



# Uralkali—Nourishing the Earth

## 1H 2010 IFRS financial results and potash market outlook

Conference Call Presentation  
September 3, 2010



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# Agenda



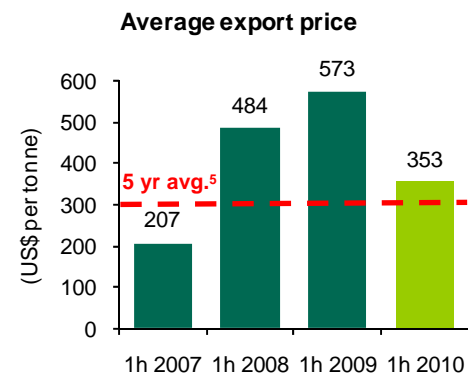
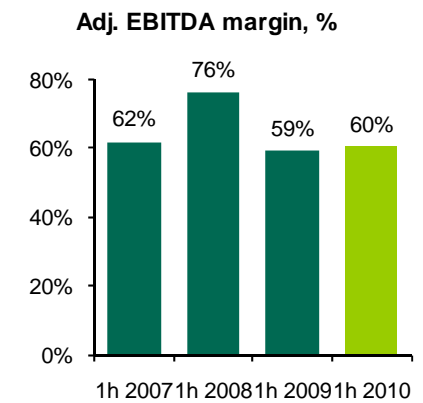
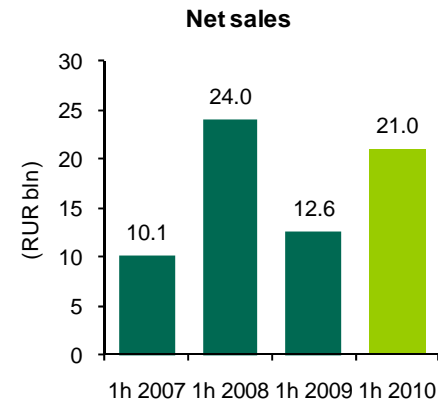
- **1H 2010 Financial Results**
- **Potash Market Outlook**

# 1H 2010 – Key Highlights

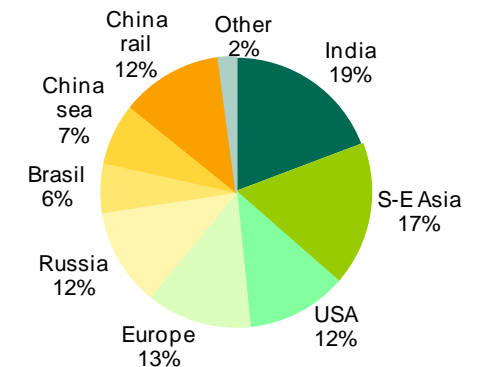
## IFRS Financial Results

(RUR mln)	1h 2009	1h 2010	Change %
Production (million tonnes)	1,1	2,4	113%
Sales (million tonnes)	0,9	2,7	200%
% of domestic sales	30%	12%	
Gross Sales	13,873	27,384	97%
Net Sales <sup>1</sup>	12,553	21,035	68%
EBITDA <sup>2</sup> adjusted Margin <sup>3</sup>	7,426 59%	12,695 60%	71%
Net Profit	4,465	8,420	89%
Operating Cash Flow	1,407	8,945	536%
Capex Expan/Mainten. proportion	5,982 50/50	6,144 56/44	-11%
Debt	12,980	14,600	12%
Cash	9,911	5,093	-49%
Net cash/(Debt) <sup>4</sup>	-3,069	-9,507	
Average exchange rate, RUR/USD	33,27	30,05	

## Key Considerations



**Potash sales structure, 1h 2010**



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
5. 5 year average price level was calculated based on average sales prices as for 2005-2009

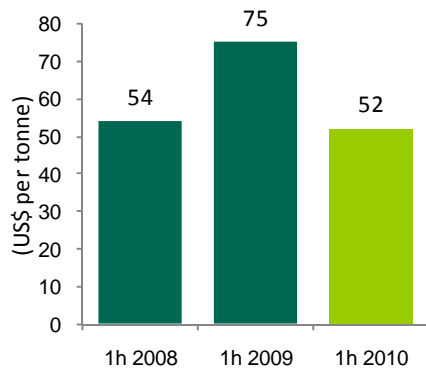
# Costs



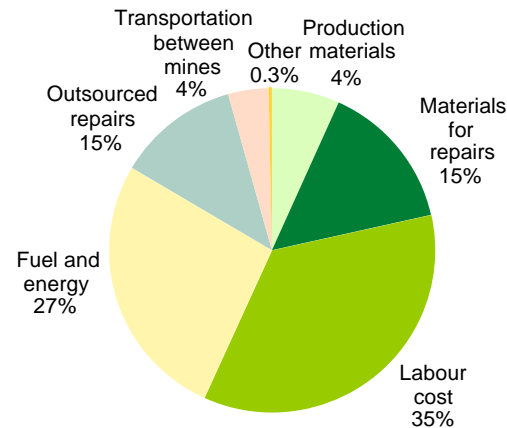
## Cash COGS

## Distribution costs

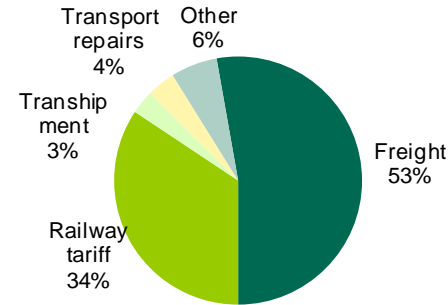
Potash cash COGS<sup>1</sup>



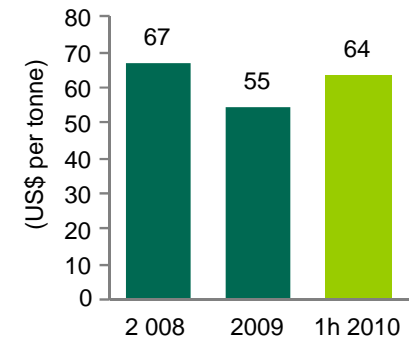
Cash COGS<sup>2</sup> structure, 1h 2010



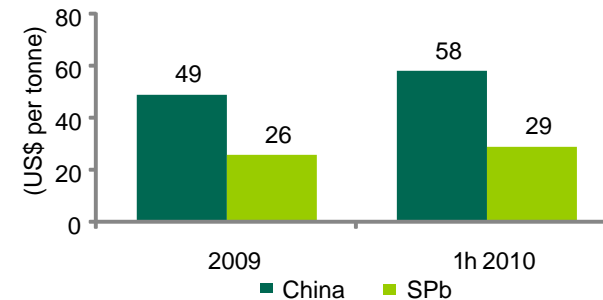
Distribution cost structure 1h 2010



Effective freight rates<sup>4</sup>



China and SPb effective railway tariff<sup>5</sup>



- Low cost producer within potash industry
- Fixed vs. variable cash COGS structure 60/40<sup>3</sup> is preferable to production volume growth
- Potash Cash COGS<sup>3</sup> 1h 2010 – 52US\$ per tonne vs. 54US\$ per tonne in 1h 2008
- Favourable effect of RUR devaluation

- Av. freight rates returned to historic “pre-crisis” level

Notes:

1. 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 – 56US\$ per tonne vs. 80US\$ per tonne in 2009)
2. Cost of goods sold less depreciation
3. For 100% utilization rate

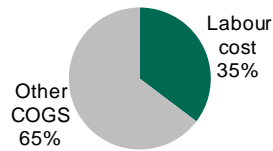
Notes:

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

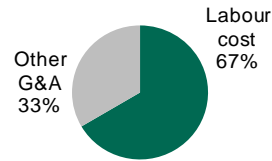
# Cost Cutting Programmes

## Productivity Increase

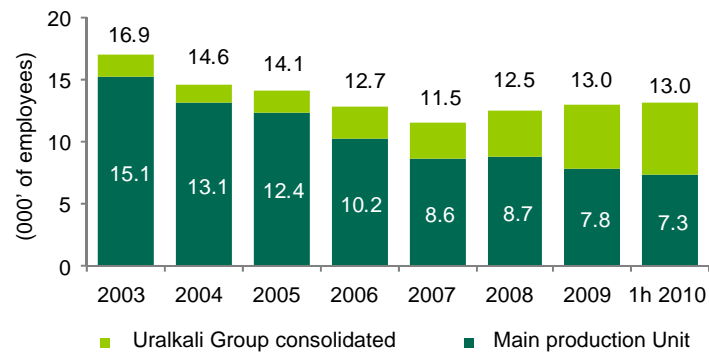
As % of cash COGS



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

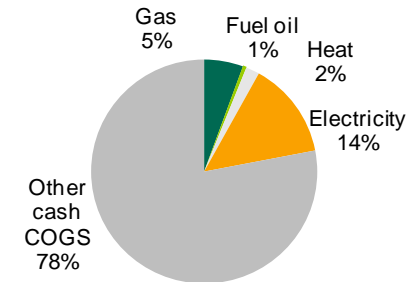
Source: Uralkali, British Sulphur Consultants

Notes:

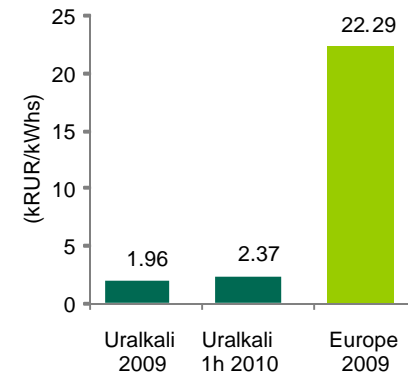
1. General and administrative expenses less depreciation and amortization

## Power Generation Programme

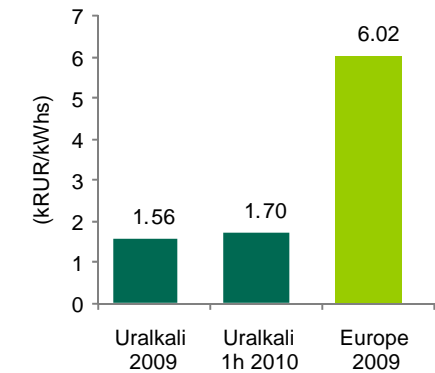
Fuel and energy cost, 1h 2010



Gas tariff<sup>2</sup>



Effective electricity tariff<sup>3</sup>



- After full implementation, expected efficiency gain is 50 RUR per tonne of potash production<sup>3</sup>

Notes:

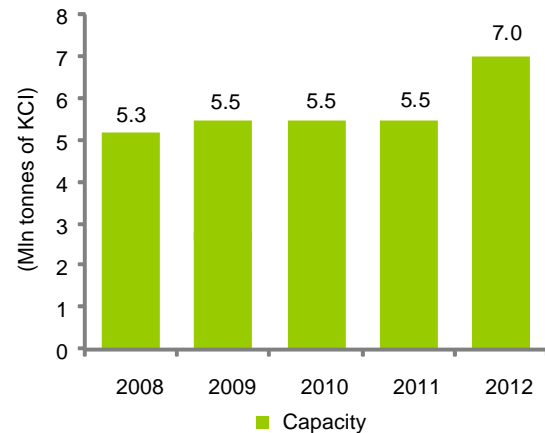
2. Average natural gas and electricity prices charged in 2009 to final industrial consumers in UK, Germany and Spain per [www.epp.eurostat.ec.europa.eu](http://www.epp.eurostat.ec.europa.eu), converted to RUR at a US\$/RUR exchange rate of 31.75

3. 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

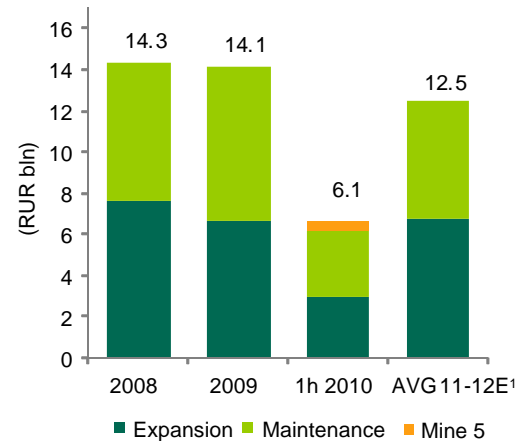
# Capex and Cash Flow

## Capex

### Capacity Addition Program



### Capex Evolution

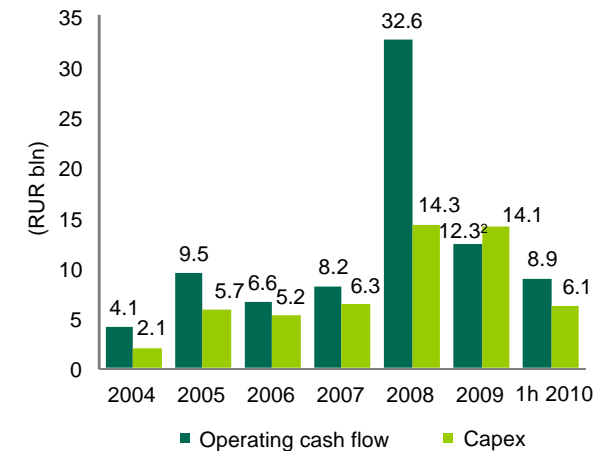


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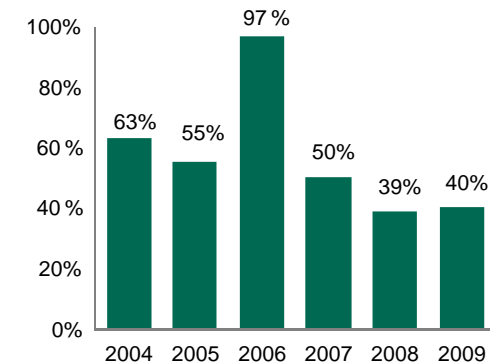
1. Mine 5 is not included

## Cash Flow

### Oper. Cash Flow vs. Capex



### Dividends Payout Ratio



Notes:

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

- 1h 2010 Capex split ~ 56/44 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)
- 100% of bank loans are in US\$, with an average interest rate of app. 3.31%

	2009	1h 2010
	US\$ mln	US\$ mln
Debt (bank loans)	445	468
Cash	142	163
Net Cash (Debt)	(303)	(305)

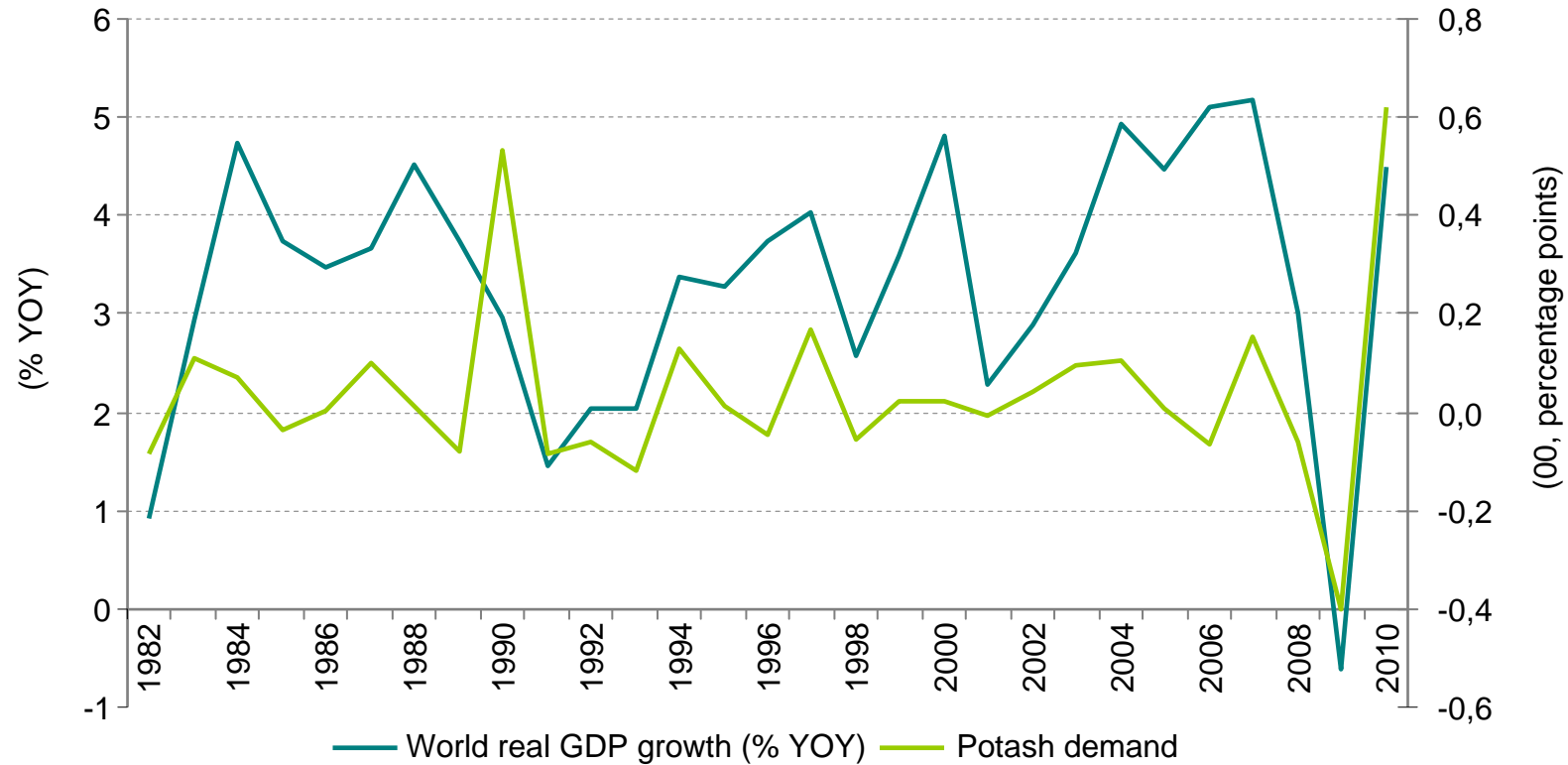
# Agenda



- **1H 2010 Financial Results**

- **Potash Market Outlook**

# Potash Demand Recovery Reflects Improving Global Economy

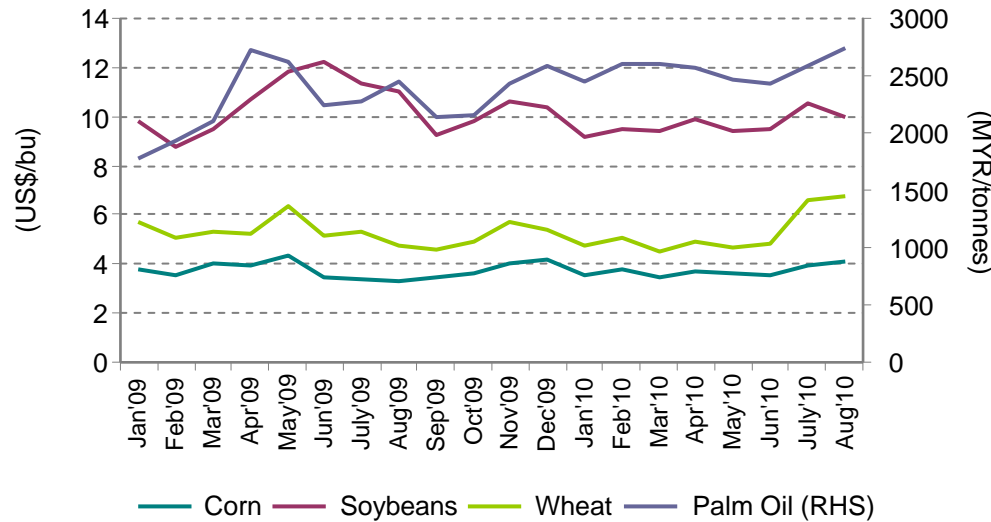


Source: IMF (Jul 2010), IFA, BPC

- Potash demand now recovering following the sharp fall seen in 2009, driven by both the global economic recovery and rising agricultural commodity prices
- Potash demand expected to grow by about 62% (IFA) this year (IMF statistics show that the global economy is projected to rise 4.5% yoy in 2010)

# 2010: A Year of Rising Crop Prices

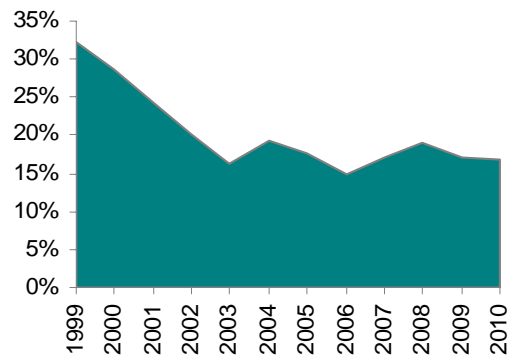
## Futures Prices



- Prices of major crops have risen due to unfavorable weather conditions and expectations of shortages, especially in the wheat market
- Russia's export ban and the risk of similar bans in the Ukraine have also put upward pressure on prices
- Stocks-to-use ratios of major crops are expected to decline in 2010/2011

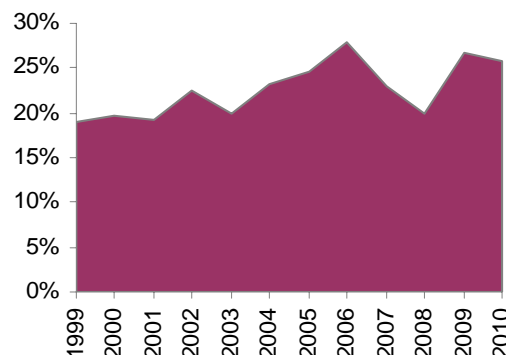
Source: CBOT, Bursa Malaysia

## Corn stock-to-use ratio



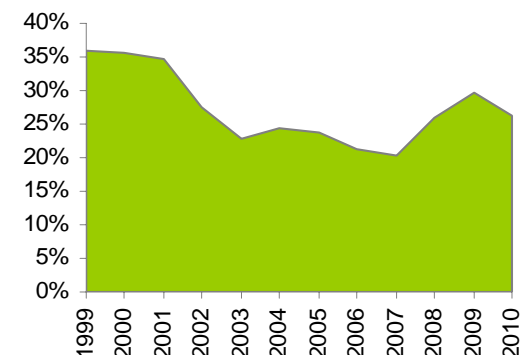
Source: USDA

## Soybeans stock-to-use ratio



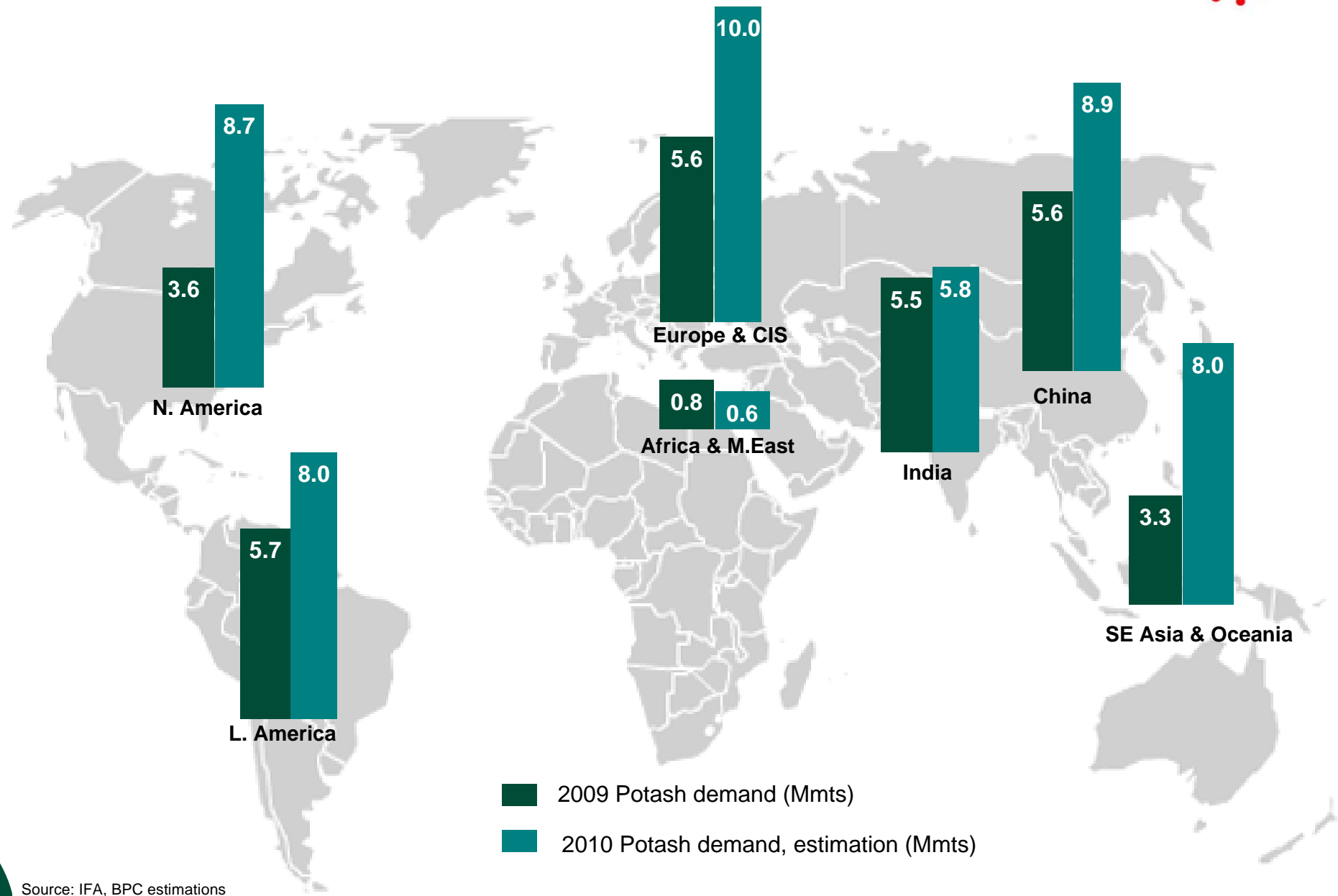
Source: USDA

## Wheat stock-to-use ratio

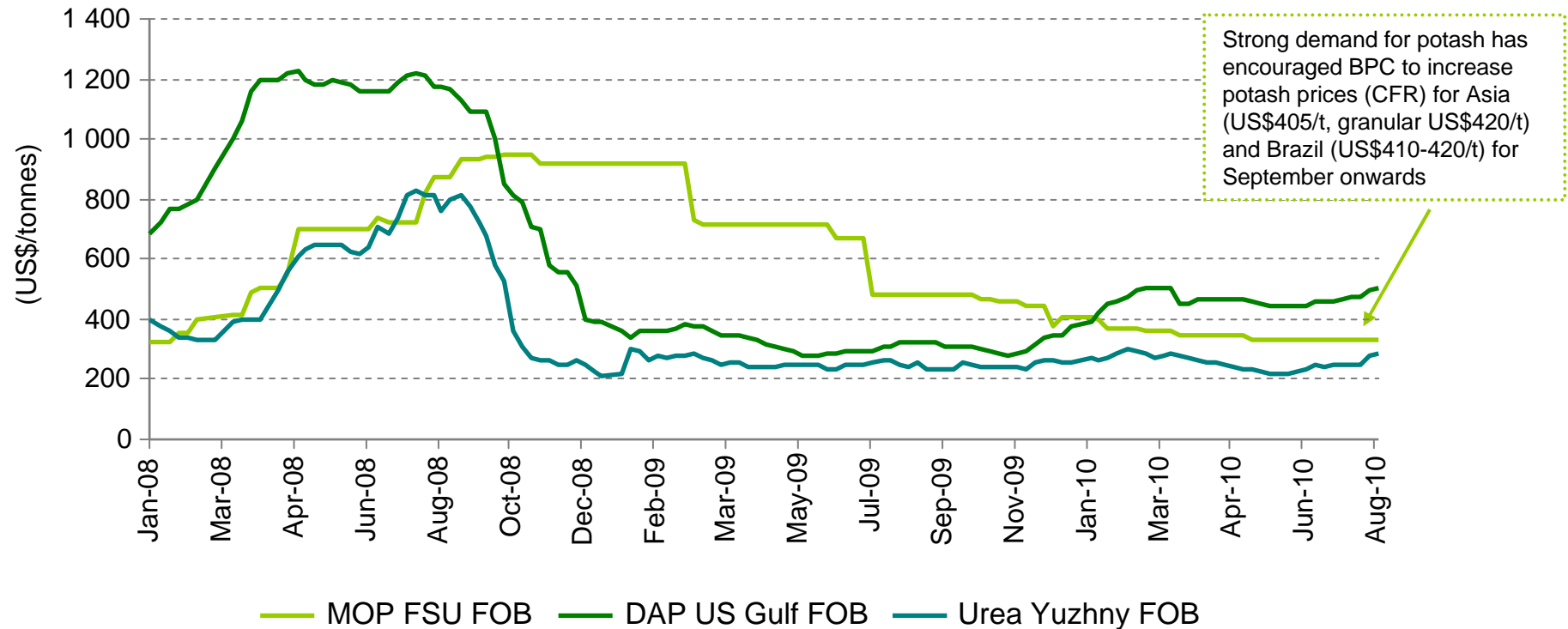


Source: USDA

# Rebound in Potash Demand in 2010E



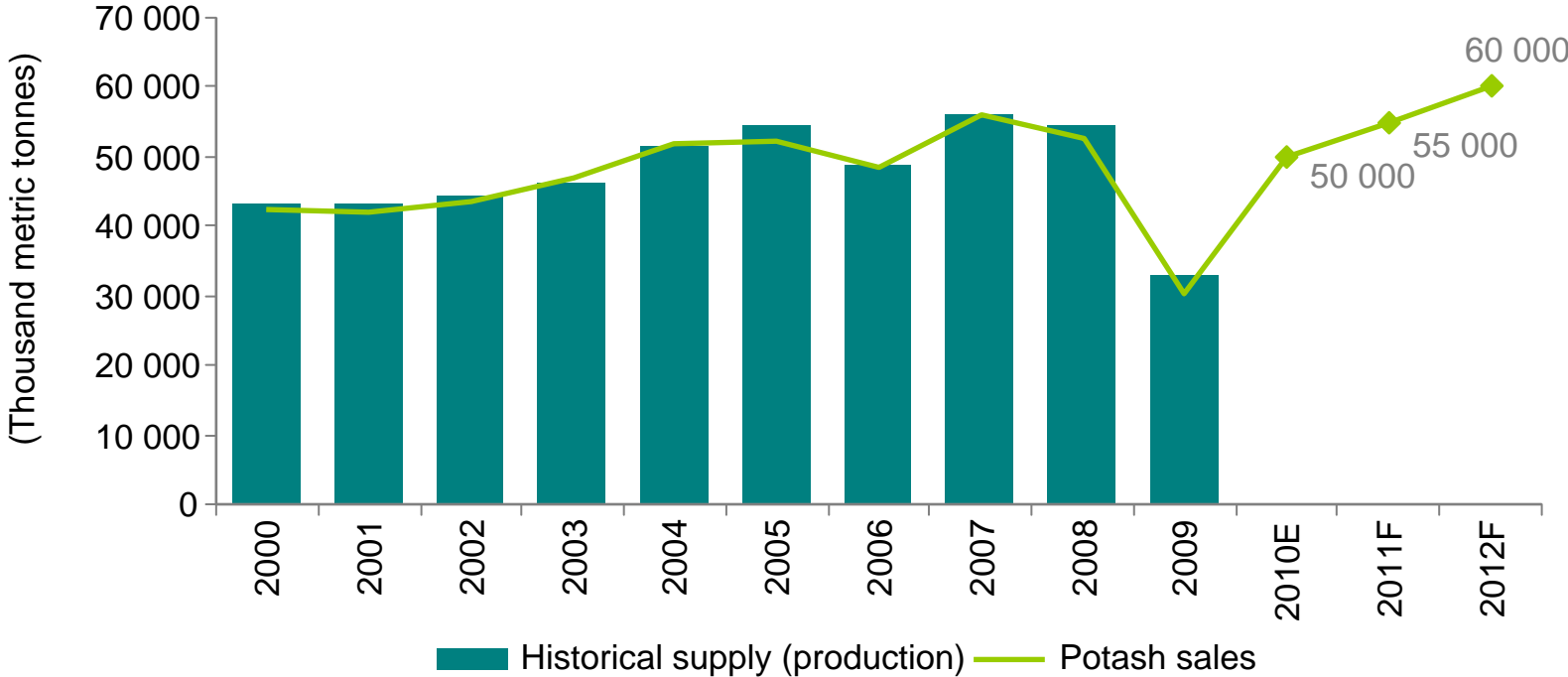
# Global Trends in Fertilizer Prices



Source: FMB

- Potash prices remained steady in 1H 2010
- A strong anticipated fall in dealer application and restocking levels should provide further support to the Potash price

# Potash Sales are Expected to Show a Firm Rebound



Source: IFA, BPC

- Demand recovery is consistent with our expectations that global shipments in 2010 will increase to around 50 million metric tonnes

## Market Outlook

- 
- Following two years of consecutive declines, potash demand is expected to show a solid recovery in 2010, to be followed by sustained demand in the long-term
- 
- Grain prices and operating rates are the main factors that will dictate how quickly pricing potential is restored for the Potash industry. Since the beginning of the year, these indicators have been positive and low stock-to-use ratios suggest that these factors are likely to improve further
- 
- Potential M&A could bring new dynamics to the industry. Greenfield projects being developed by junior companies could be cancelled due to difficulties in raising capital
-



**Thank You!**