

# Maximising global opportunity

**FY 2014 IFRS Results and Strategic Update**

**Webcast & Conference Call**

**5 March 2015**



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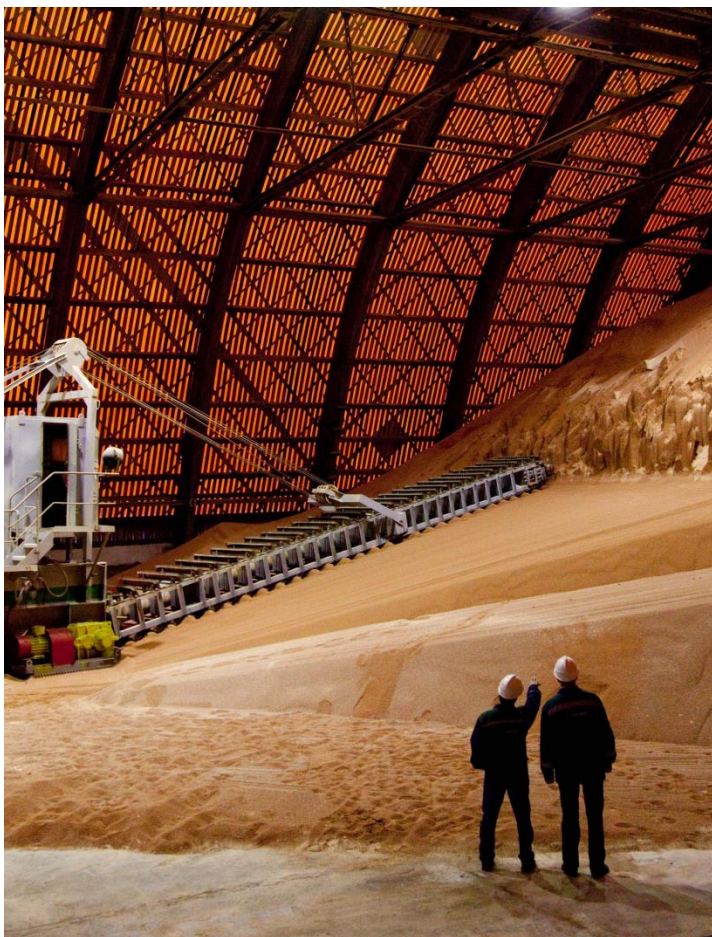
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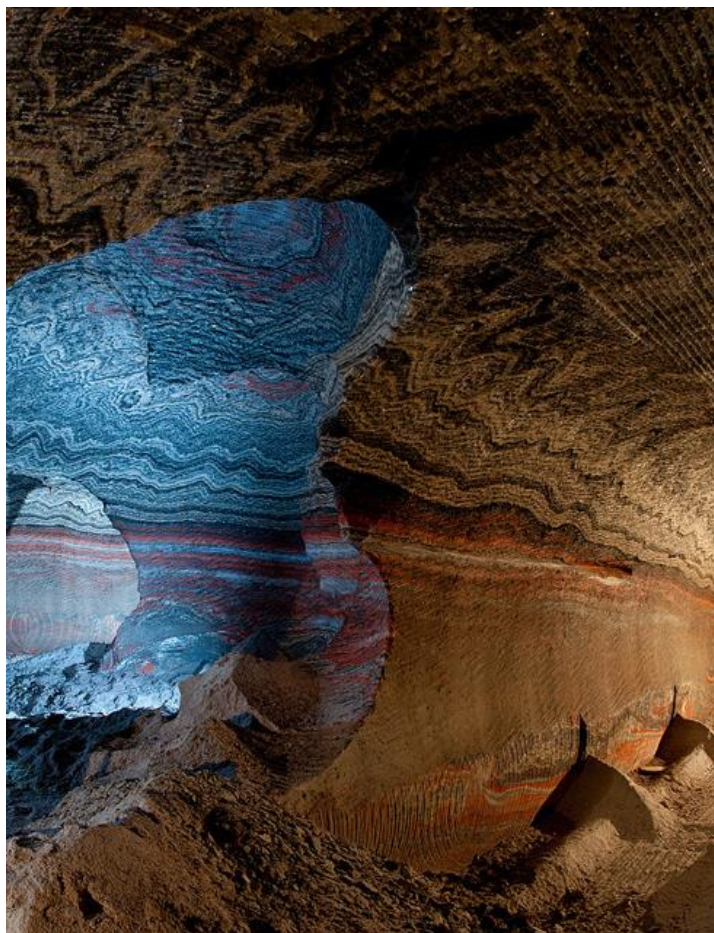
<b>1. Executive Summary</b>	<b>3</b>
2. Potash Sales Overview	5
3. Financial Highlights	8
4. Potash Market Outlook	15
5. Solikamsk-2 Update	18
6. Investment Strategy Update	20
7. Appendix	25

# Executive Summary



Key indicators					Summary	
(US\$ million)	FY 2014	FY 2013	Δ	%		
Sales volume, million tonnes	12.3	9.9	2.4	24%	<b>Market overview</b>	<ul style="list-style-type: none"> <li>Strong global demand underpinned Uralkali's record sales volume of 12.3 million tonnes</li> </ul>
- Export sales	10.4	8.0	2.4	30%		
- Domestic sales	1.9	1.9	-	-		
Average export potash price, FCA (US\$/tonne)	233	268	(35)	(13%)	<b>Financials</b>	<ul style="list-style-type: none"> <li>Increase in sales volumes mitigated price decrease and led to revenue growth</li> <li>Revenue growth and ruble depreciation contributed to EBITDA growth</li> <li>EBITDA margin of 64%</li> <li>Net loss due to FX loss and decrease in fair value of swaps</li> </ul>
Revenue	3,559	3,323	236	7%		
Net revenue <sup>1</sup>	2,785	2,665	120	5%		
EBITDA <sup>2</sup>	1,784	1,634	150	9%		
EBITDA margin <sup>3</sup> , %	64%	61%	3pts	5%		
Foreign exchange (loss)/gain	(1,167)	33	(1,200)	n/a	<b>Solikamsk-2</b>	<ul style="list-style-type: none"> <li>Impairment of US\$38 million relates to fixed assets and construction in progress</li> <li>Accrued provision for liquidation of accident consequences in the amount of US\$16 million</li> <li>Construction of new mine will require additional CAPEX of over US\$700 million to sustain pre-accident volumes of production</li> </ul>
Fair value loss on swaps	(837)	(170)	(667)	(394%)		
Net (loss)/profit	(631)	666	(1,297)	(195%)		
CAPEX <sup>4</sup>	364	427	(63)	(15%)		

1. Net Revenue represents Revenue net of freight, railway tariff and transshipment costs  
 2. EBITDA is calculated as Operating Profit plus depreciation and amortization and does not include one-off expenses  
 3. EBITDA margin is calculated as EBITDA divided by Net Revenue  
 4. As per IFRS Cash Flow Statement

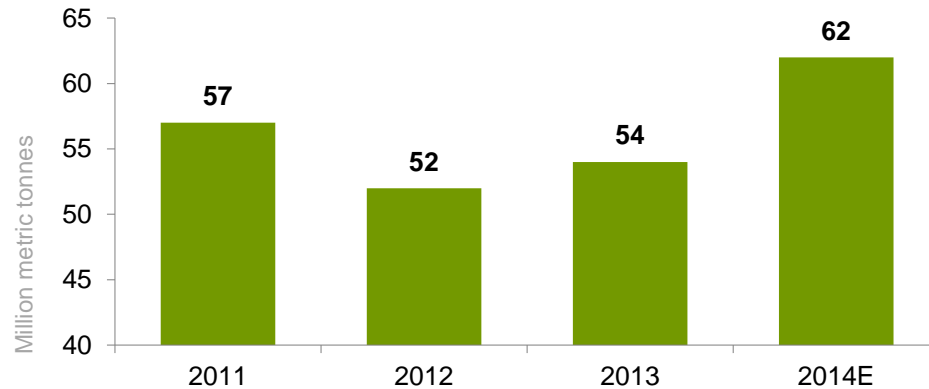


1. Executive Summary	3
2. Potash Sales Overview	5
3. Financial Highlights	8
4. Potash Market Outlook	15
5. Solikamsk-2 Update	18
6. Investment Strategy Update	20
7. Appendix	25

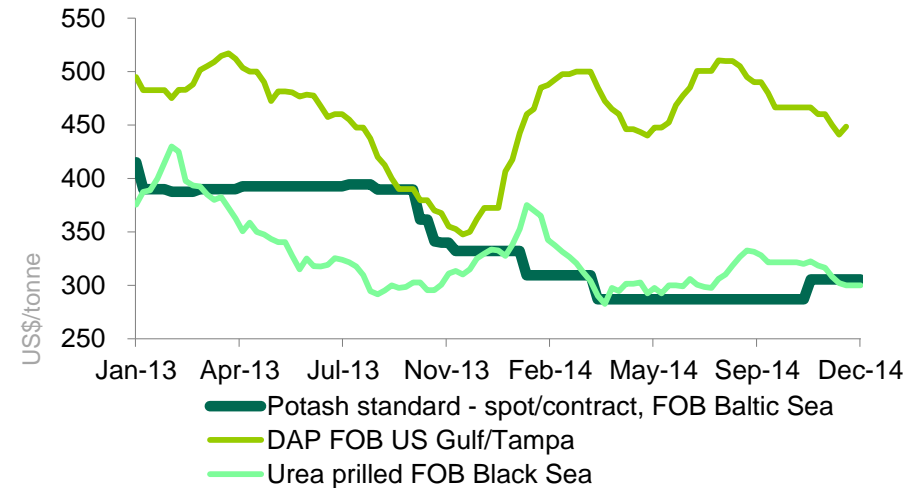
# 2014 Global Potash Demand



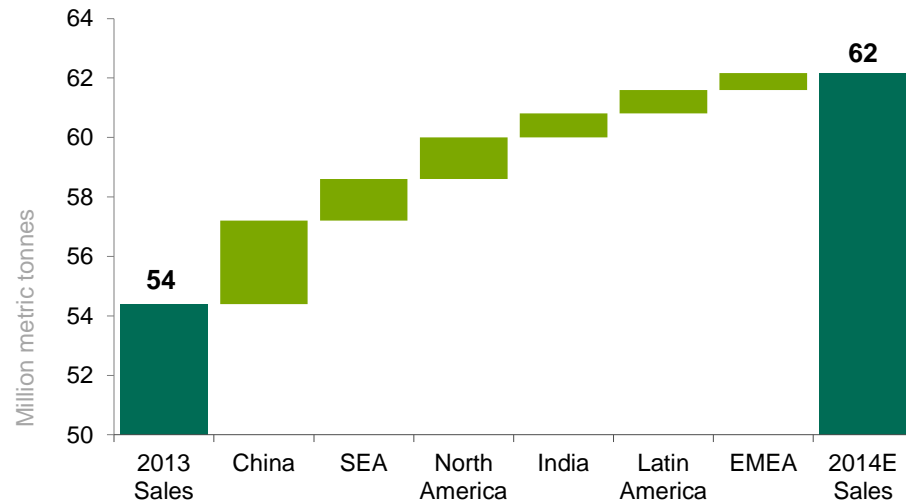
## Global potash deliveries 2011-2014E



## Potash prices became more affordable



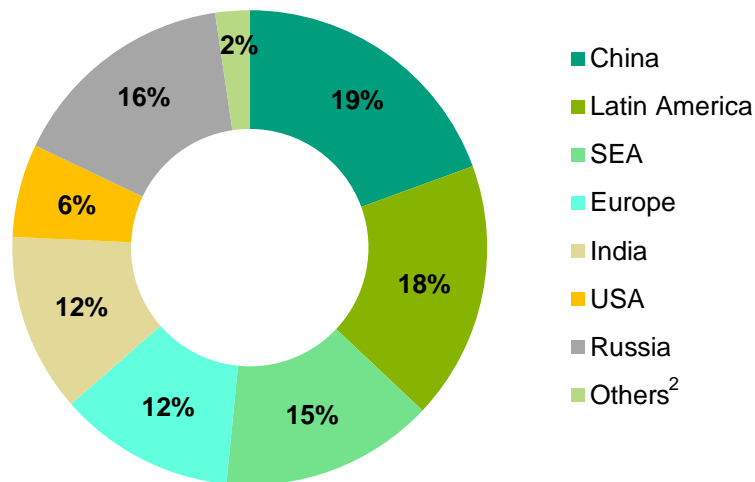
## 2014E deliveries increased in all markets, y-o-y



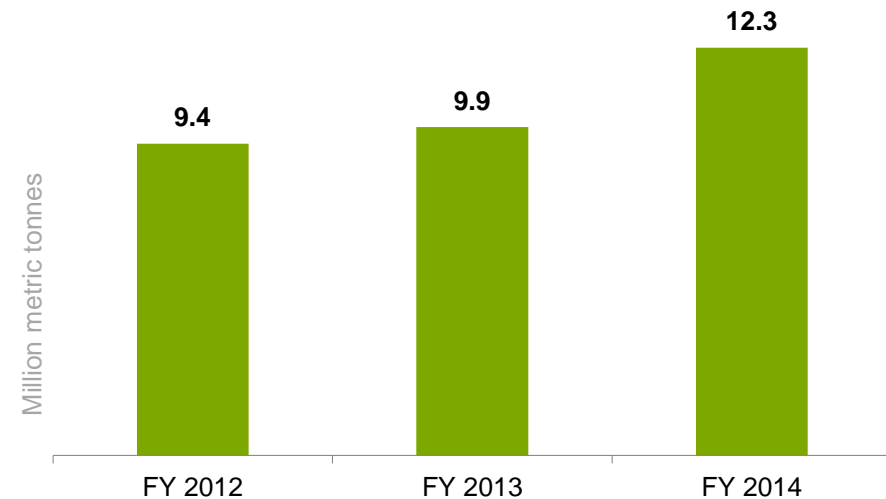
- Strong demand contributed to balanced supply/demand environment in 2014
- Global potash deliveries exceeded 2011 level and are estimated to have reached a new record of 62 million metric tonnes
- 2014 global potash demand has benefitted from restocking in addition to a strong emerging markets demand in response to lower prices

# 2014 Uralkali Sales Overview

## Uralkali FY 2014 sales structure<sup>1</sup>



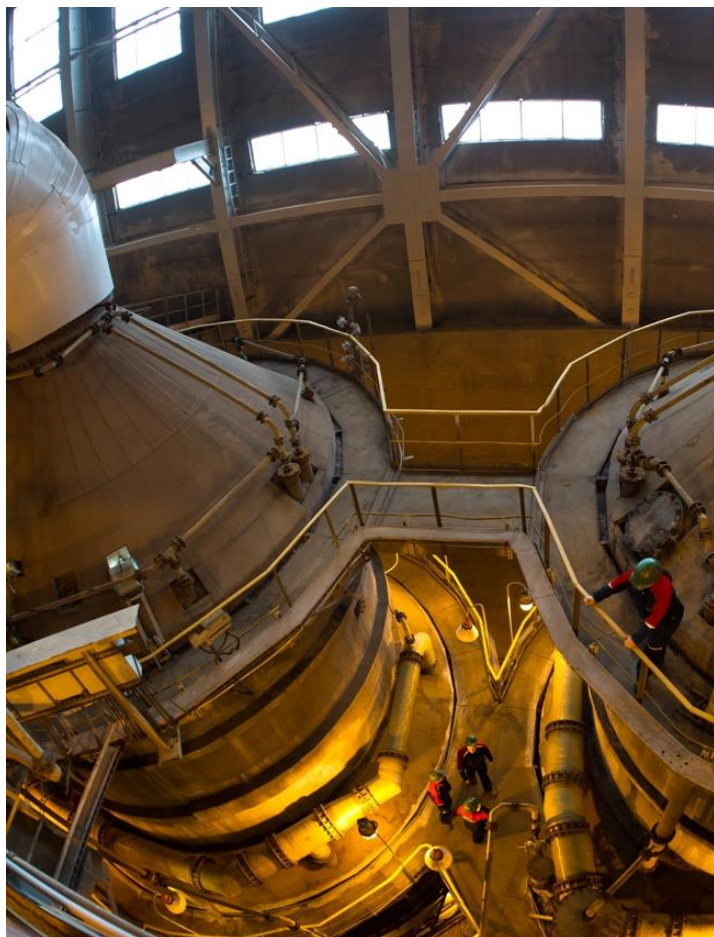
## Uralkali Sales Volumes



- In 2014, Company's sales volumes reached record high 12.3 million tonnes of potash
- 2014 Company's sales portfolio was balanced and diversified
- Maintaining a balance between different markets allows the Company to be flexible and to respond to changes in the market quickly

**Uralkali gained incremental volumes from a global potash shipments rebound in 2014**

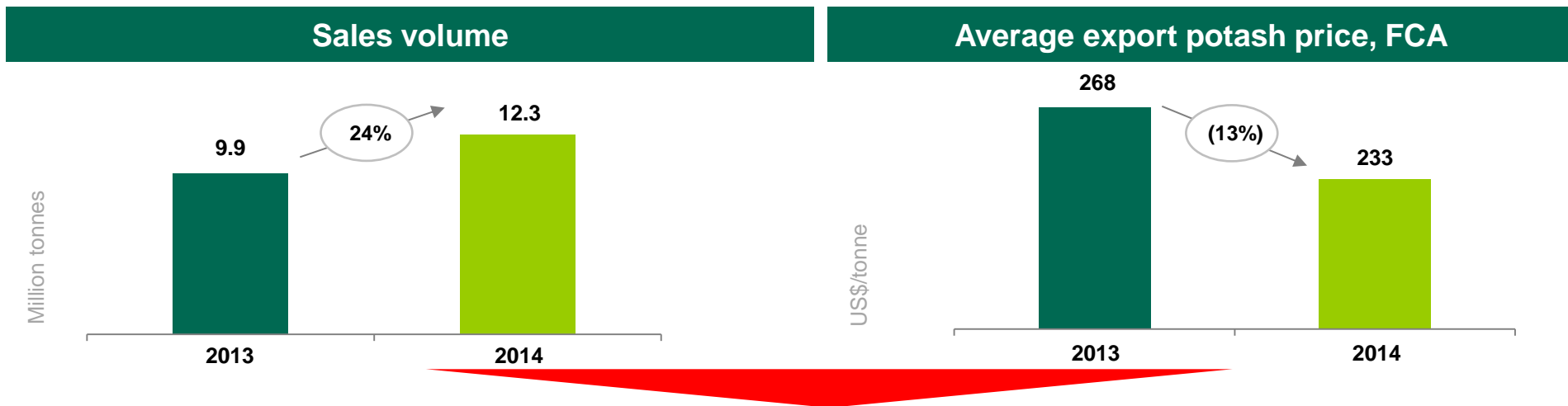
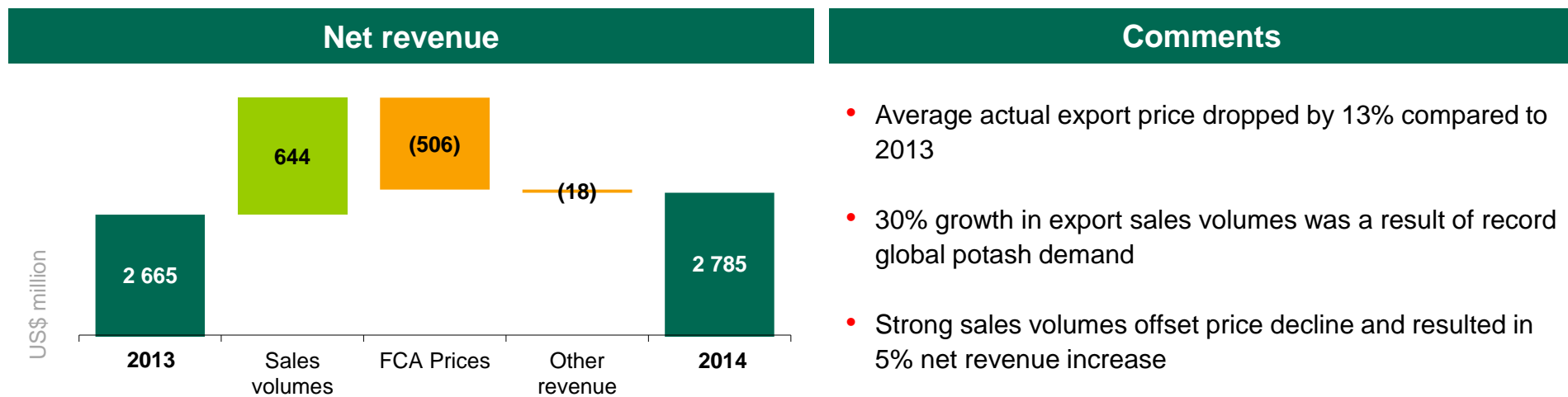
1. Based on sales volumes  
 2. Africa, Middle East, FSU  
 Source: Uralkali



1. Executive Summary	3
2. Potash Sales Overview	5
<b>3. Financial Highlights</b>	<b>8</b>
4. Potash Market Outlook	15
5. Solikamsk-2 Update	18
6. Investment Strategy Update	20
7. Appendix	25



# 2014 Revenue Analysis

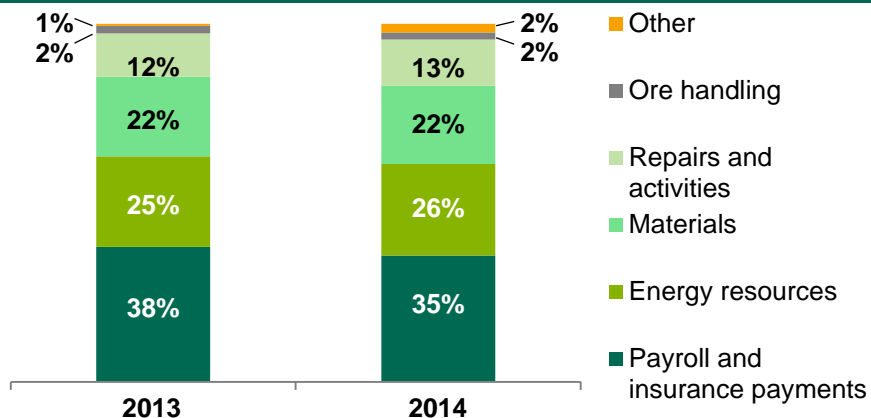


**Uralkali delivered an increase in net revenues as strong growth in export sales volumes more than offset decline in realized price**

# Cost Structure Analysis



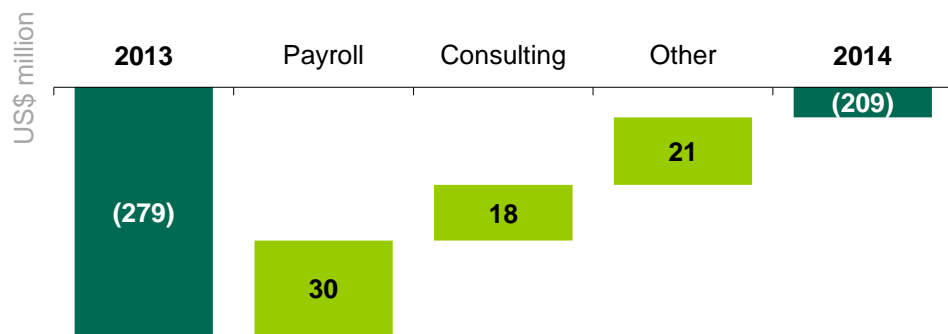
## 2013 vs. 2014 cash COGS structure



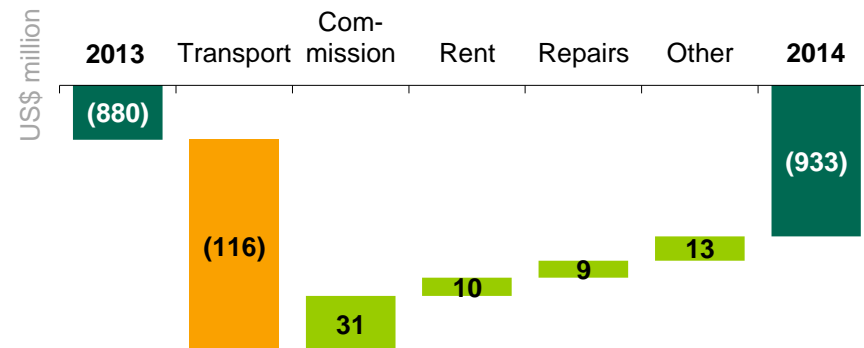
## Comments

- Cost structure remained stable
- Decrease in cash COGS per tonne was driven by growth in sales volume and ruble depreciation
- As a result, EBITDA margin increased by 3pts

## General and administrative expenses



## Distribution costs

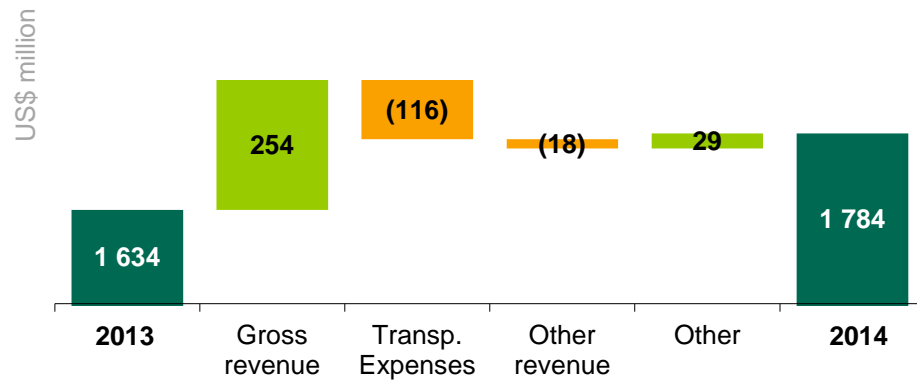


**Favourable impact of ruble depreciation on cost structure provided support in 2014 to Uralkali's continued focus on efficiency and global cost leadership**

1. EBITDA margin is calculated as EBITDA divided by Net Revenue

# EBITDA and Net (Loss)/Profit Analysis

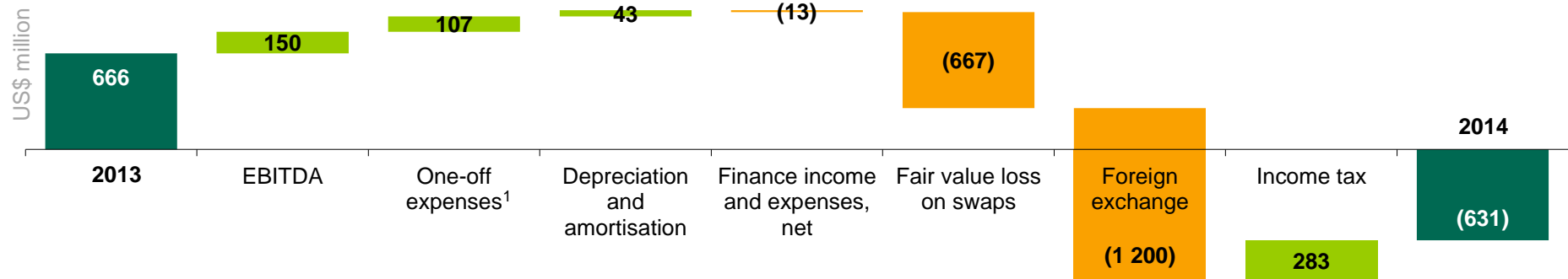
## EBITDA



## EBITDA calculation

	2014	2013	
Operating profit	1 358	1 058	Operating profit
<i>Adjusted for</i>			<i>Adjusted for</i>
Depreciation and amortisation	371	415	Depreciation and amortisation
<b>One-off expenses</b>			<b>One-off expenses</b>
Solikamsk-2 impairment	38	78	Resettlement provision
Mine flooding provision S-2	16	34	Write off of bank deposits
	-	49	Other
<b>EBITDA</b>	<b>1 784</b>	<b>1 634</b>	<b>EBITDA</b>

## Net (loss)/profit



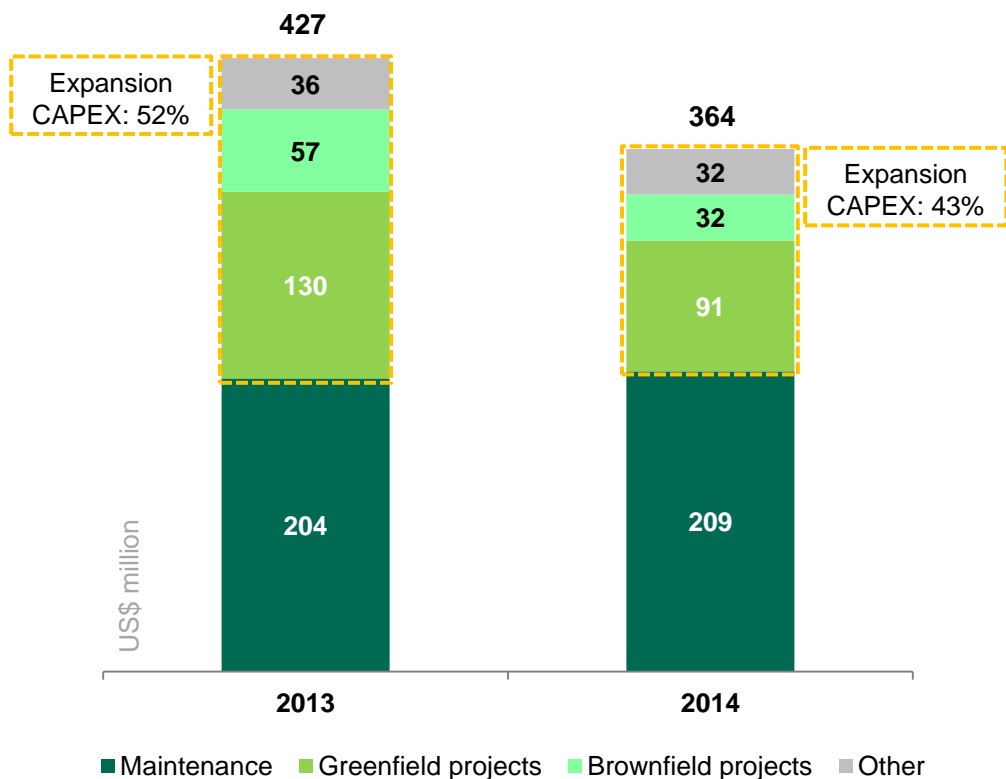
**Impact of ruble depreciation on fair value of swaps and forex loss resulting in Uralkali posting a net loss of US\$631million despite the growth in EBITDA**

1. Please refer to EBITDA calculation above

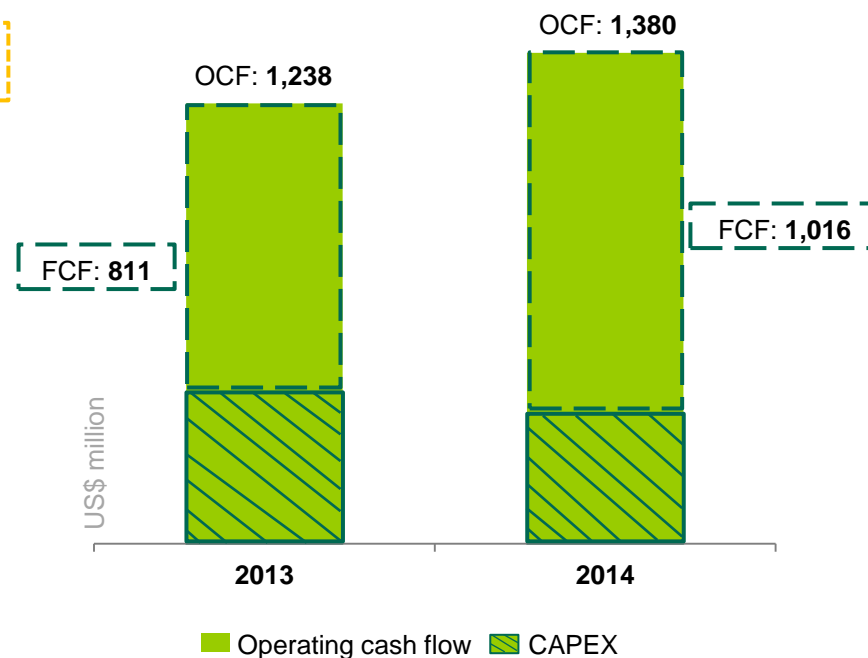
# CAPEX and Cash Flow



## CAPEX<sup>1</sup> breakdown by projects



## CAPEX and cash flows



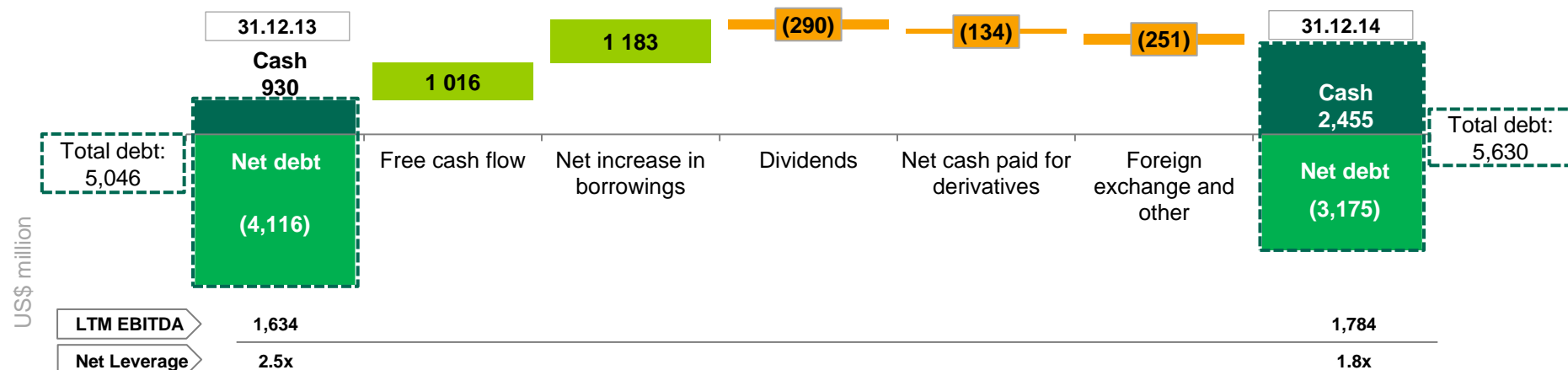
**Operating cash flow enabled the Company to finance its CAPEX programme**

1. As per IFRS Cash Flow Statement

# Credit Ratings and Debt Structure



## Debt bridge and net leverage



### Credit Ratings

### Gearing update

Agency	Credit Rating	Outlook	Last Update	US\$ million	31 December 2014
MOODY'S	Ba1	Negative	Feb' 2015	Total debt (bank loans & eurobonds)	5,630
STANDARD & POOR'S	BBB-	Negative	Feb' 2015	Cash	2,455
FitchRatings	BBB-	Negative	Jan' 2015	Net debt	3,175
				Net Debt/LTM EBITDA <sup>1</sup>	1.8x

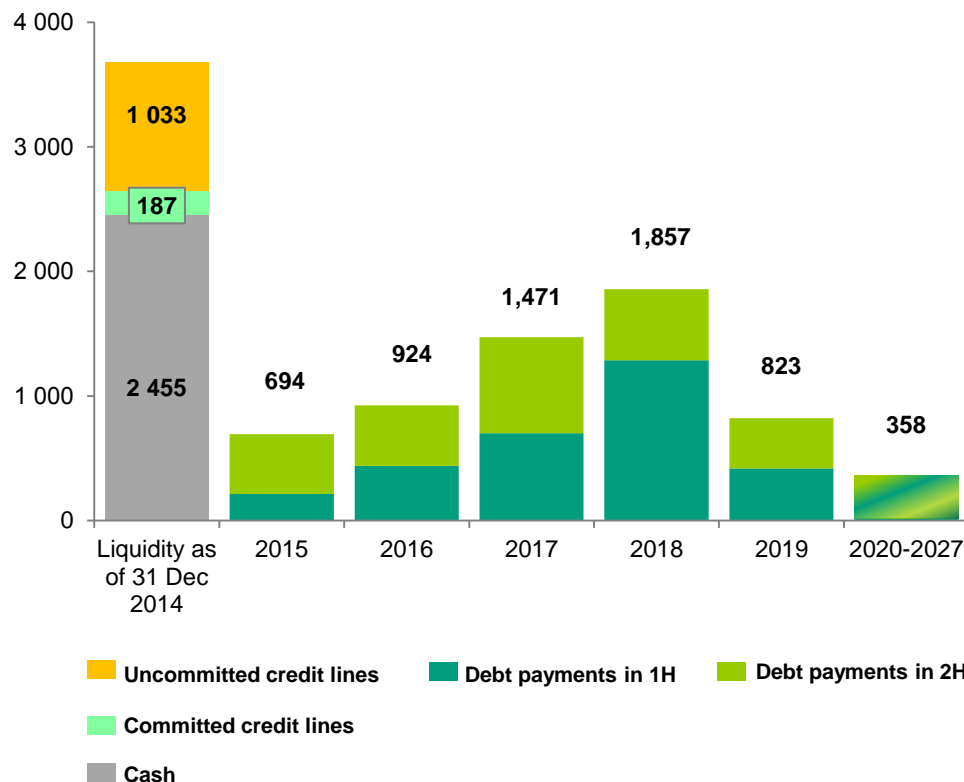
**Investment grade company with balanced credit portfolio; material improvement in leverage metrics during 2014**

1. Above calculations should not be considered for covenants purposes

# Debt Maturity

## Debt maturities schedule (as of 31 Dec 2014)<sup>1</sup>

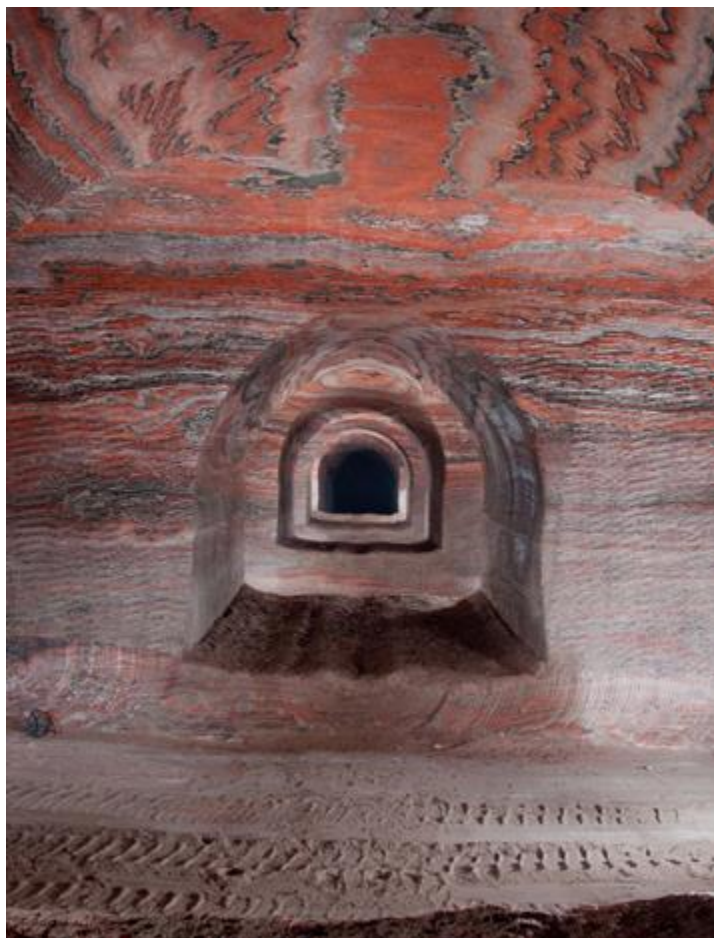
## Loan portfolio structure parameters as of 31 Dec 2014



- c.100% of debt exposure in US Dollars<sup>1</sup>
- 84% - unsecured loans, 16% - PXF
- 15% - fix rate, 85% - floating rate
- 10% of debt is public (eurobonds)
- Effective interest rate on loan portfolio was around 4%
- Debt portfolio is diversified across instruments, products and sources

**US\$ denominated credit portfolio represents natural hedge of export revenue; effective interest rate 4%**

1. Debt repayment schedule includes payments under swap agreements



1. Executive Summary	3
2. Potash Sales Overview	5
3. Financial Highlights	8
<b>4. Potash Market Outlook</b>	<b>15</b>
5. Solikamsk-2 Update	18
6. Investment Strategy Update	20
7. Appendix	25

# 2015 Potash Market Outlook

## Downside risks

- 2015 Demand is expected to be lower than in 2014
- Farmers may cut application rates to reduce expenses in a lower grain price environment
- Flat-to-down global planting acres lead to lower application rates
- Importers highly sensitive to near-term changes in FX. Strong dollar may curb potash demand in key markets (Brazil, Malaysia, Indonesia, India, etc.)
- Destocking cycle likely to take place in some markets given increase in global inventories last year
- Possible production maximisation by some potash producers

## Upside risks

- Brownfield projects are expected to be in early ramp-up phases, bringing on stream little incremental effective capacity
- Logistics bottlenecks and labour disputes of major producers may lead to tighter supply availability
- Further review of the Indian subsidy allocation represents an opportunity for faster recovery of the market

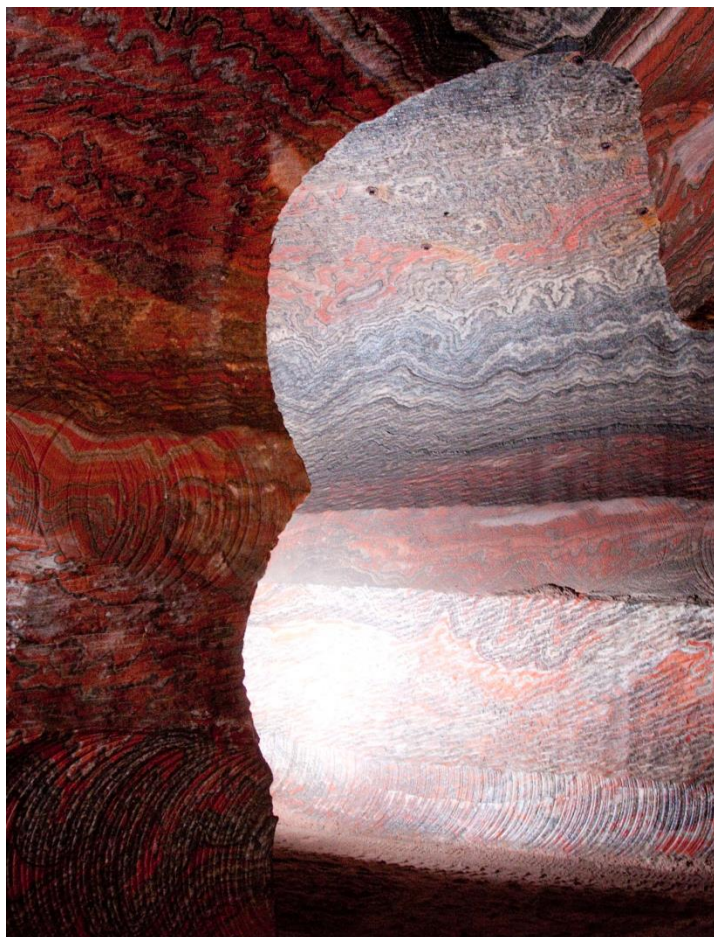
**Risks to demand growth in 2015 tend to the downside compared to record deliveries of 2014**



# 2015 Potash Demand Outlook by Markets

Markets	2015F Low <sup>1</sup>	2015F High <sup>1</sup>	Comments
EMEA	11.6	11.8	<ul style="list-style-type: none"> <li>• Lower y-o-y grain prices may have some impact on demand in Europe</li> <li>• FSU, Africa and Middle East markets are expected to demonstrate some increase in potash demand</li> </ul>
China	12.5	12.7	<ul style="list-style-type: none"> <li>• Contract settlement expected to be a catalyst for potash demand</li> <li>• 2015 Imports may be slightly lower due to high end-year potash stocks and increasing domestic potash production</li> </ul>
India	4.5	4.7	<ul style="list-style-type: none"> <li>• Demand is expected to recover further this year</li> <li>• Potential rebalance of India's subsidies</li> </ul>
SEA & Oceania	9.1	9.3	<ul style="list-style-type: none"> <li>• Palm oil economics remain profitable; palm oil producers expected to continue investing in potash to maximise returns</li> <li>• Potential upside to potash imports may be limited due to weakening of local currencies against US\$</li> <li>• SEA markets are expected to remain very competitive</li> </ul>
North America	9.6	9.8	<ul style="list-style-type: none"> <li>• Lower nutrient levels after 2014 record crop production could be the catalyst for potash demand</li> <li>• Demand may slightly decline due to a reduction in corn planted acreage</li> <li>• Potash prices are expected to be under pressure due to additional product from new suppliers</li> </ul>
Latin America	10.7	11.0	<ul style="list-style-type: none"> <li>• US\$ strength against Real supports crop economics</li> <li>• Potential upside to potash imports may be limited due to lower corn planted acreage and aggressive competition among suppliers</li> </ul>

**2015 potash demand is estimated at 58-59 million tonnes**



1. Executive Summary	3
2. Potash Sales Overview	5
3. Financial Highlights	8
4. Potash Market Outlook	15
<b>5. Solikamsk-2 Update</b>	<b>18</b>
6. Investment Strategy Update	20
7. Appendix	25

# Solikamsk-2 update



## Background

- On 18 November 2014 **higher levels of brine inflows were detected at Solikamsk-2 mine**
- Later a sinkhole was detected east of the Solikamsk-2 production site, outside of the metropolitan area. As of 27 Feb 2015, the sinkhole measured at 73x95 metres

## Company's actions

- To ensure employee safety, Uralkali suspended all works in the mine, introduced an emergency plan and evacuated personnel - **as a result of this prompt action no injuries were sustained**
- **Comprehensive monitoring is currently ongoing** in conjunction with several of scientific institutes: water inflows are monitored; gas levels are monitored around the sinkhole and in the mine; sinkhole is monitored from a distance using air drones; seismologic control of the sinkhole area has been set up
- Uralkali has begun removing equipment from the mine shaft to mitigate the consequences of the accident
- Solikamsk-2 mine is adjacent to Solikamsk-1 mine. Uralkali is working to strengthen the hydro-isolation of the cut-off walls between Solikamsk-1 and Solikamsk-2 fields
- **All other production units continue to operate in the ordinary course of business**

## Results of the investigation

- Based on the findings of the expert group, the commission concluded:
  - ✓ the inflow was due to the mass collapse of rock in the mine during the accident and earthquake in 1995
  - ✓ the **measures implemented by Silvinit and Uralkali to minimise the consequences of the 1995 accident have prolonged the life of the Solikamsk-2 mine by nearly 20 years**
  - ✓ It would not have been possible to prevent the negative implications of the 1995 accident
- In co-ordination with Rostekhnadzor, **Uralkali continues to undertake a number of measures to localise and minimise the consequences of the accident**



1. Executive Summary

3

2. Potash Sales Overview

5

3. Financial Highlights

8

4. Potash Market Outlook

15

5. Solikamsk-2 Update

18

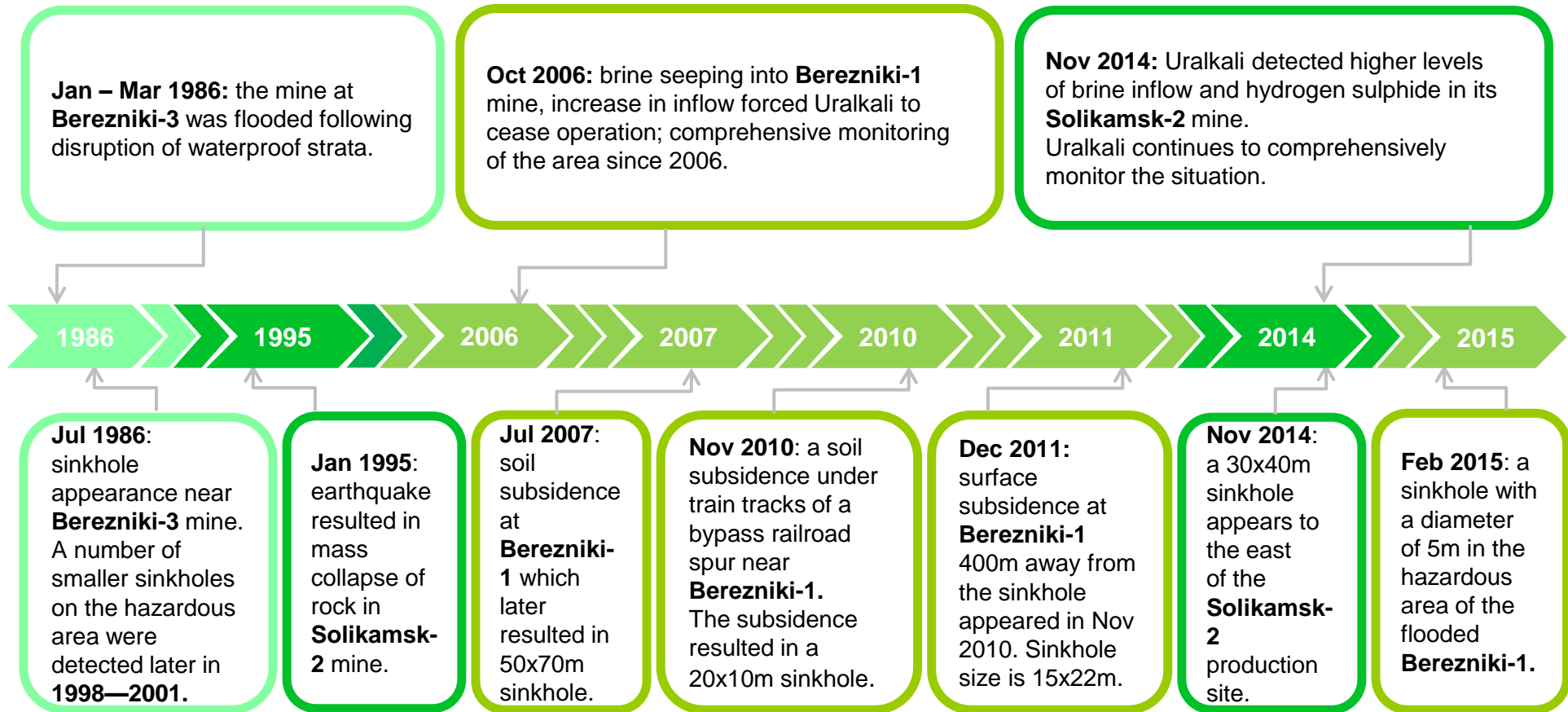
6. Investment Strategy Update

20

7. Appendix

25

# Accidents Chronology

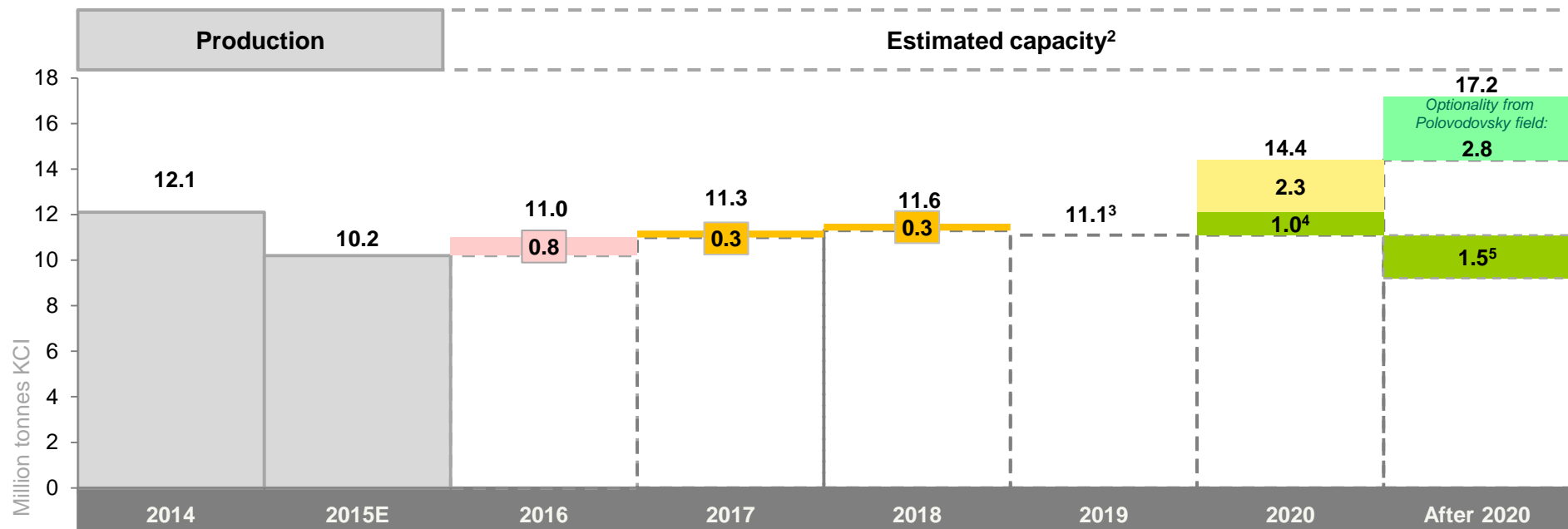


**Geological risk is inherent for potash industry.  
It must be mitigated through ongoing development and construction of production facilities using modern technologies and equipment.**

# Updated Investment Strategy: Schedule



Project Name	Project Capacity, million tonnes KCI	CAPEX, US\$/tonne	Commissioning
Increasing load	0.8	109	2016
Solikamsk-3 (phase 1)	0.6	225	2017
Ust-Yayvinsky field	2.5 <sup>1</sup>	476	2020
Solikamsk-2 (new mine)	2.3	314	2020
Polovodovsky field	2.8	680	after 2020




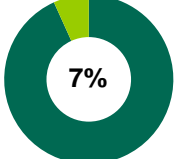

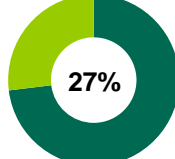

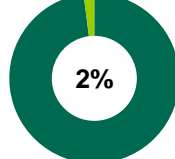


**Efficient investment programme to reach 14.4 million tonnes by 2020**

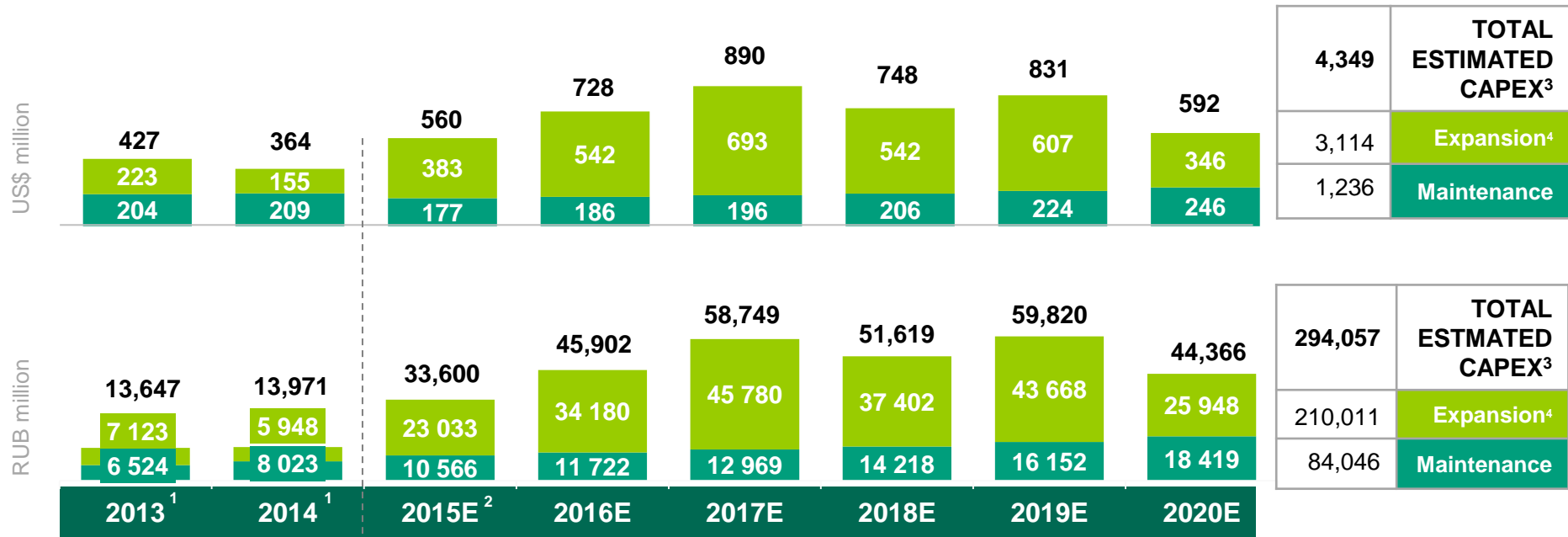
1. Including 2.0 million tonnes that will substitute the gradually depleting capacity of Berezniki-2 mine, and capacity growth from 2.3 to 2.8 at Berezniki-3
2. Average for the year
3. Decrease in capacity by 0.5 million tonnes is caused by depleting capacity at Berezniki-2 mine starting from 2019
4. Replacement of decrease in capacity at Berezniki-2 mine and additional capacity 0.5 million tonnes at Berezniki-3 due to additional ore from Ust-Yayva
5. Complete replacement of Berezniki-2 mine (1.5 million tonnes)

# Updated Investment Strategy: Key Projects



Project	Description	Capacity	Project CAPEX	Invested as of 31 Dec 2014
 <p><b>Increasing load</b></p>	<ul style="list-style-type: none"> <li>A number of projects aimed at increasing the load, incl. modernization/partial replacement of equipment with more technologically advanced options</li> <li>Projects come on stream by the end of 2016</li> </ul>	0.8 mln t KCl	US\$87 million	n/a
 <p><b>Solikamsk-2 (new mine)</b></p>	<ul style="list-style-type: none"> <li>Construction of new mine aimed at resuming ore extraction at S-2 field and feeding the S-2 processing facility</li> </ul>	2.3 mln t KCl	US\$723 million	n/a
 <p><b>Solikamsk-3 (phase 1)</b></p>	<ul style="list-style-type: none"> <li>Completion of cargo and ventilation shaft 4 with two hoist machines</li> </ul>	0.6 mln t KCl	US\$135 million	
 <p><b>Ust-Yayvinsky field</b></p>	<ul style="list-style-type: none"> <li>In 2014 shaft construction has progressed (243/465 m at Shaft 1 and 227/422 m at Shaft 2). In 2015, the Company plans to start the construction of the above-ground complex</li> <li>Ore from U-Y block will be processed at B-3 plant and will substitute decreasing reserves at B-2 mine</li> </ul>	2.5 mln t KCl	US\$1 191 million	
 <p><b>Polovodovsky field</b></p>	<ul style="list-style-type: none"> <li>Construction of a mine (two shafts) and a flotation ore-treatment plant</li> <li>Currently under feasibility stage, final decision will be made at a later date</li> </ul>	2.8 mln t KCl	US\$1 905 million	

# Updated Investment Strategy: CAPEX



- Focus on investments in production facilities: more than 2 times growth in 2015 in ruble terms compared to 2013-2014 levels
- 2015-2020 are expected to be very capital - intensive

**Intensive investment strategy aimed at sustaining industry leadership**

1. Actual, as per IFRS Cash Flow Statement  
 2. Exchange rate used for 2015: 60 RUB/US\$  
 3. Estimated for 2015-2020 period  
 4. Including granulation and other projects





1. Executive Summary	3
2. Potash Sales Overview	5
3. Financial Highlights	8
4. Potash Market Outlook	15
5. Solikamsk-2 Update	18
6. Investment Strategy Update	20
7. Appendix	25

# Uralkali Operations Overview



## Existing Assets - 5 MINES, 6 POTASH PLANTS, 3 GREENFIELD PROJECTS (Ust-Yayva, Polovodovo and Romanovo)



### Berezniki-2

- Potash plant and mine
- Granular and standard potash
- Reserves: 99.9 m tonnes of ore



### Berezniki-3

- Potash plant
- Granular, standard potash



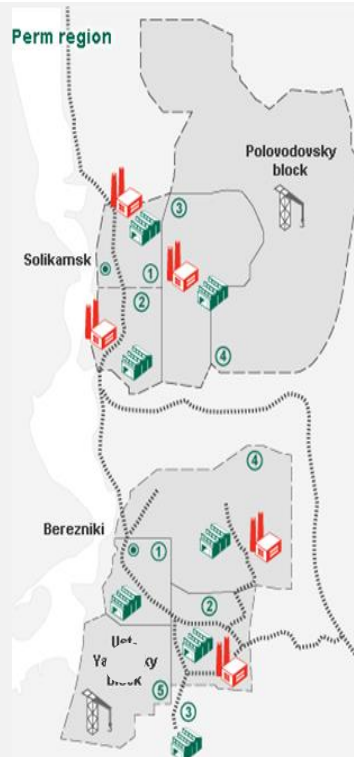
### Berezniki-4

- Potash plant and mine
- Standard potash
- Reserves: 336.2 m tonnes of ore



### Ust-Yayvinsky Field

- Reserves: 137.3 m tonnes of ore



- MOP Plants (6)
- Potash Mines (5)
- Greenfield licenses (3)



### Solikamsk-1

- Carnallite plant
- Potash plant and mine
- Standard potash
- Reserves: 91.9 m tonnes of ore



### Solikamsk-2

- Potash plant and mine
- Granular and standard potash
- Reserves: 223.4 m tonnes of ore



### Solikamsk-3

- Potash plant and mine
- Standard potash
- Reserves: 259.8 m tonnes of ore



### Polovodovsky Field

- Resources: 2.2 bn tonnes of ore

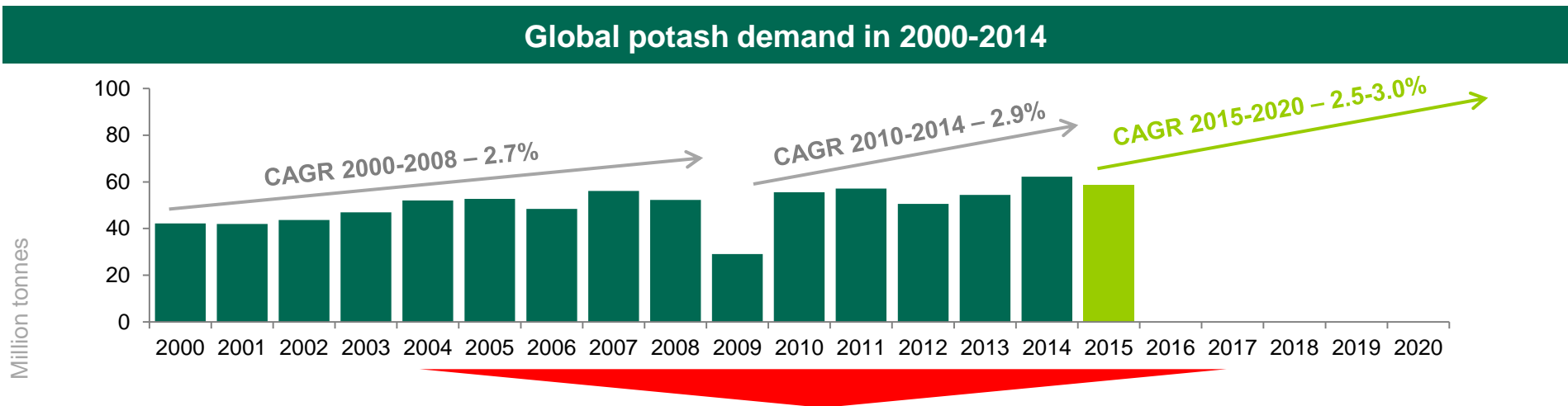
### Romanovsky Field

- Preliminary estimated reserves: 385 m tonnes of ore

1. JORC as of 1 January 2014  
 2. The Mineral Resources presented are inclusive of those Mineral Resources converted to Ore Reserves

# Demand Forecast

Global historic demand for potash		Comments	
CAGR, % (2000-2008)	2,7%		
CAGR, % (2010-2014)	2,9%		
Industry agency forecast		<ul style="list-style-type: none"> <li>• Uralkali estimates medium term potash demand growth of between 2.5-3.0%</li> <li>• In line with historic trends over the last 15 years</li> <li>• Certain leading independent agencies have a materially more optimistic market forecast</li> </ul>	
Fertecon, 2014	CAGR, % (2015–2020)		4,1%
CRU, 2014	CAGR, % (2014–2019)		4,1%
IFA, 2014	CAGR, % (2014–2018)		2,5%



**Uralkali is set to maintain its leadership position in the industry and ability to meet the growing demand for potash (estimated CAGR c.2.5-3% p.a.)**