were delayed
- Shipments to spot markets slowed significantly

# 2009 Potash Prices Remained Relatively Firm vs. Other Fertilizers



- Potash prices remained well above historical levels, in spite of an unprecedented contraction in demand
- Potash maintains the best fundamental outlook of the three fertilizer nutrients because:
  - it has substantial barriers to entry due to high capital costs and long lead times for greenfield capacity
  - and the fact that potash reserves are only located in a few regions

# BPC Shaped the Market in 2009

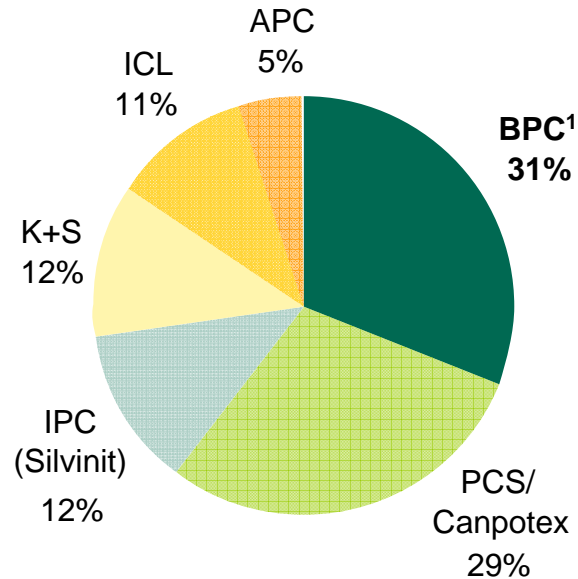


Source: FMB, Fertecon, Companies' announcements

- BPC shaped the market in 2009 by bringing potash price in line with farmers' economic reality
- The BPC contract agreement with China looks to have set a price floor for the global potash market

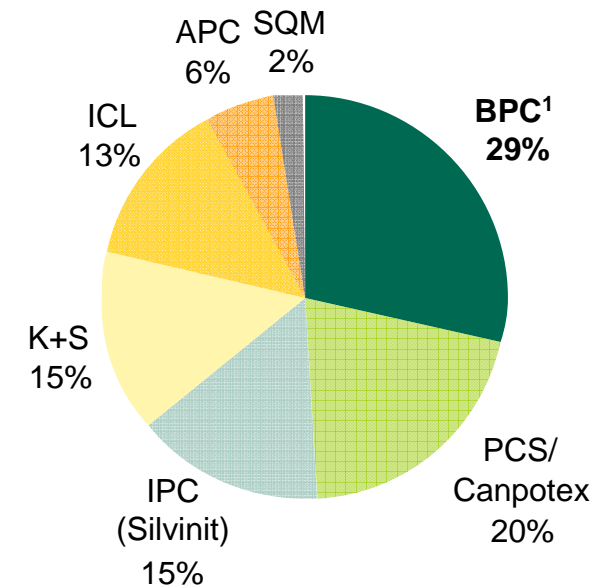
# BPC Strategy Sustained Market Share

2008



Source: IFA, Companies' reports

2009



Source: IFA, Companies' reports, BPC

- In 2009, one of BPC's toughest challenges was to maintain its market share amidst a sharp fall in the potash market and aggressive pricing by smaller suppliers in major import markets
- By responding quickly to this challenge in key import markets BPC was able to avoid a substantial fall in its market share

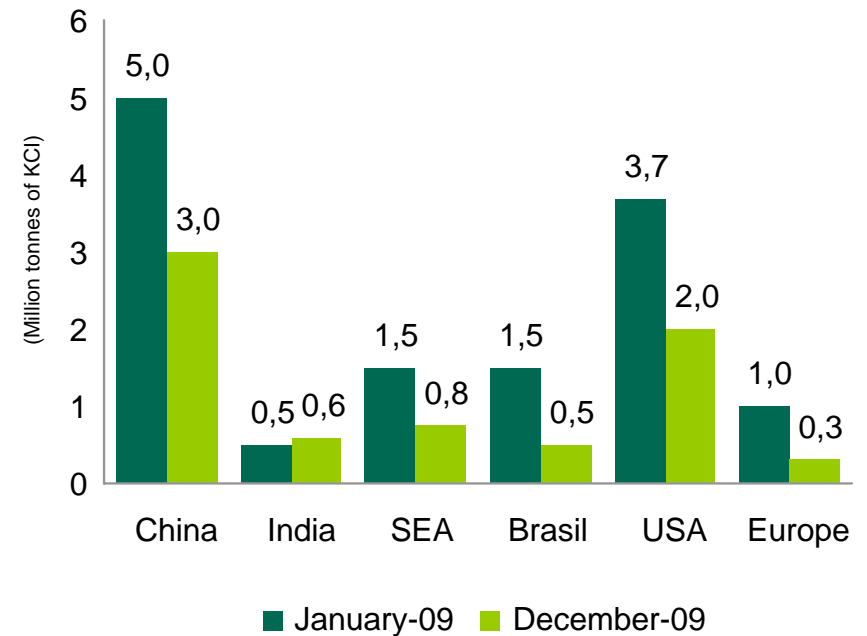
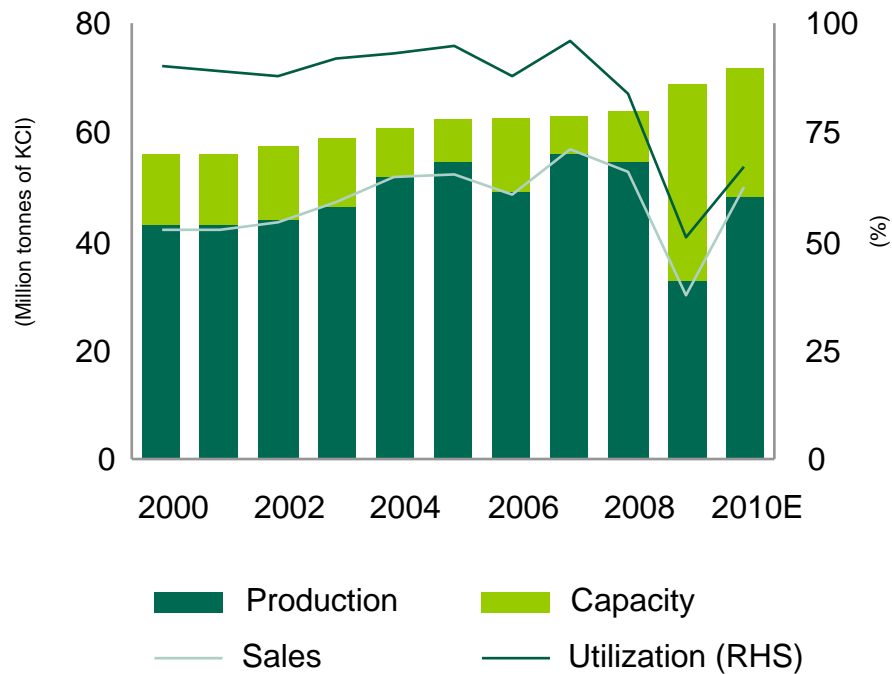
Notes:

1. Together with Uralkali Trading S.A.

# Market is Recovering, We are Well Positioned

**World potash sales in 2010 are projected to rebound firmly**

**Massive destocking throughout 2009 brought year-end stocks to a very low level**



Source: IFA, BPC estimates



**Thank You!**