

# Uralkali: A Leader in the Global Potash Market

An aerial photograph of a large industrial facility, likely a potash processing plant, situated in a green, forested area. The facility features several large, green-roofed buildings, a tall red and white smokestack emitting a plume of white smoke, and a complex network of pipes and conveyor systems. A railway line runs alongside the facility, and a road is visible in the foreground. The background shows a dense forest and a small town in the distance.

**Investor Presentation**  
**February 2014**

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# Agenda



- 1. A Leader in the Global Potash Market**
- 2. Strategic Review**
- 3. Financial Highlights**
- 4. Potash Market Outlook**
- 5. Key Takeaways**

# Uralkali at a Glance



## Company Snapshot

- Leading potash producer in fertilizer segment with attractive fundamentals and expected long-term evolution
- A blue-chip credit with investment grade corporate ratings from S&P, Moody's and Fitch (BBB-/Baa3/BBB-)
- Strong profitability and cash flow generation backed by cost efficiency and low capital intensity
- Focus on corporate governance and sustainable development

## Key Metrics<sup>1</sup>

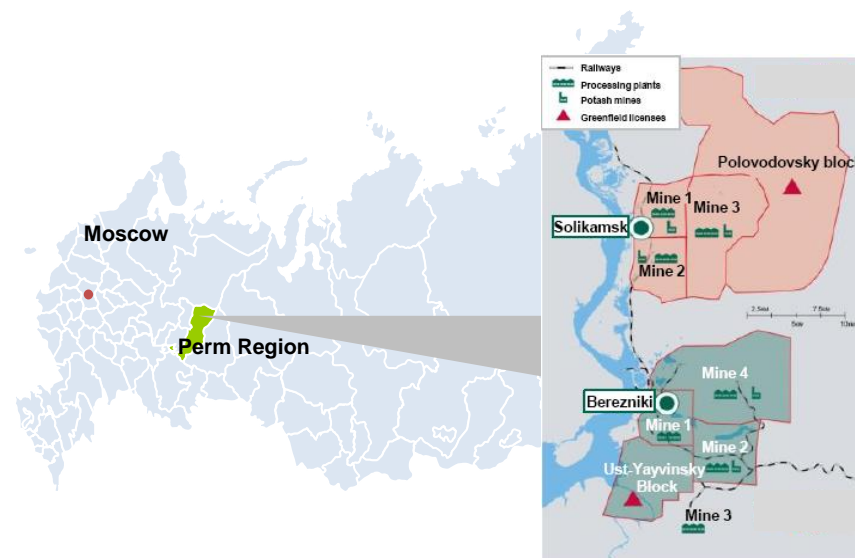
	2010	2011	2012	1H 2013
Total Sales, KCI mn t	5.1	8.6	9.4	4.3
Exports Volume, KCI mn t	4.4	7.0	7.3	3.3
Net Revenue <sup>2</sup> , US\$ mn	1,338	2,968	3,343	1,348
Adj. EBITDA <sup>3</sup> , US\$ mn	800	2,097	2,375	876
Adj. EBITDA Margin <sup>4</sup>	59.8%	70.7%	71.0%	65%
Total Debt <sup>5</sup> , US\$ mn	369	3,282	3,926	3,987
Net Debt <sup>6</sup> , US\$ mn	-115	2,264	2,257	2,693
Net Debt / LTM EBITDA	n/a	1.1x	0.95x	1.5x

Source: Uralkali's audited consolidated financial statements as of FY2010, FY2011, and FY2012, USGS, SRK Consulting, Uralkali data, Companies financial reports and presentations, Fertecon

### Notes:

1. Silvinit Group financial results are consolidated since May 17, 2011. Please see footnote 6 in FY 2012 IFRS for more details; 2. Calculated as Revenues less railway tariff, freight and transshipment costs; 3. EBITDA is calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs and other one-off expenses; 4. Calculated as Adj. EBITDA divided by Net Revenues; 5. Calculated as total bank loans; 6. Net debt is calculated as the total bank loans adjusted for cash and cash equivalents and non-current and current restricted cash

## Production Assets

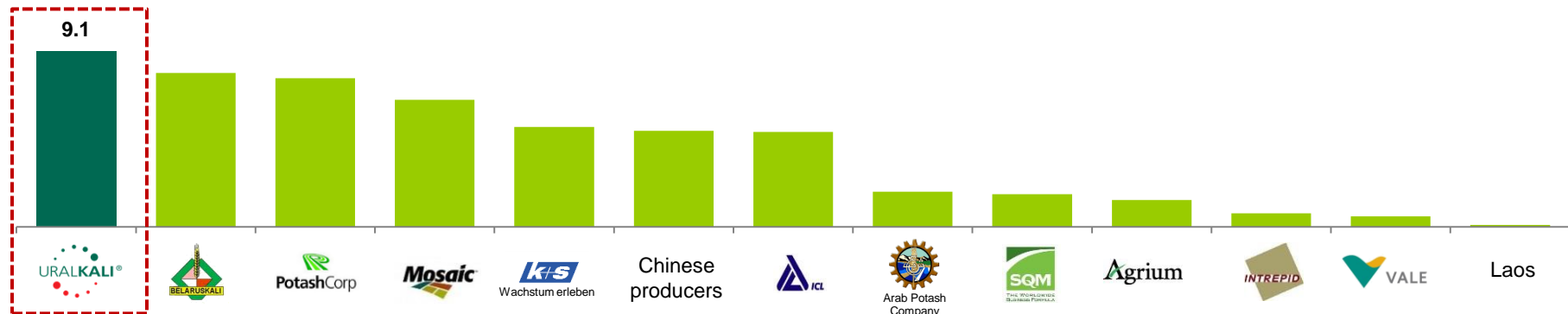


- 5 potash mines
- 6 potash producing plants + 1 carnallite plant
- 2 greenfield licenses

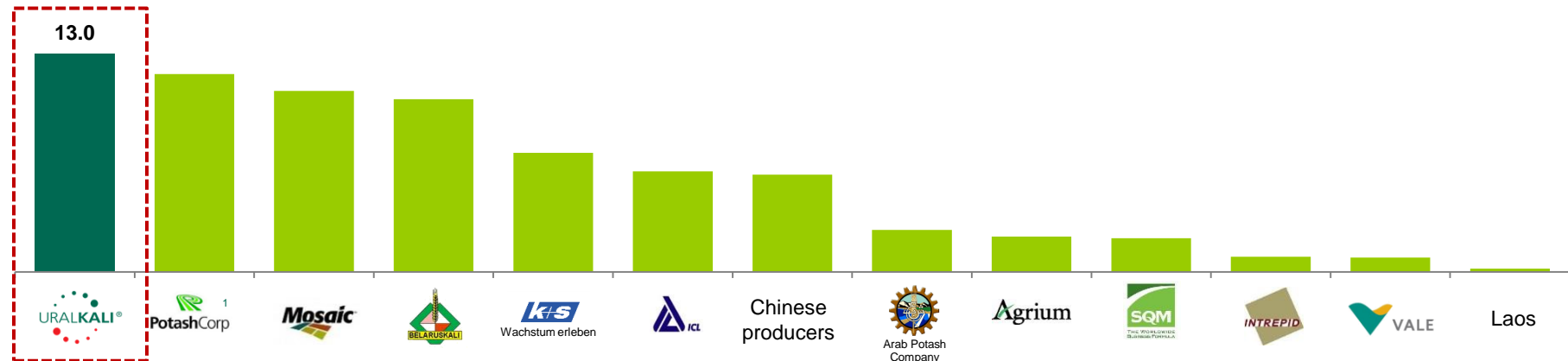
# Leader in the Global Potash Market



Potash Production (2012), KCI mn t



Potash Capacity (2012), KCI mn t



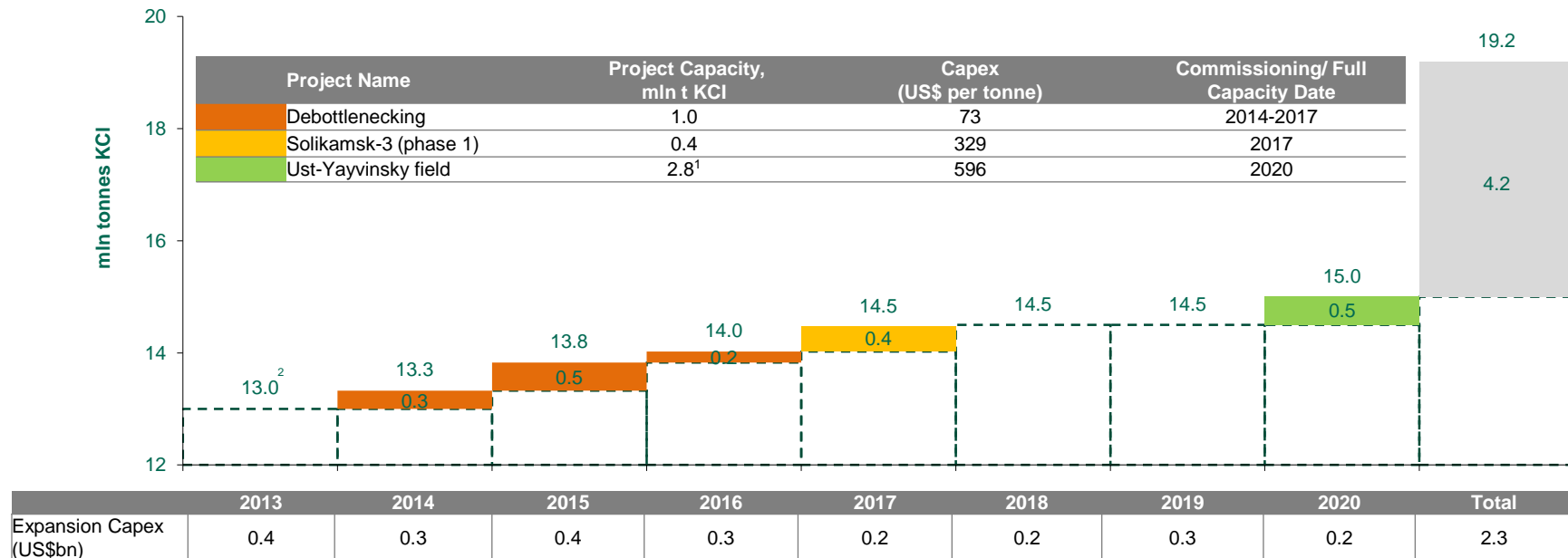
Source: Companies financial reports and presentations, Fertecon

**Global market leader by both production and capacity with capability to respond to market dynamics with existing expansion programme**

Note:  
1. Operational capability



# Low Cost Expansion Programme



- Revised capacity expansion programme to preserve robust capital structure and retain financial flexibility
- Limited capex requirements to steadily increase capacity to up to c. 15 mln t by 2020
- Decision on development of Polovodovsky and Solikamsk-3 (phase 2) to add further 4.2 mln tonnes of capacity will be made in 2015 providing for strategic optionality

**Sustaining long-term leadership on the most cost effective basis in the industry**

For more details on Uralkali's expansion programme please visit [www.uralkali.com/expansion\\_programme/](http://www.uralkali.com/expansion_programme/)

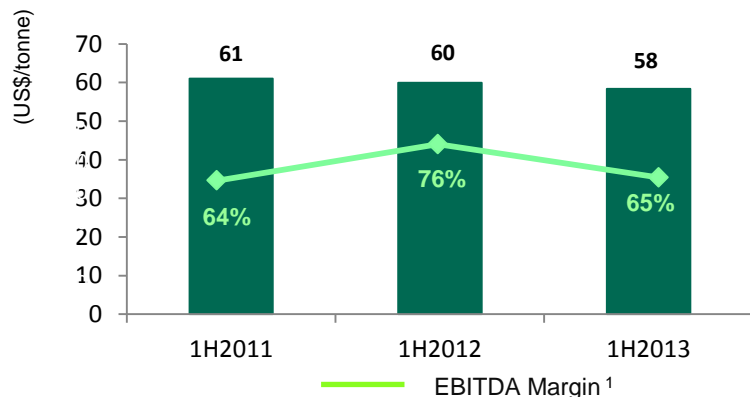
Note:

1. Including 0.5 mln tonnes of additional capacity and 2.3 million tonnes of new capacity that will substitute the depleting capacity of Berezniki-2 mine
2. Capacity is shown as of year end; the numbers may not add up due to rounding

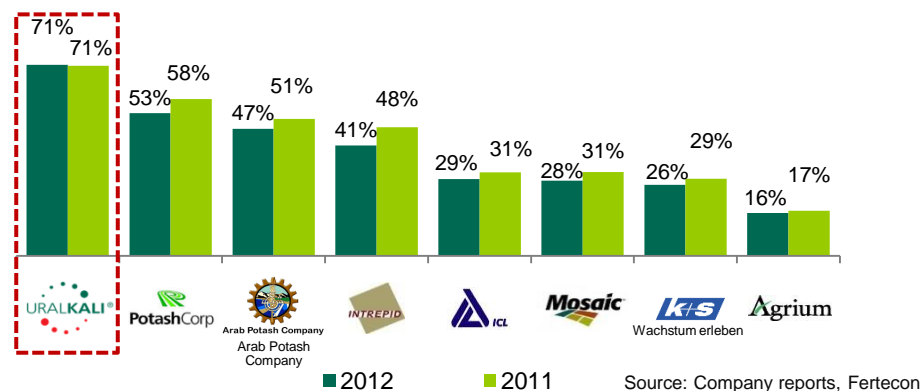
# Cost Leadership Position



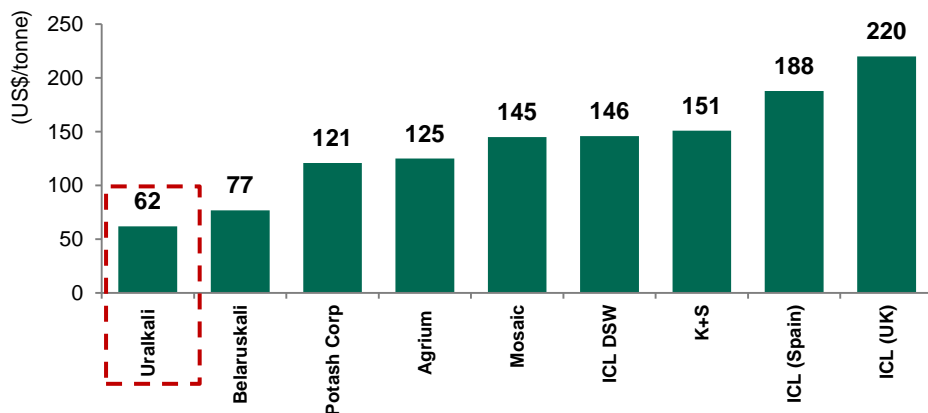
## Uralkali Unit Cash COGS



## Adj. EBITDA Margin<sup>1</sup>

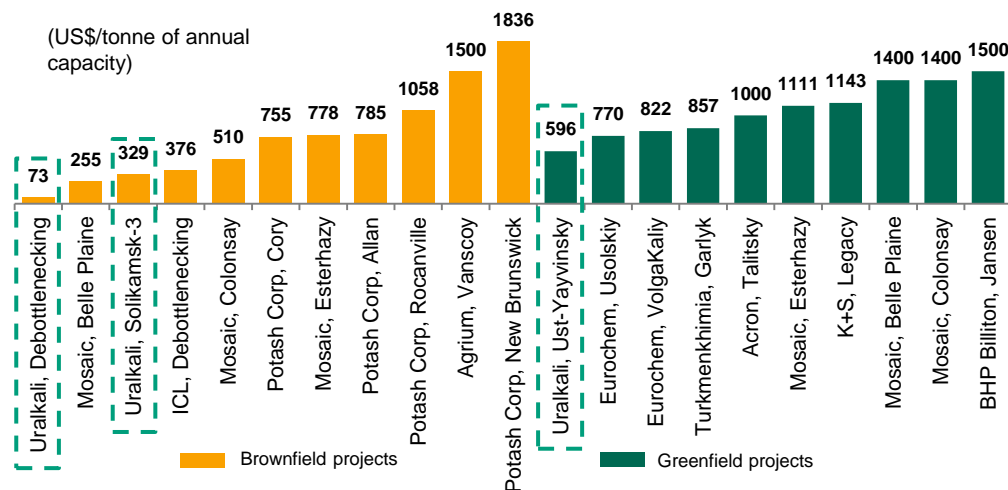


## 2012 Global Potash Cash COGS<sup>2</sup>



Source: Morgan Stanley Report, August 2013

## Global Expansion Costs



Source: Goldman Sachs Report, June 2013; Uralkali

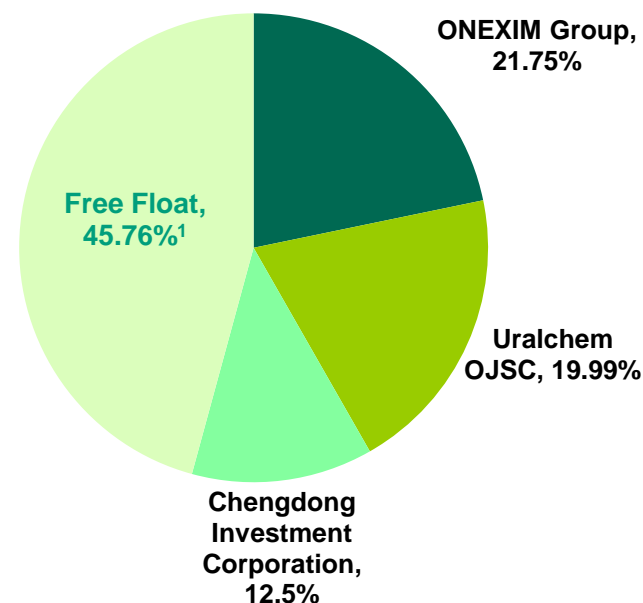
**Sustaining lowest cash costs and highest EBITDA margin across the industry**

Notes:

1. EBITDA margin is calculated as EBITDA divided by Net Sales
2. Defined as gross cash costs plus royalties, FOB mine (ex freight)

# Diverse International Public Ownership

- Shares and GDR's are traded on the London Stock Exchange, Moscow Exchange
- Total number of ordinary shares is **2,936,015,891** (equivalent of **587,203,178** GDRs)
- GDRs represent c.16.6% of Uralkali share capital as of December 20, 2013
- Uralkali's shares and GDRs are part of major indices (incl. MSCI Russia, RTS / MICEX, FTSE Russia, Market Vector and DAXglobal Agribusiness)



Source: Company data

**Largest publicly traded fertilizer producer listed on the LSE**

Notes:

Equity structure is given as of December 20, 2013

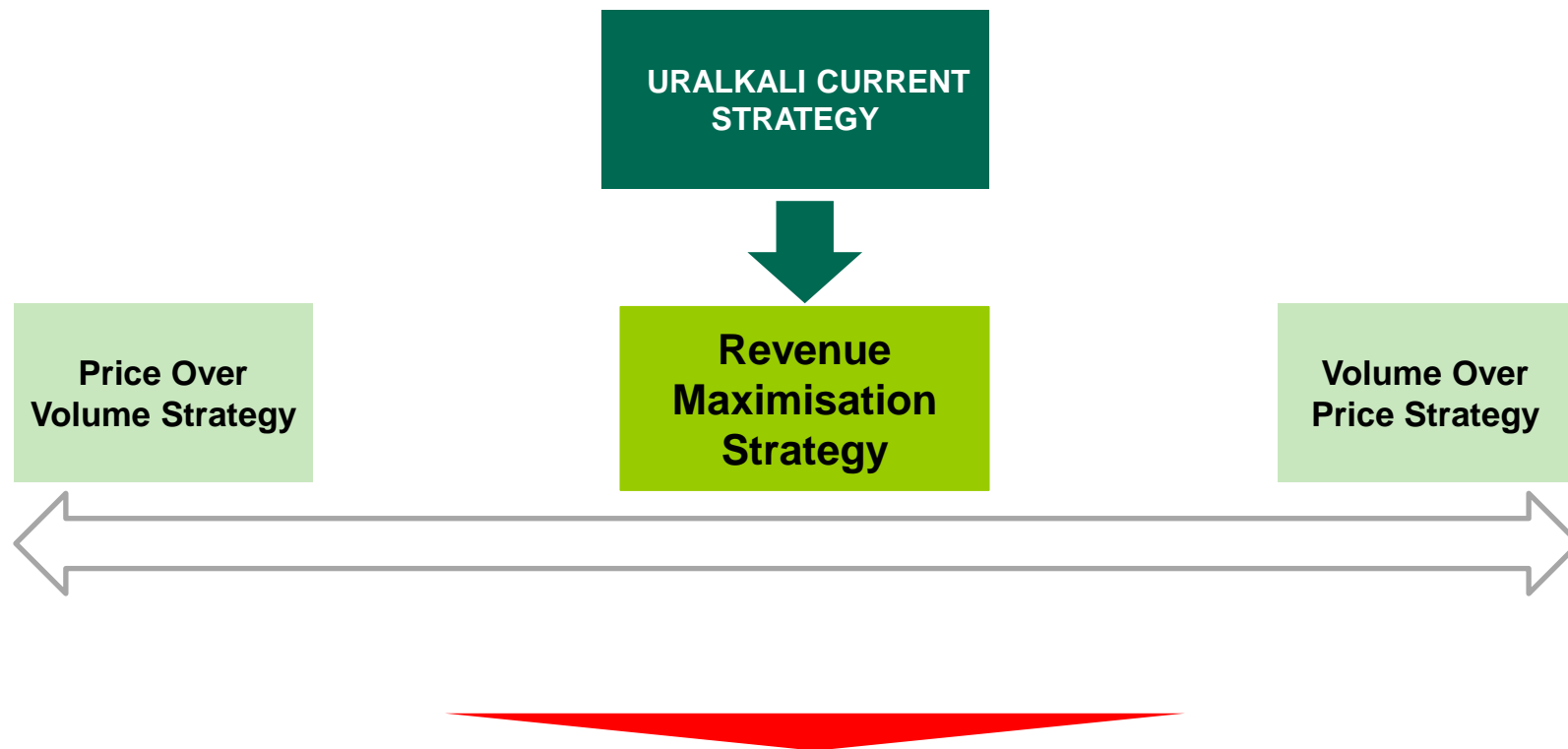
1. Includes shares acquired by subsidiaries of Uralkali which are accounted for as treasury shares for the purposes of the Group's consolidated financial statements prepared in accordance with IFRS.



# Agenda

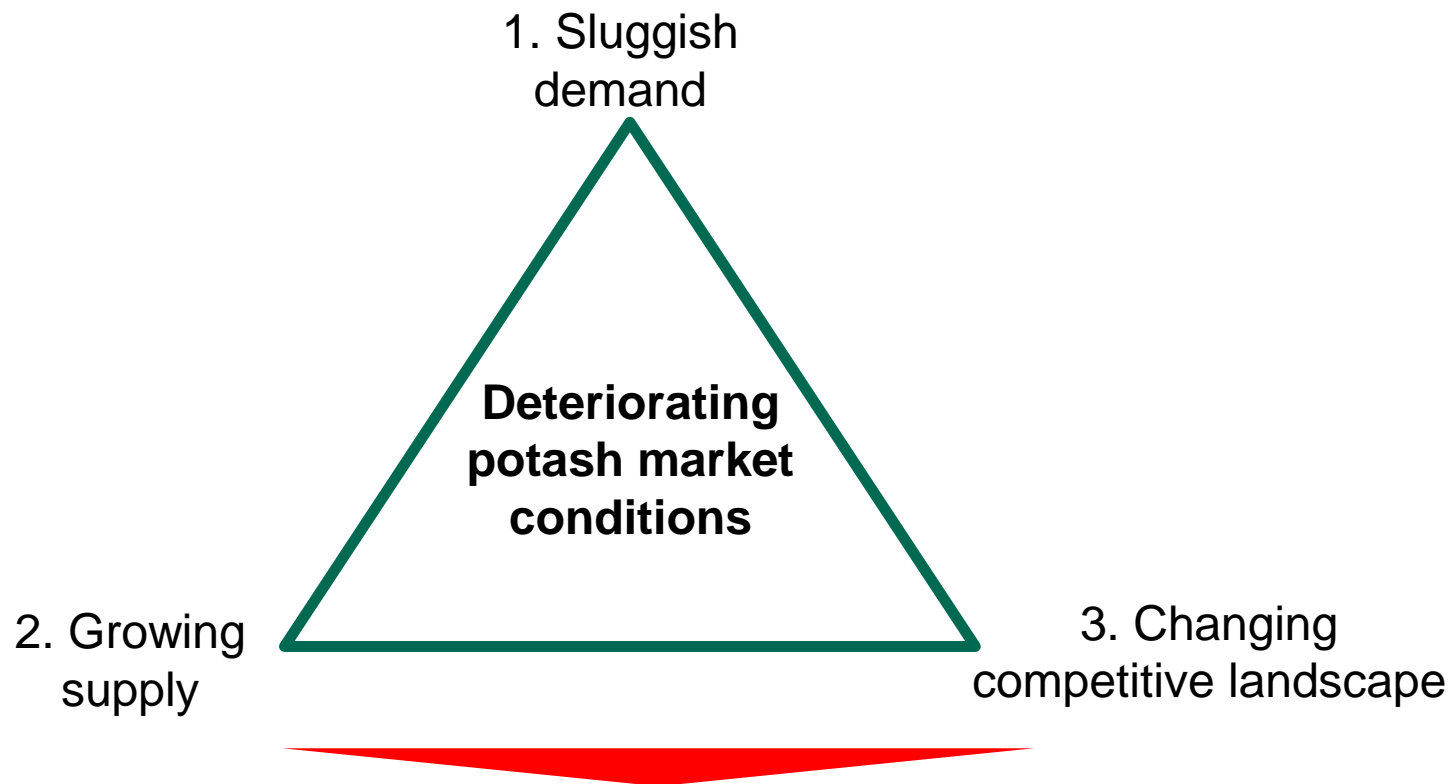
1. A Leader in the Global Potash Market
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# Change in Market Posture



**As an industry leader Uralkali will grasp market opportunities to maximise its revenue through either price or volume or both**

# Why 'Price Over Volume' Became Too Rigid for Uralkali

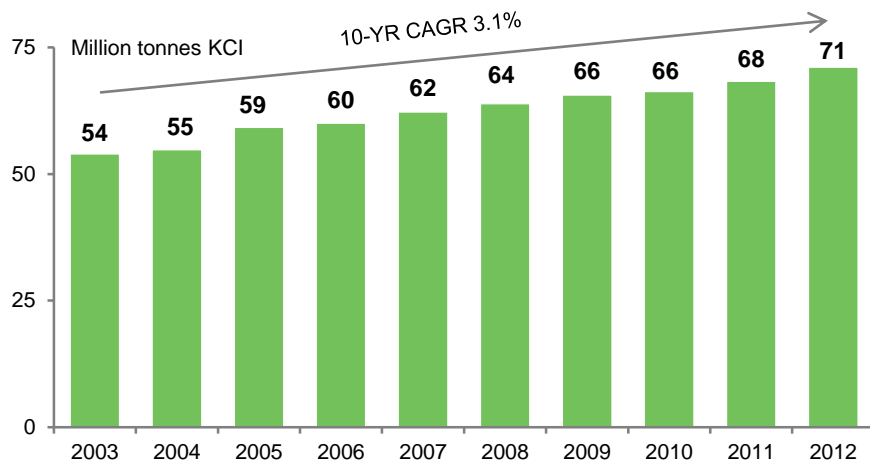


**Responsible market leadership started to take its toll on Uralkali's market share**

# Growing Supply Ahead of Sluggish Demand

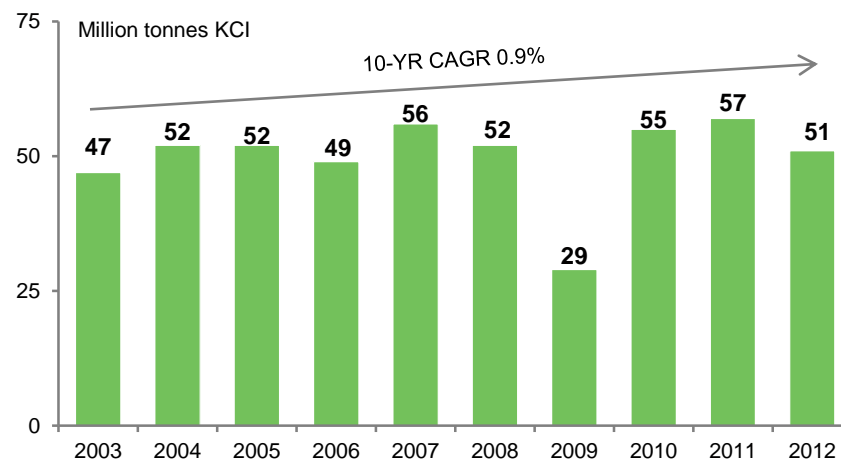


## Global supply – 10-YR CAGR 3.1%



Source: IFA, Fertecon, Companies' releases

## Global demand – 10-YR CAGR 0.9%

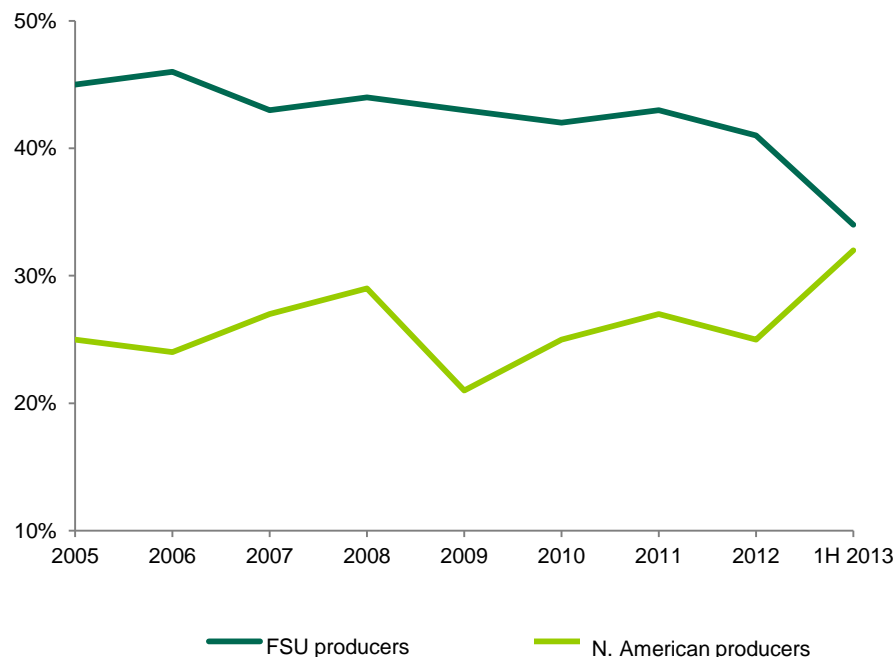


Source: IFA, Fertecon, Companies' releases

**Widening supply/demand gap brought industry utilization rate down to c. 70%**

# Change in Competitive Landscape (1 of 2)

## N. American producers' vs. FSU producers' export market share



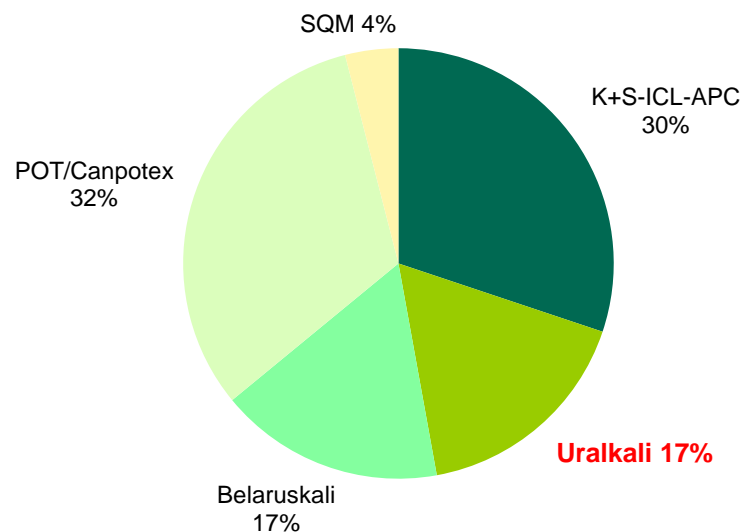
Source: IFA, Uralkali

## Key observations

- **N. American producers were gaining market share through offering lower prices:**
  - Brazil: N. American producers increased the market share by 8% to 38% yoy in 1H2013
  - Malaysia/Indonesia: N. American producers' market share was up 12% yoy and 8%, respectively by offering the lowest prices in the tenders
  - India: N. American producers were increasing its market share in India at the expense of traditional suppliers in 2013: 26% in 1H2013 (up 5% yoy) compared to historical market share of 23-24%.
- **In 2012-1H2013 German and Israeli producers were also very aggressive in terms of pricing in Brazil and key European markets**
- **1H 2013 sales by Belaruskali outside of BPC have also contributed to changes in competitive environment**

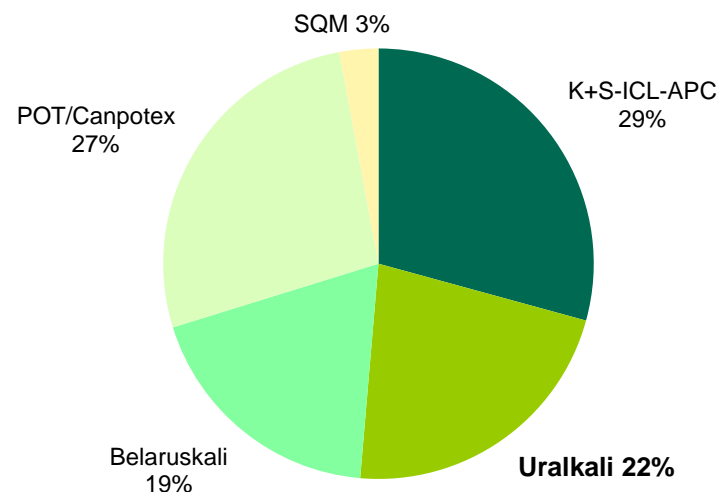
# Change in Competitive Landscape (2 of 2)

1H 2013



Source: IFA

1H 2012



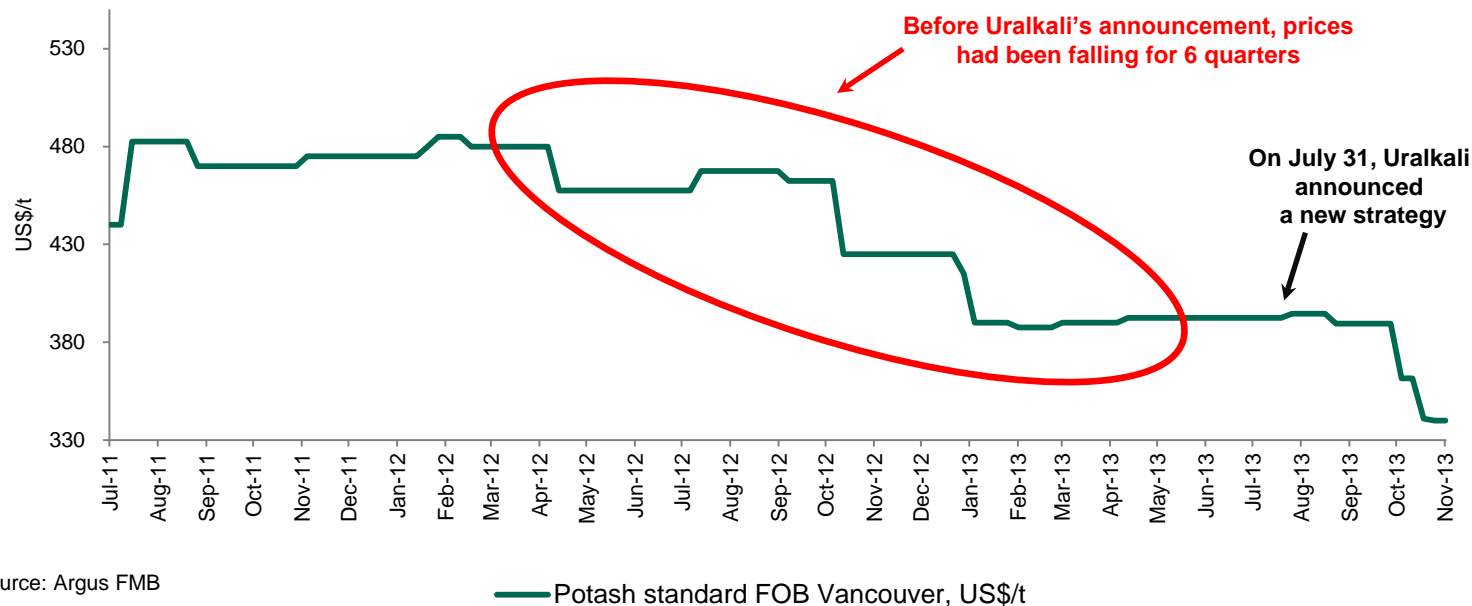
**Uralkali lost global market share implementing price over volume strategy in 1H13**



# Impact on Global Potash Prices



## Potash price evolution



Source: Argus FMB

The prolonged decline in potash prices made “price over volume” strategy difficult to implement

# Uralkali's New Strategy – Positive Changes on the Way



## Short Term Impact

- More affordable pricing is expected to promote more balanced fertilisation
- Potash prices became more affordable for lower income farmers, such as in India
- Potash inventories are being depleted
- Potash demand is showing signs of recovery

## Long Term Impact

- Demand growth is expected to return to historical average of c. 2-4% p.a.
- Lower potash price should promote rational decision making in relation to greenfield projects
- The improvement of market conditions will restore correlation between the potash price and farmers' economics

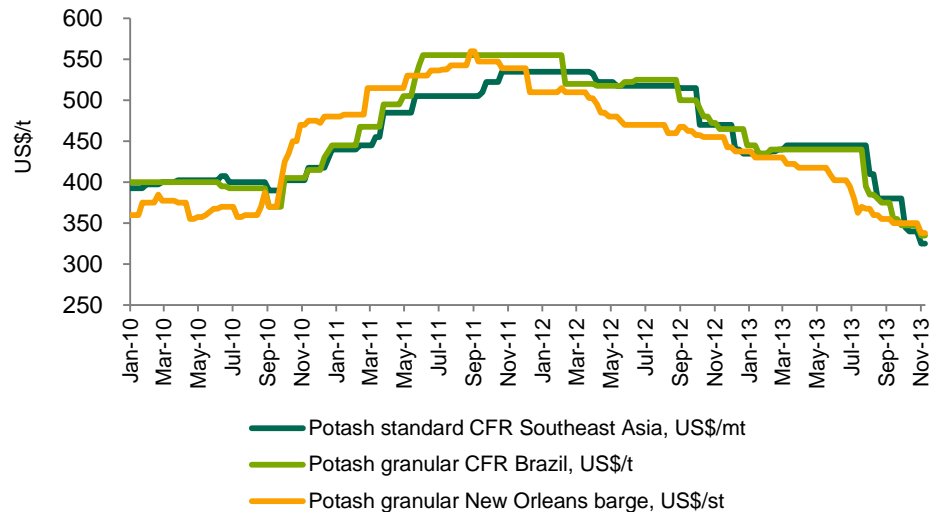


**Our Customers will continue to be our ultimate priority and will benefit from the market dynamics triggered by Uralkali's new strategy**

# Short-Term Impact on the Industry

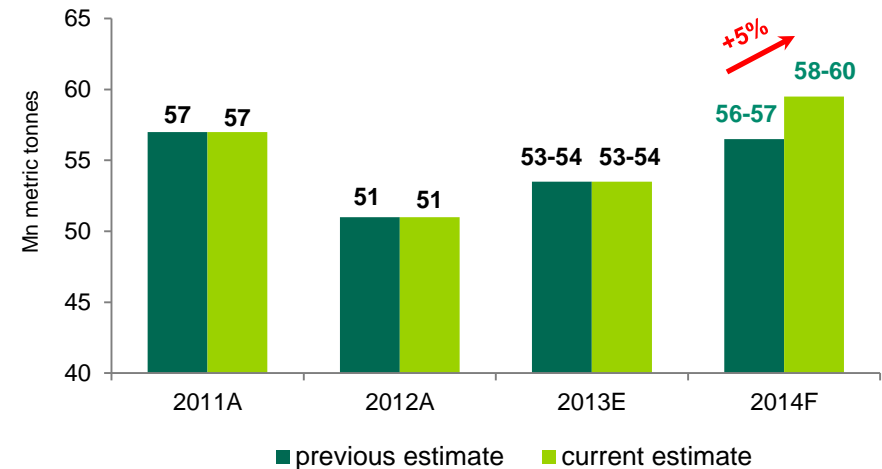


## Potash prices are close to multi-year lows



Source: Argus FMB

## Global Potash Sales, 2011-2014F



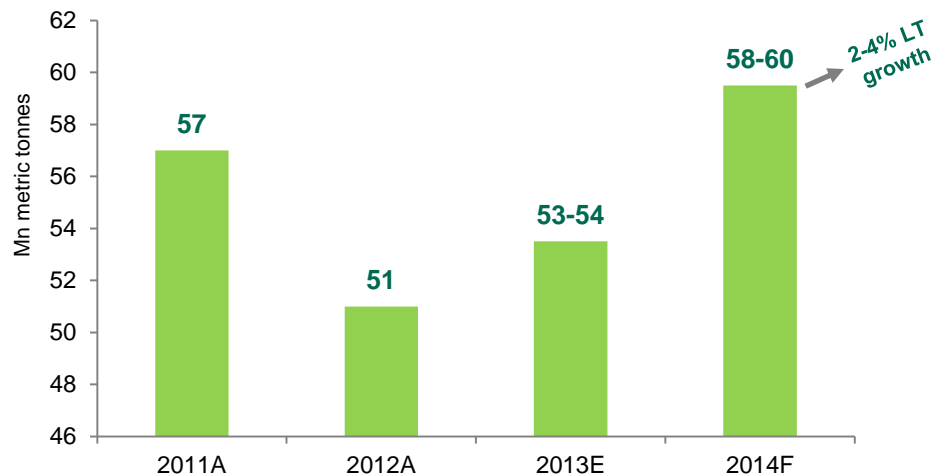
Source: IFA, Uralkali

- Customers' confidence is being restored, as prices are close to multi-year lows
- Expected 2013 market size is unchanged: 53-54 Mt
- Lower potash prices are expected to induce potash consumption: 2014 estimated market size to be in the range 58-60Mt driven by pickup in China, India, Brazil, US and South East Asia

# Long Term Impact on the Industry

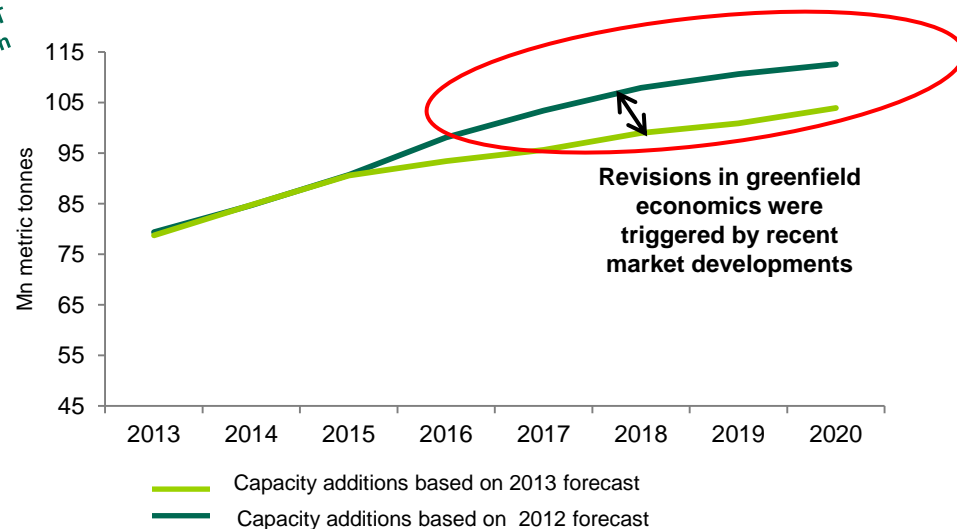


## Long-Term global potash demand



Source: IFA, Uralkali

## Long-Term potash capacity



Source: Fertecon

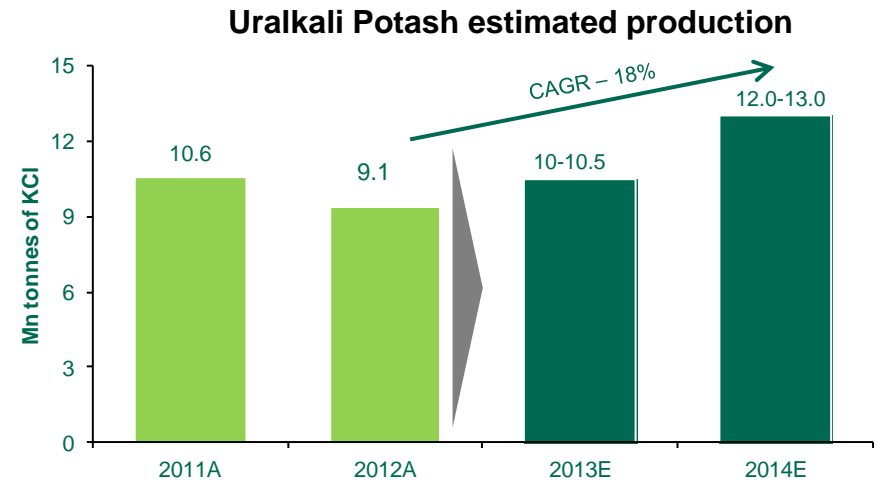
- Long term fundamentals intact with consumption expected to grow steadily at c.2-4%
- Lower potash price to promote more rational decision making on greenfield projects, in particular those with higher costs
- The timing of completion of brownfield projects is likely to be highly sensitive to market conditions as well as prices and industry profits

**Potash supply/demand balance is expected to approach the equilibrium**

# Impact of Evolving Market Structure on Uralkali

## Sales Growth

- Uralkali is targeting maximizing revenue over the next 24 months with particular focus on such fast-growing markets as Latin America, South East Asia, China and India which have historically accounted for c. 60% of the Company's total sales
- Utilization rates are improving with Uralkali selling c.1Mt per month



## FCF Generation and Usage

- Market adjustment to higher volumes should result in stable cash flow generation in coming years
- FCF generation should support sustainable capex programme and dividend policy at min. 50% of IFRS Net Profit
  - Despite challenging market conditions in 1H 2013 Uralkali Board of directors has recommended to approve interim dividends on the level of 50% of IFRS Net Profit (2.21 RUB/share or 0.35 USD/GDR<sup>1</sup>)

**Restoration of Uralkali's market share should ensure stable FCF generation**

Note:

1. According to the exchange rate of the Russian Central Bank as of 18 December 2013, USD 1=RUB 32.8646

# Maximising Revenues from Tier I Assets across the Industry Cycle

<b>1</b> <b>Enhance global responsible leadership position</b>	<ul style="list-style-type: none"> <li>• Maximize revenue to ensure shareholder value maximization</li> <li>• Potash demand growth stimulated further by competitive pricing</li> <li>• Increase potash capacity on the lowest cost basis in the industry; option to add more volumes if economically viable</li> <li>• Focus on premium products; increase granular potash capacity</li> </ul>
<b>2</b> <b>Focus on enhanced and more connected access to end customers</b>	<ul style="list-style-type: none"> <li>• Strengthen customer relationships</li> <li>• Enhance logistics platform to secure long-term supply in key markets</li> <li>• Focus on efficient distribution in key markets</li> </ul>
<b>3</b> <b>Maintain cash cost leadership positions</b>	<ul style="list-style-type: none"> <li>• Ensure operating performance and efficiency provides continued industry leadership</li> <li>• Invest in existing capacity and infrastructure in order to ensure maximised margin through commodity price cycle</li> </ul>
<b>4</b> <b>Balance investment in growth and shareholder return</b>	<ul style="list-style-type: none"> <li>• Retain an efficient capital structure; medium term Net Debt / LTM EBITDA target c.2x</li> <li>• Balanced approach to capital investments and robust capital discipline</li> <li>• Dividend payout of minimum 50 % of Net Income provides attractive shareholder yield</li> </ul>
<b>5</b> <b>Focus on people, communities and environmental safety</b>	<ul style="list-style-type: none"> <li>• Regional and Industry employer of choice; labour safety, employee &amp; community development</li> <li>• Deliver value whilst operating in a socially responsible manner, minimizing environmental impact of operations</li> </ul>
<b>6</b> <b>Continued focus on corporate governance</b>	<ul style="list-style-type: none"> <li>• Openness, transparency and risk mitigation for all stakeholders</li> </ul>

**New strategy consistent with Uralkali's continued focus on long-term growth of shareholder value**



# Agenda

1. A Leader in the Global Potash Market
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# Key Financial Highlights – 1H 2013

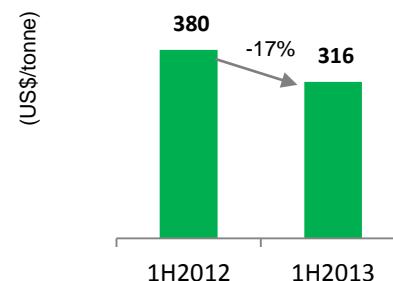


## Key Figures

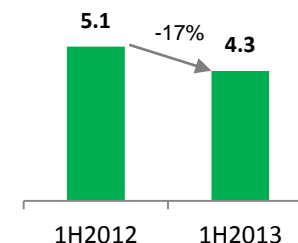
	IFRS	Pro-forma	Change
(US\$ mln)	1H 2013	1H 2012	%
Sales volume, mln tonnes	4.3	5.1	-17%
- Domestic sales	1.0	1.0	-4%
- Export sales	3.3	4.1	-20%
Revenue	1 614	2 234	-28%
Net Revenue <sup>1</sup>	1 348	1 904	-29%
EBITDA <sup>2</sup>	876	1 449	-40%
EBITDA margin <sup>3</sup> , %	65%	76%	
Net Profit	397	842	-53%
CAPEX	199	160	24%
incl. Expansion	92	87	6%

## Key Highlights

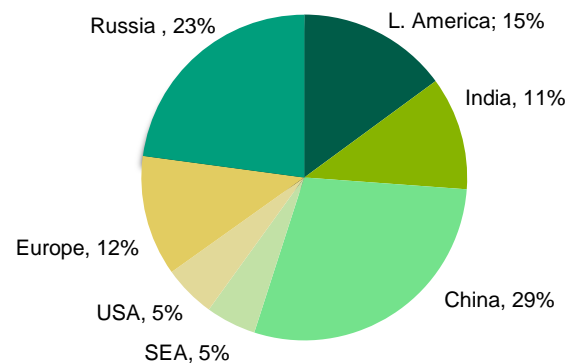
### Average export potash price, FCA



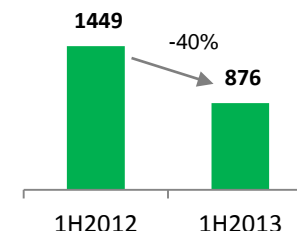
### Sales Volume, mln t



### 1H2013 Uralkali Sales Structure



### EBITDA<sup>3</sup>, mln USD



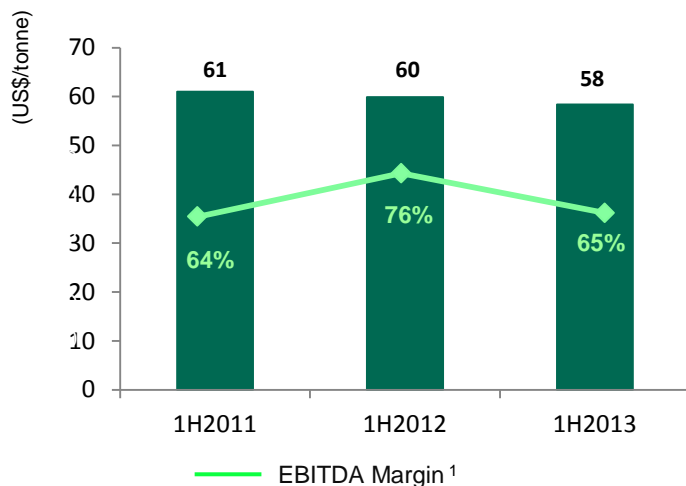
**Highly competitive market environment resulted in decline in both potash prices and sales volumes; new strategy expected to improve Uralkali's market position**

#### Notes:

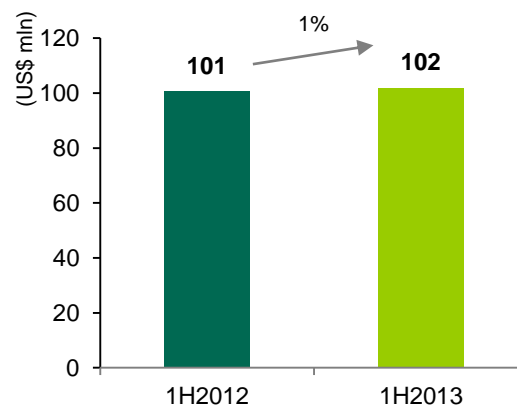
1. Net revenue represents adjusted revenue (sales net of freight, railway tariff and transshipment costs)
2. EBITDA is calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs and other one-off expenses
3. EBITDA margin is calculated as EBITDA divided by Net revenue

# Review of Cost Structure 1H 2013

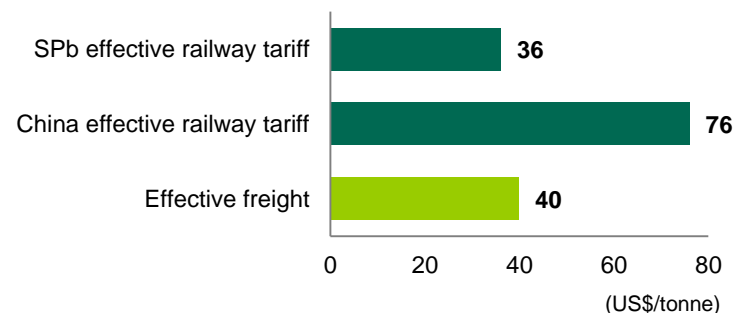
## Unit Cash COGS



## G&A Costs



## Effective Railway Tariff & Freight



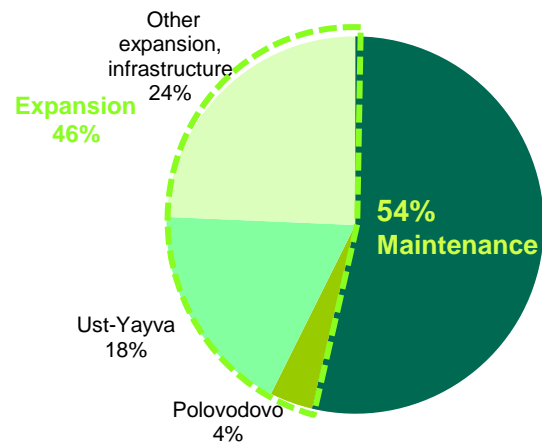
**Continued focus on efficiency and bottom quartile cost leadership**

Notes:

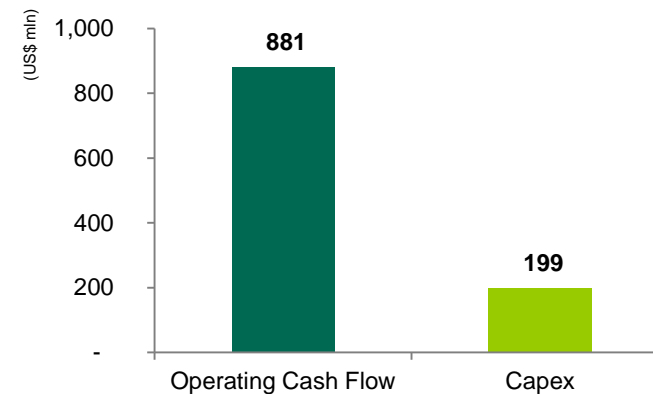
1. EBITDA margin is calculated as EBITDA divided by Net Sales

# Capex, Cash Flow, Dividends 1H 2013

## Capex Breakdown



## Cash Flow vs. Capex



- Uralkali's Board of directors has recommended to approve **1H 2013 interim dividends** on the level of **50% of IFRS Net Profit** (2.21 RUB/share or 0.35 USD/GDR <sup>1</sup>)

**Robust capital structure, stable cash-flow generation, attractive dividend policy**

Note:

1. According to the exchange rate of the RF Central Bank as of 23 October 2013, USD 1 = RUB 31.9346

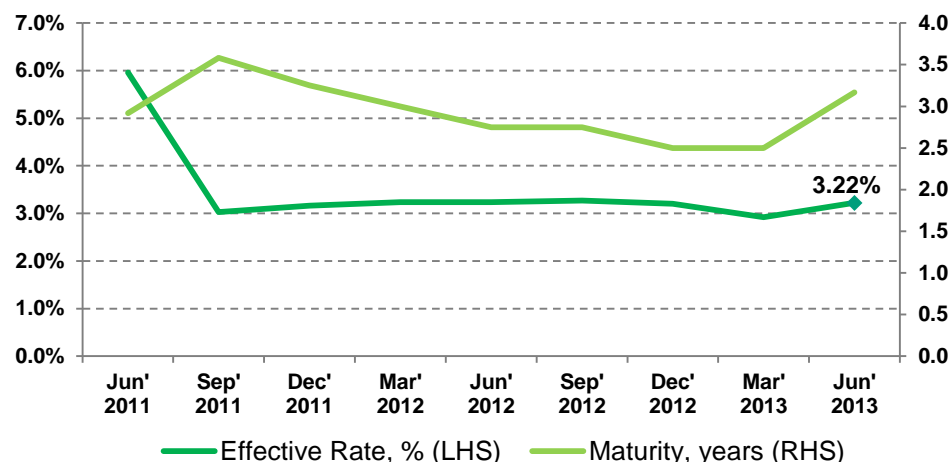
# Credit Ratings, Liquidity and Debt Maturity



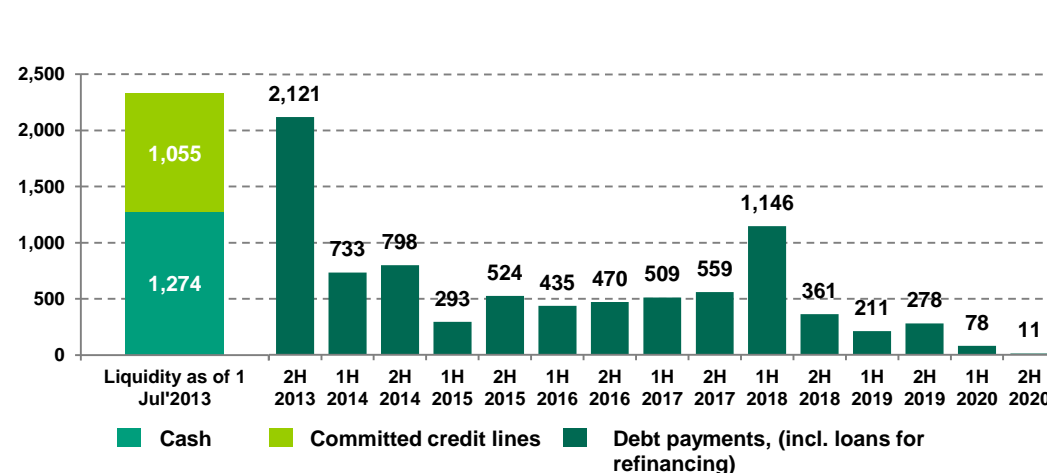
Agency	Credit Rating	Outlook	Last Update	Issue Date
<b>STANDARD &amp; POOR'S</b>	BBB-	Negative	Dec' 2013	Jun' 2012
<b>MOODY'S</b>	Baa3	Negative	Oct' 2013	Jun' 2012
<b>FitchRatings</b>	BBB-	Negative	Jul' 2013	Jun' 2012

Gearing Update	
US\$ bln	<b>30 June 2013</b>
Debt (bank loans)	4.0
Cash	1.3
Net debt/(cash)	2.7
LTM adjusted EBITDA	1.8
Net debt/LTM EBITDA	1.5x

## Effective Interest Rate and Average Maturity



## Debt Maturities Schedule (as of 30 Jun' 2013)



**Targeted debt ratio of c. 2x Net debt/LTM EBITDA through the cycle**

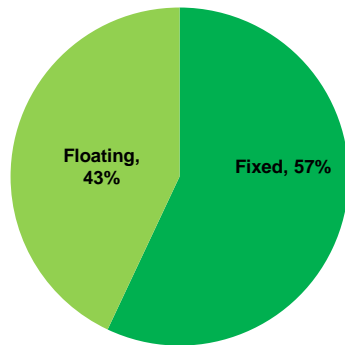
Note:

1. EBITDA is calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs and other one-off expenses

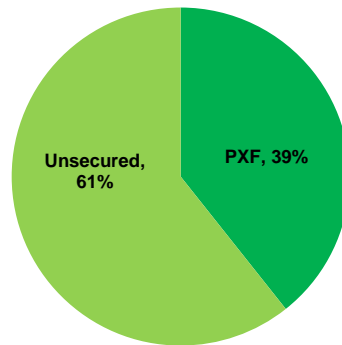
# Balanced Credit Portfolio

## Credit Portfolio Structure <sup>1</sup>

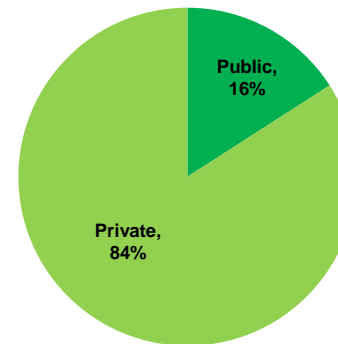
### Fixed / Floating Rates



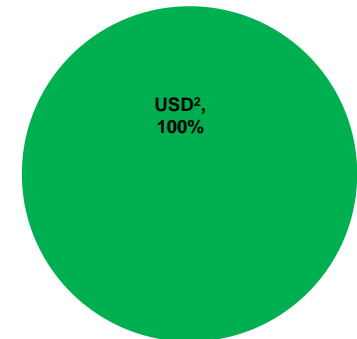
### Type of collateral



### Private vs. Public



### Currency Breakdown



- Debt portfolio is diversified across instruments, products and sources
- Continued focus on maximising unsecured debt and longer maturities
- US\$ denominated credit portfolio represents natural hedge of export revenue
  - c.80% of 1H 2013 IFRS Net Revenue is in USD

**Investment grade type of company with balanced credit portfolio**

Notes:

1. As of 30 Jun'2013

2. Including RUB loans swapped into USD



# Agenda

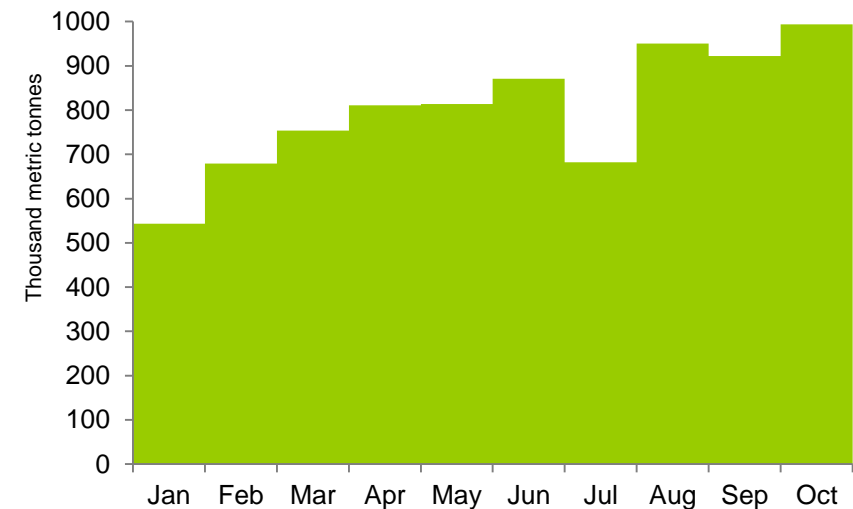
1. A Leader in the Global Potash Market
2. Strategic Review
3. Financial Highlights
4. Potash Market Outlook
5. Key Takeaways

# Benefits of a More Flexible Market Posture

## The Impact of New Strategy

- Increased market share in key markets in 2H 2013 to-date
- Sharp decline in market share in 1H 2013 when Uralkali was implementing 'price over volume' strategy
- Close to full capacity utilization since August 2013
  - Shipments close to 1 million tonnes per month
- Strong growth in key Brazilian and Asian markets
- Continued strength in sales witnessed in 4Q
  - Sales of c.10.0-10.5 million tonnes forecast for full year 2013

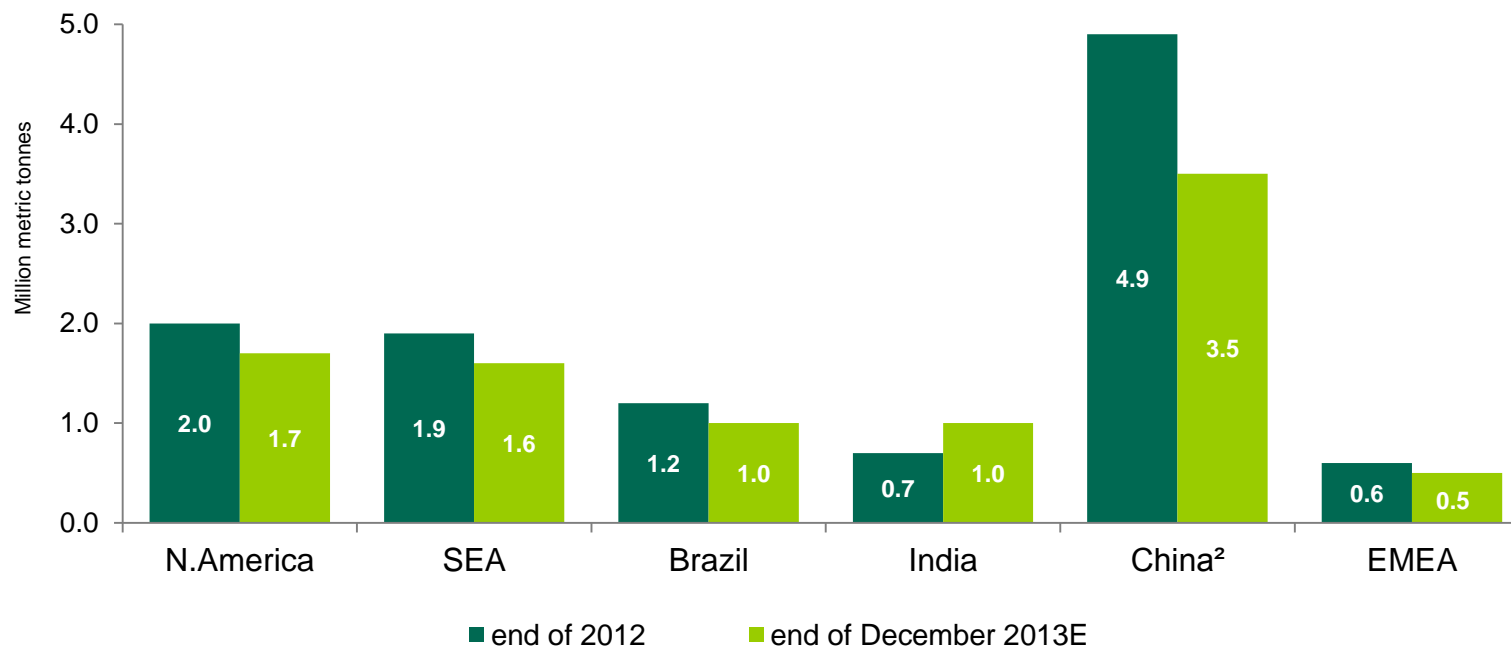
## Uralkali's Shipments Jan-Oct 2013



Source: Uralkali

**The adoption of a more flexible strategy will continue to allow Uralkali to maximise its revenues**

# Global Potash Inventory<sup>1</sup>



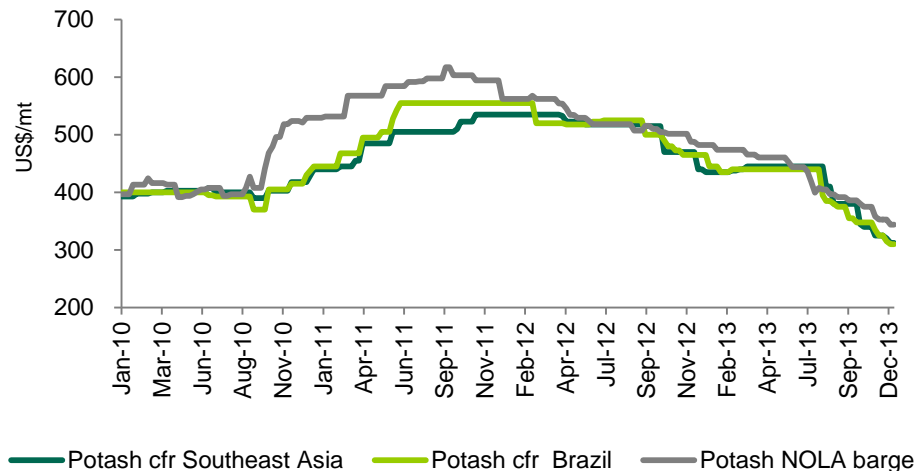
Source: Uralkali's estimations

- Significant draw-down in inventories across 2013, particularly in China, N. America and SE Asia
- Customers expected to rebuild depleted inventories during 1H 2014, providing significant demand impetus

# The Industry Recovers From a Disruptive 2H13

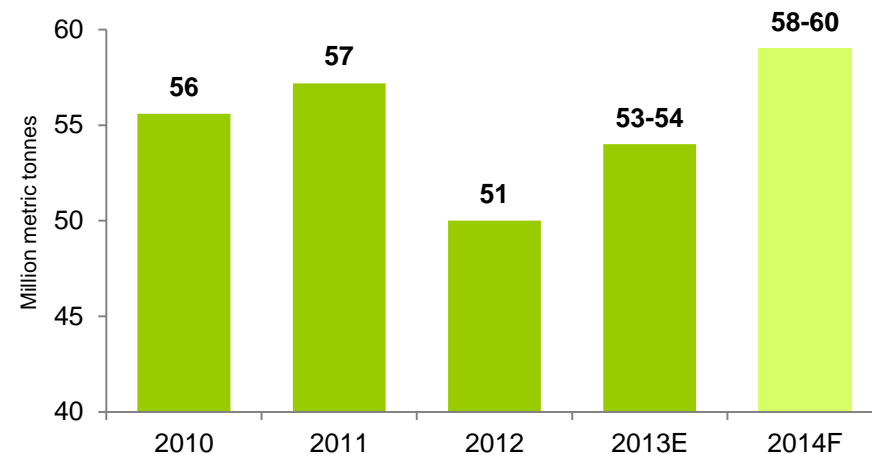


## Potash Prices are Stabilizing



Source: FMB

## Recovery in Potash Demand



Source: IFA, Uralkali's estimates

- Demand momentum has been impacted by customer caution
  - Purchasers expectation of a resetting of prices to a lower level
- Potash prices are stabilizing
- Significant demand impetus set to return in 2014; global demand expected to reach 58-60 million tonnes
  - Demand pickup in key markets of China, India SE Asia and N. America
  - Rebuilding of depleted inventories

**Increased demand momentum supports volume and price recovery in 2014**

# Potash Markets Update

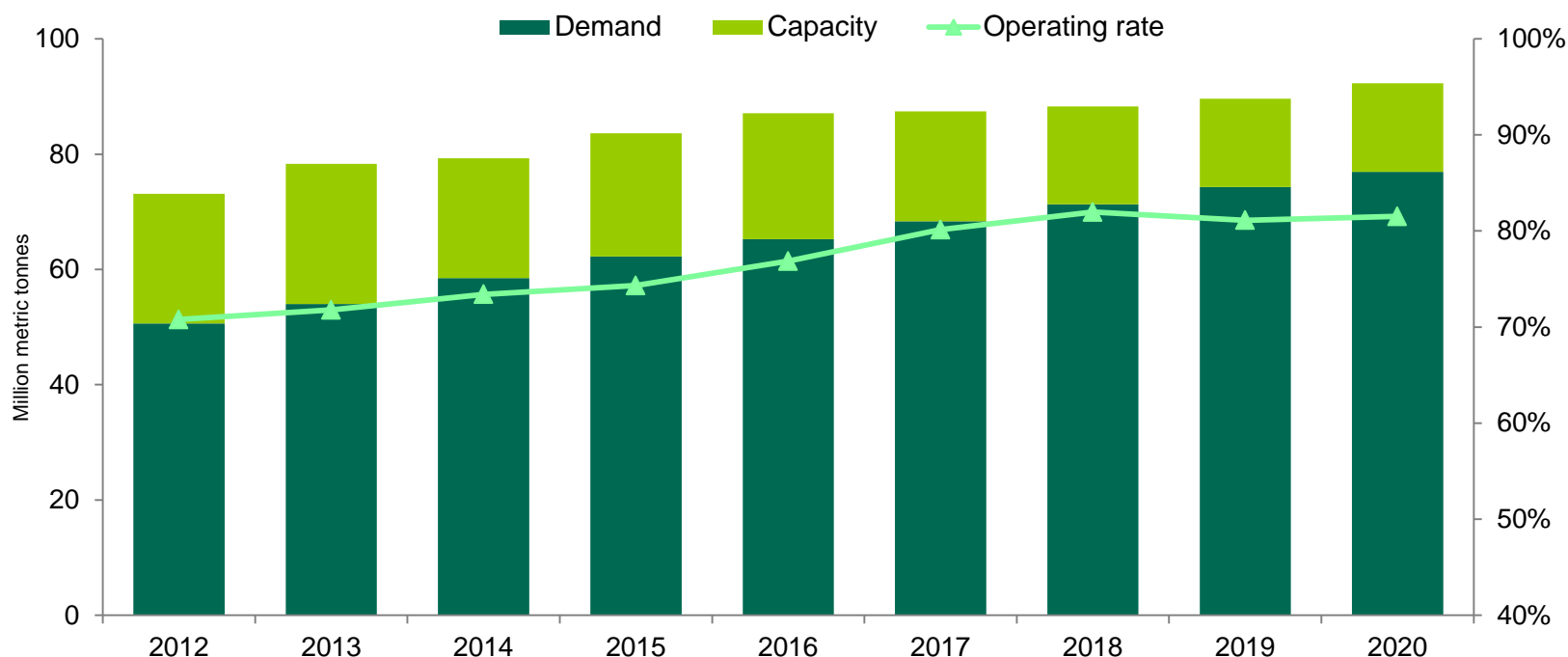
China	<ul style="list-style-type: none"> <li>Chinese contract for H1 2014 has been largely settled. Uralkali has signed a contract to ship 700 kt to China at \$305/t cfr.</li> <li>Supply of granular product in China remains tight due to higher prices in Brazil.</li> <li>Demand remains stable.</li> <li>According to customs data, China imported 6 million tonnes of potash , down 5% from previous year level.</li> <li>In 2013, Uralkali maintained a leading position in the region in terms of import volumes with market share of 41%.</li> </ul>
India	<ul style="list-style-type: none"> <li>Potash consumption is still under pressure due to high potash retail prices, INR weakening and general economic slowdown.</li> <li>Deliveries estimated at c. 3.0- 3.4 million tonnes in 2013, and c. 3.5-4.0 Mn tonnes in 2014.</li> <li>New Indian contract negotiations are expected to take place in March-April 2014.</li> </ul>
SEA	<ul style="list-style-type: none"> <li>Potash prices are firming in major markets, including Malaysia and Indonesia where potash are now offered at \$300/t cfr.</li> <li>Canpotex announced a \$20/t price increase for SEA markets with effect from 1 April. This price increase will bring prices to \$350/t cfr - \$360/t cfr.</li> <li>Major palm oil plantation owners have concluded tenders with suppliers for 1H 2014 deliveries.</li> <li>Uralkali is gaining market share in key markets.</li> </ul>
Brazil	<ul style="list-style-type: none"> <li>Remains most active market with strong demand.</li> <li>Uralkali is seeking a price increase to \$350-360/t from March.</li> <li>According to customs data, Brazil imported record 8.1 million tonnes of potash in 2013, up 16%yoy.</li> <li>In 2013, Uralkali gained +7% market share (16% vs. 9% in 2012).</li> </ul>
Europe and USA	<ul style="list-style-type: none"> <li>European potash prices have been firming.</li> <li>The availability of granular product is tight in most European markets. Distributors began active purchasing to replenish largely depleted inventories.</li> <li>In the US, prices range between US\$310/t-\$315/mt fob (Nola)<sup>1</sup>. Demand is expected to be firm this year as farmers will replenish declining nutrient levels after record crop production in 2013.</li> <li>Potash Corp. announced a \$20/st price increase to \$370/st FOT with effect from 3 February.</li> </ul>

Notes:

1. FMB

Source: FMB, Customs statistics (import statistics)

# The Market to be More Balanced in the Long-Term



Source: CRU, Fertecon, Uralkali's estimates

- Pricing weakness witnessed in 2013 is expected to cause the vast majority of greenfield potash projects to be shelved for the time being
- The timing of completion of brownfield projects is likely to be highly sensitive to market conditions as well as price recovery and industry profits
- Without meaningful greenfield additions, the potash market should be tighter toward the end of the decade

**Utilisation rates across the sector expected to see sustained growth**



# Agenda

1. A Leader in the Global Potash Market
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5. Key Takeaways

# Key Takeaways

- ✓ **Potash prices have declined since April 2012 and Uralkali has lost substantial market share due to the aggressive pricing policy of competitors**
- ✓ **Revenue maximization strategy enables Uralkali to regain market share and be flexible to satisfy our customers' needs and credibly engage with potential customers**
- ✓ **Uralkali will continue to consider options that can generate value for all its stakeholders**
- ✓ **Responsible volume placement will allow the Company to maximize its revenue and further focus on customers' needs**

A thick red line that tapers at both ends, pointing towards the text below.

**Best positioned to perform in current market reality**

## Appendices

## **Business Model**

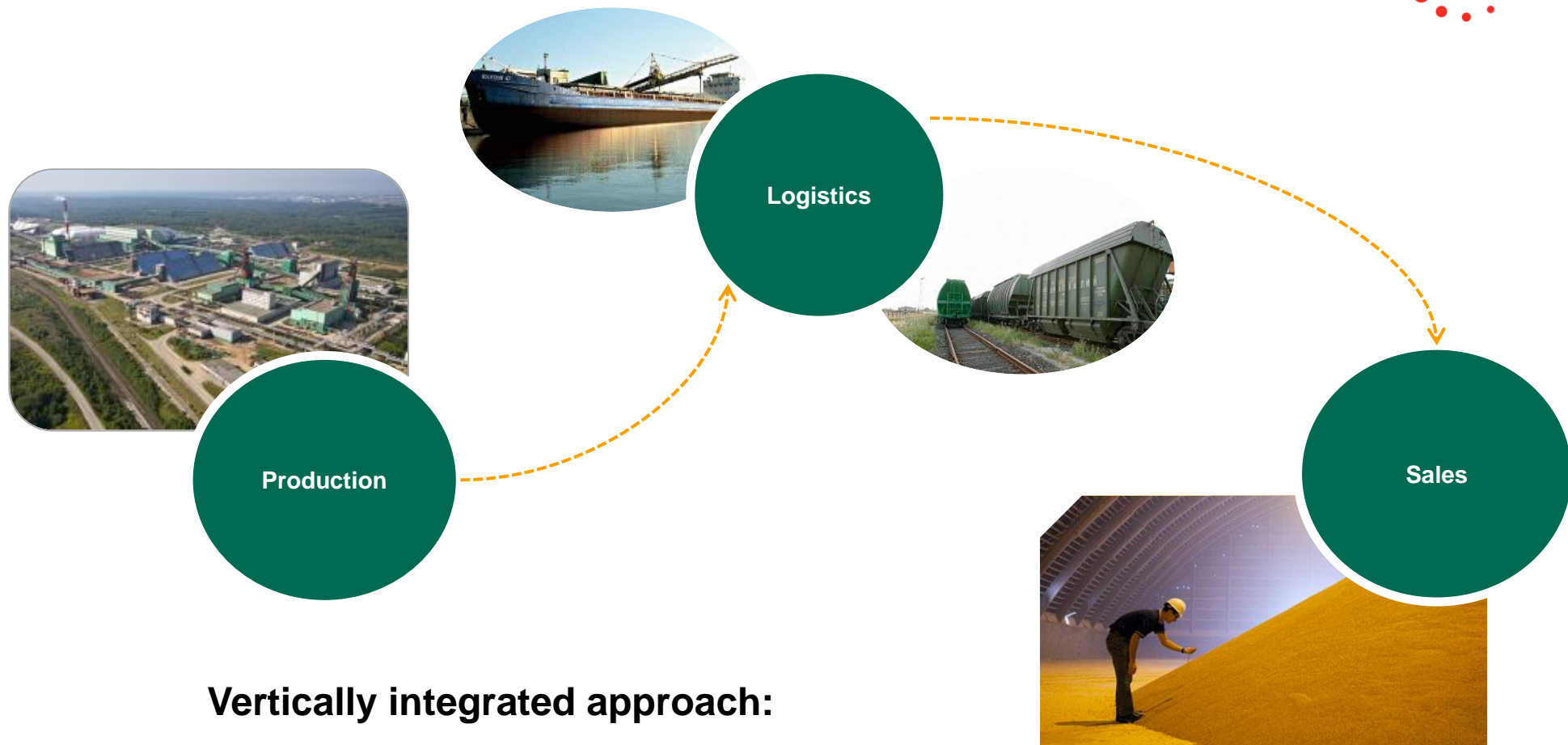
### **Governance and Management Team**

### **Potash Market Fundamentals**

### **Operating Process**

### **Awards and Achievements**

# Vertically Integrated Business Model



## Vertically integrated approach:

- Reduces supplier risks
- Enables to control and optimise all stages of production and sales

**Control Over Entire Value Chain - From Reserve Base to End Customer**

# Vertically Integrated Business Model - Production



Existing Assets - 5 MINES, 6 POTASH PLANTS, 2 GREENFIELD PROJECTS (Ust-Yayva and Polovodovo)



## Berezniki-2

- Potash plant and mine
- Granular and standard potash



## Berezniki-3

- Potash plant
- Granular, standard potash



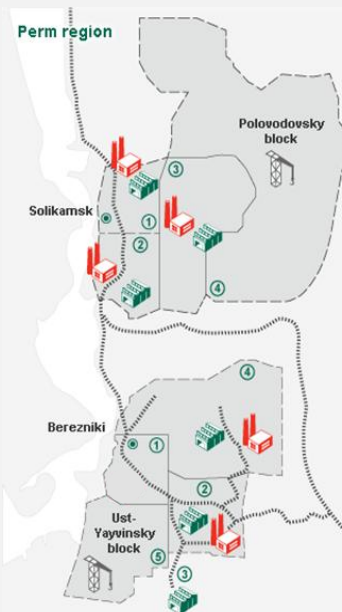
## Berezniki-4

- Potash plant and mine
- Standard potash



## Ust-Yayvinsky Field

- Resources: 1,3 bn tonnes<sup>1</sup>
- Capacity: + 2,8 mln tonnes KCl in launch year 2020



- MOP Plants (6)
- Potash Mines (5)
- Greenfield licenses (2)



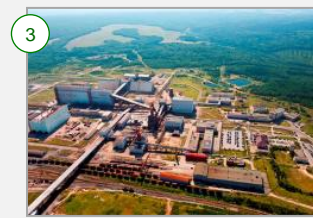
## Solikamsk-1

- Carnallite plant
- Potash plant and mine
- Standard potash



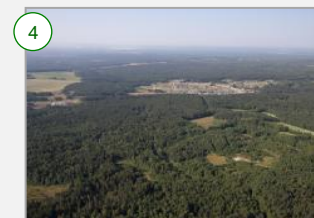
## Solikamsk-2

- Potash plant and mine
- Granular and standard potash



## Solikamsk-3

- Potash plant and mine
- Standard potash



## Polovodovsky Field

- Resources: 3,1 bn tonnes<sup>1</sup>
- Capacity: + 2,5 mln tonnes KCl in launch year 2021

Production capacity as of January 2013:  
**13 mln tonnes**

Employees in Uralkali main production unit:  
**c. 11,800 employees**

# Vertically Integrated Business Model - Logistics



## COMPANY-OWNED RAILCARS



- One of the largest specialised railcar fleets in Russia
- Over 8,000 specialized railcars

## BALTIC BULK TERMINAL (BBT)



- Leading Russian fertilizer transshipment terminal with capacity of 6.2 mt
- Represents the shortest transportation route from mines to port
- Uralkali's investment programme can be fully accommodated by BBT's existing capacity in the mid-term

## WAREHOUSES



- Optimal split between production and marine port terminal sites
- Storage capacity of 640,000 tonnes:
  - Berezniki and Solikamsk – up to 400,000 tonnes
  - BBT – up to 240,000 tonnes

## **Business Model**

## **Governance and Management Team**

## **Potash Market Fundamentals**

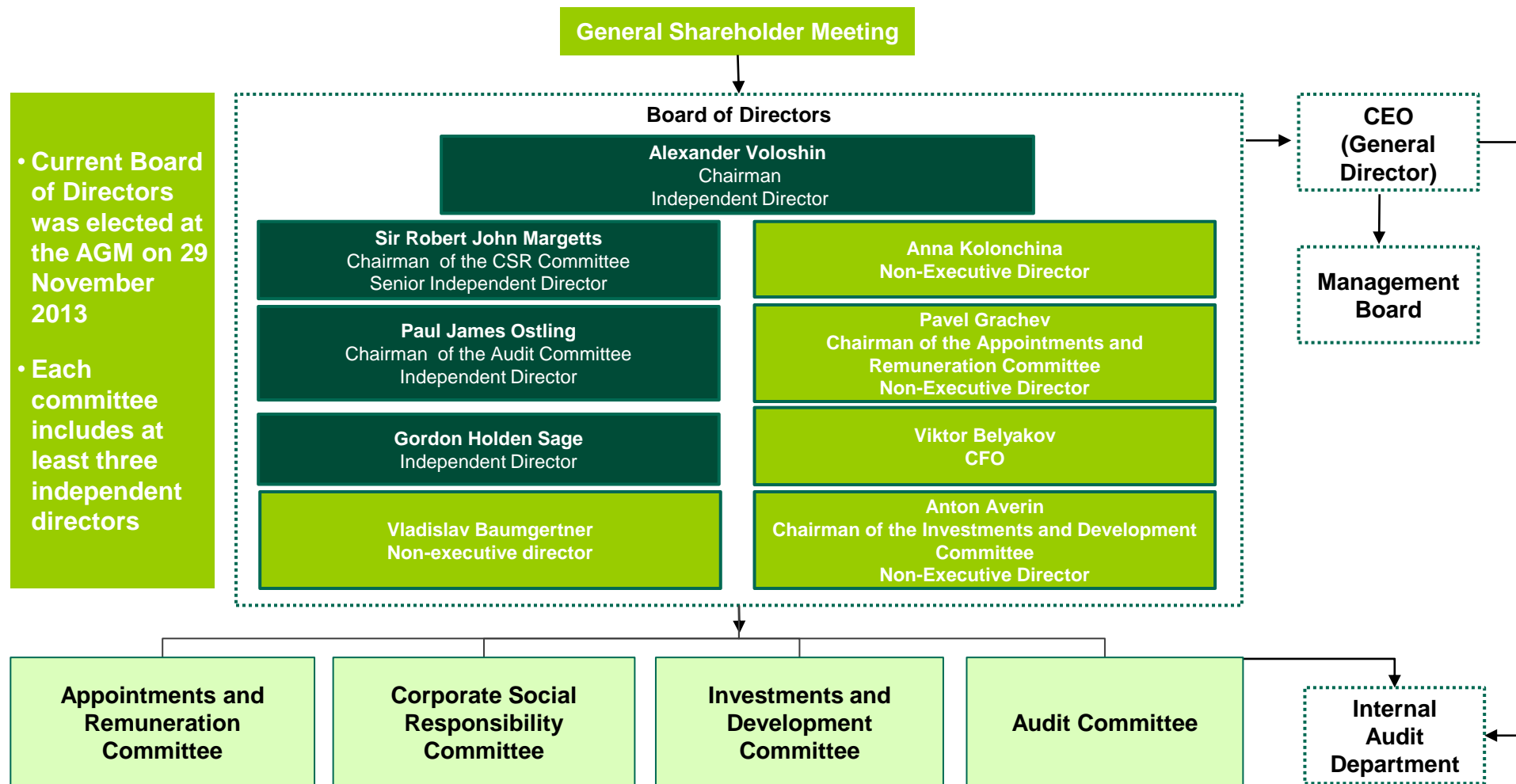
## **Operating Process**

## **Awards and Achievements**



# Focus on Corporate Governance

## Uralkali Organisational Structure



Uralkali is Committed to Continuous Improvement in its Leading Corporate Governance Practices

# Highly Qualified Management Team



Management team optimally positioned to drive future growth

- Senior management team comprises of highly experienced operational, financial and functional professionals
- Extensive experience in mining/chemicals as well as potash industry



Valdas  
Laurinavičius  
Head of  
Internal Audit



Dmitry Osipov  
CEO



Viktor Belyakov  
CFO



Oleg Petrov  
Director of Sales  
and Marketing



Yevgeny  
Kotlyar  
COO



Vladimir  
Bezzubov  
Director of  
Procurement



Elena  
Samsonova  
Director of  
Human  
Resources



Marina  
Shvetsova  
Director of Legal  
and Corporate  
Affairs



Stanislav  
Seleznev  
Director of  
Health, Safety  
and Environment  
Protection



Alexander  
Babinsky  
Head of Public  
Relations



Anna Batarina  
Head of Investor  
Relations and  
Capital Markets



Andrey  
Motovilov  
Head of  
Government  
Relations

# Appendices



**Business Model**

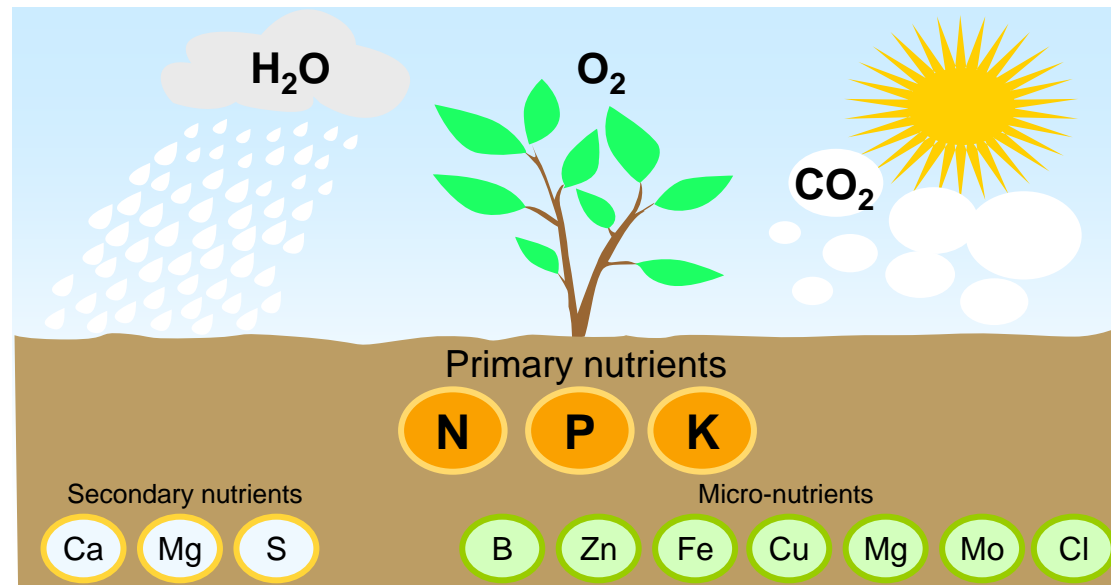
**Governance and Management Team**

**Potash Market Fundamentals**

**Operating Process**

**Awards and Achievements**

# Potassium: One of the Three Primary Nutrients



## Nitrogen (N)

- Promotes protein formation
- Determines plant's growth, vigour, colour and yield

## Phosphate (P)

- Plays a key role in adequate root development and photosynthesis process
- Helps plant resist drought

## Potash (K)

- Improves plant durability and resistance to drought, disease, weeds, parasites and cold weather

Each nutrient plays its own role, but only together they ensure a balanced nourishment and cannot replace each other

# Strong Industry Fundamentals



## Growing demand

Increasing population

Declining arable land per person

Income growth in developing countries

Biofuels and scientific recommendations potential

## Challenging supply

Relatively few top players

Mineral scarcity

High capex requirements

Higher demand for food

Changing diets

New source of demand for crops

High barriers to entry

Limited number of players able to bring additional capacity

**Growing demand and high supply visibility make potash a unique industry<sup>1</sup>**

# Potash: Growth, Visibility, Stability



	Potash (K)	Phosphate (P)	Nitrogen (N)
Market size <sup>1</sup> (2013E Demand)	<b>33.5 million tonnes K<sub>2</sub>O (53.9 million tonnes KCl)<sup>2</sup></b>	40.0 million tonnes ( P <sub>2</sub> O <sub>5</sub> )	109.1 million tonnes (N)
Geographic availability	<b>Very limited</b>	Limited	Readily available
Industry members	<b>Small number of leading players</b>	Several leading players	Large number of players
Profitability	<b>High</b>	Low/Medium	Low/Medium
Estimated cost of greenfield Capacity <sup>3</sup>	<b>US\$4.2bn for 2 mln tonnes (KCl)</b>	US\$1.6bn for 1 mln tonnes ( P <sub>2</sub> O <sub>5</sub> )	US\$1.7bn for 1 mln tonnes (NH <sub>3</sub> )
Estimated greenfield development time	<b>min 7 years</b>	~3-4 years	min 3 years

**Potash represents the strongest investment story across the fertilizer industry**

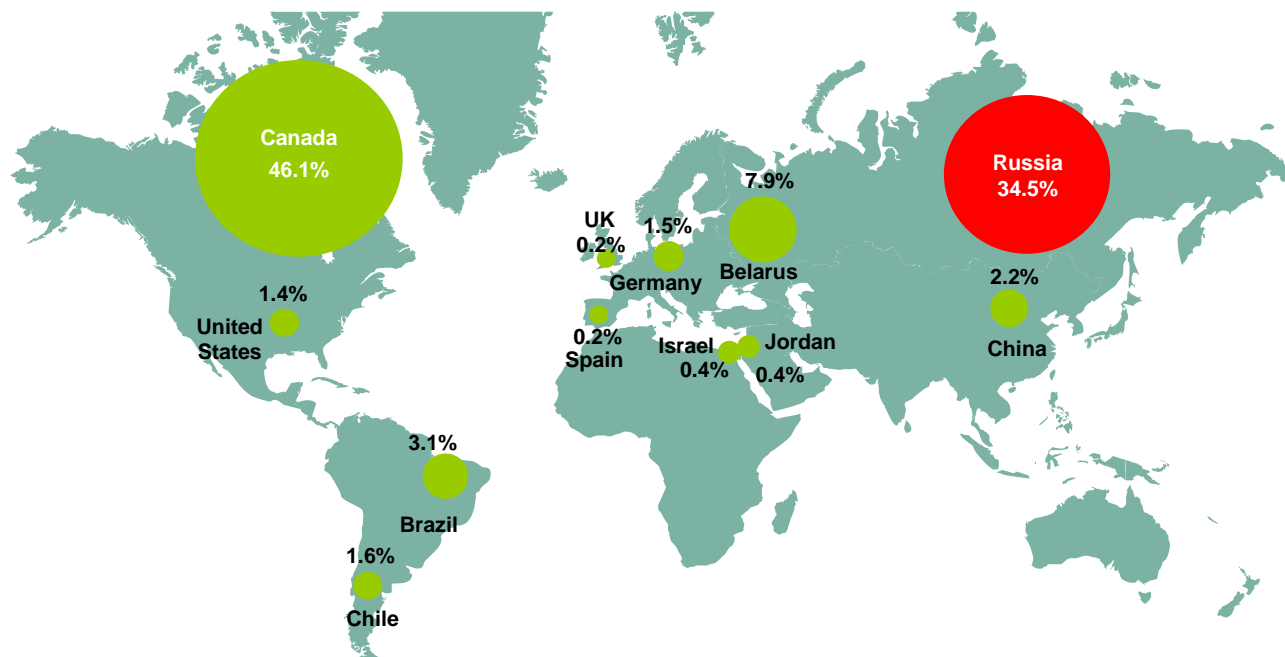
Source: Fertecon, IFA, PotashCorp

Notes:

1. Including fertilizer consumption
2. 1t KCl contains 62% K<sub>2</sub>O (nutrient)
3. Excluding infrastructure

# Mineral Scarcity

Proven reserves of potash are largely concentrated in Canada and Russia



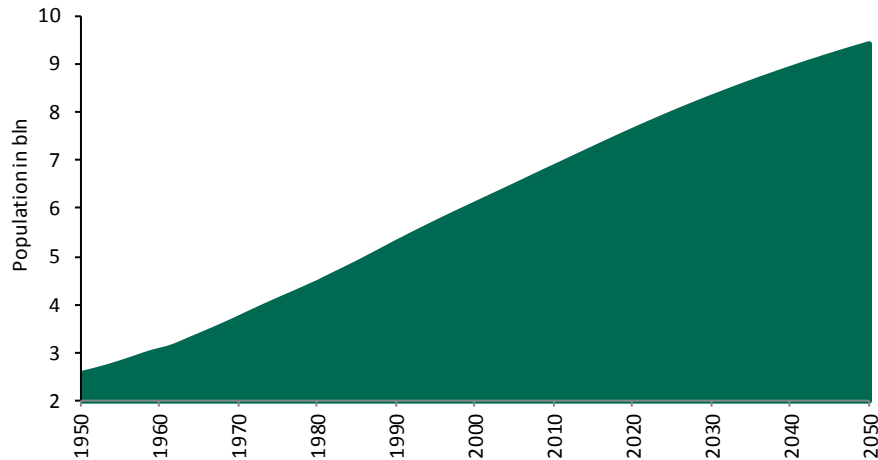
% - Share in world's proven reserves

Source: USGS, January 2013

Limited access to resources, few high quality large scale ore deposits

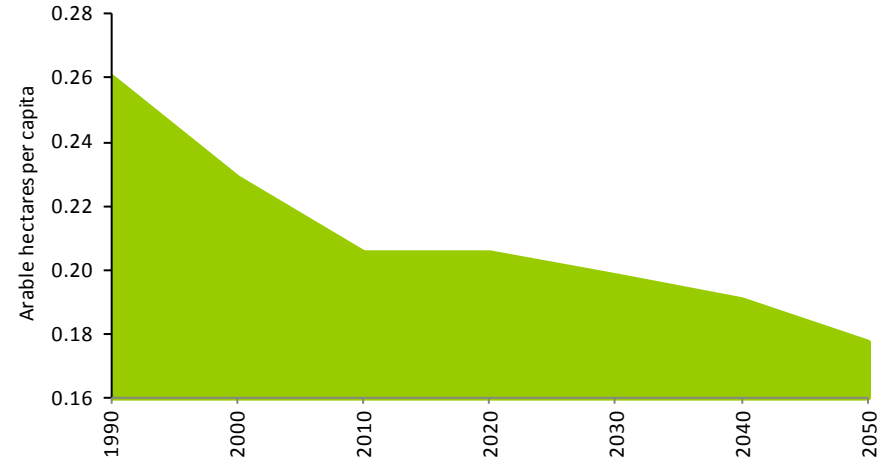
# Higher Yields Required to Feed Rising Population

## Growing population Needs Higher Crop Yields



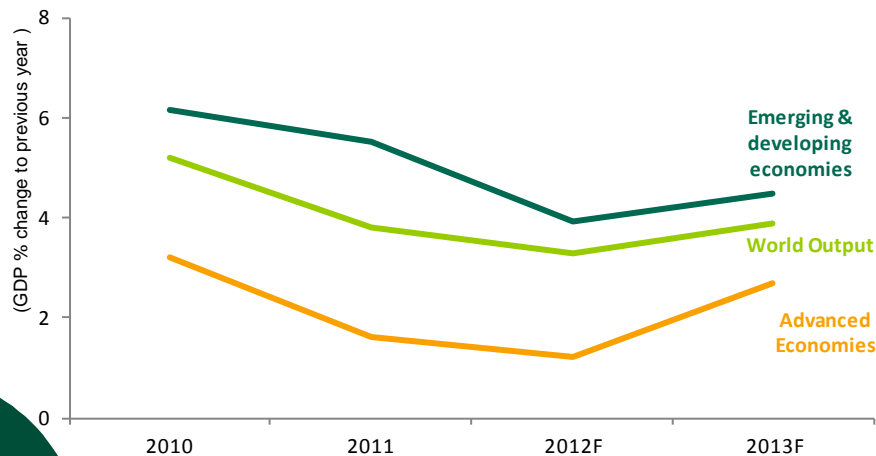
Source: Source: U.S. Census Bureau, International Data Base,

## Arable land per capita is shrinking



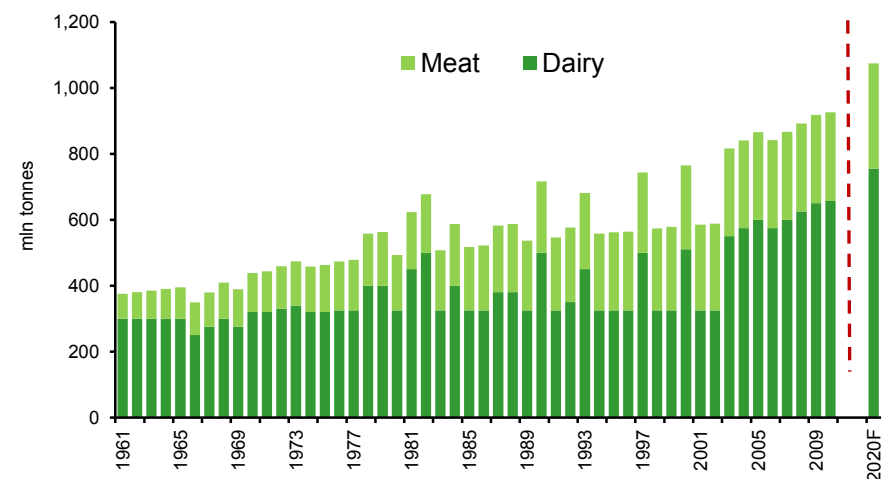
Source: FAO, World Bank

## Global Economic recovery set to continue



Source: IMF, World Economic Outlook projections

## Food consumption is increasing

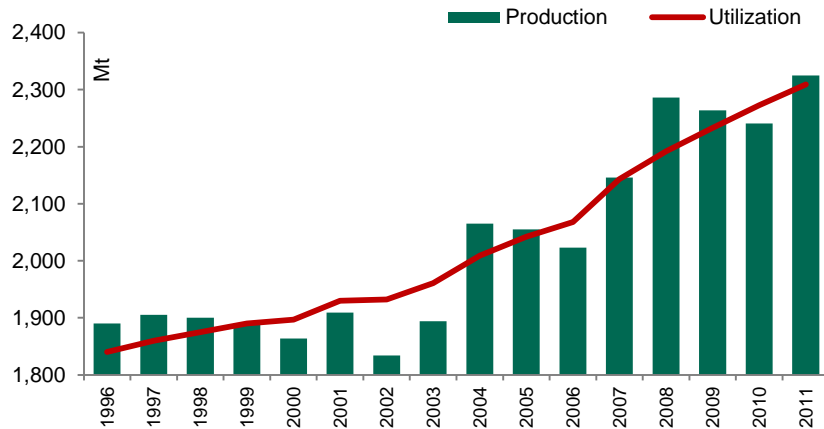


Source: FAO



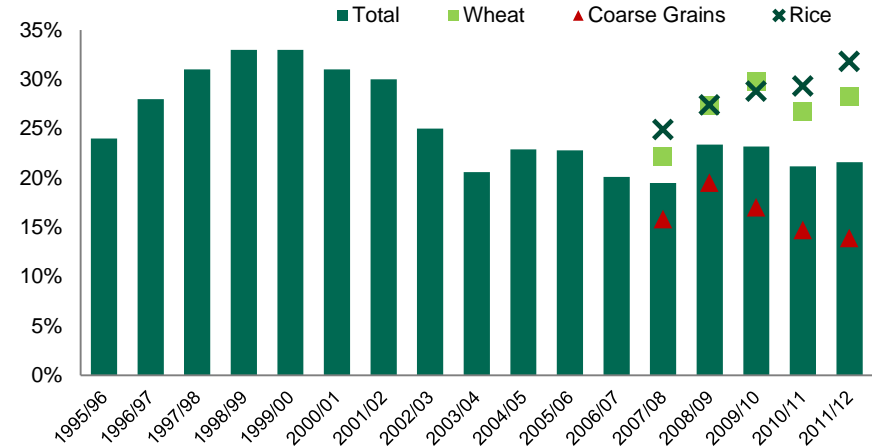
# Changing Diets Drive Demand for Grain

## World Cereal Production and Utilization



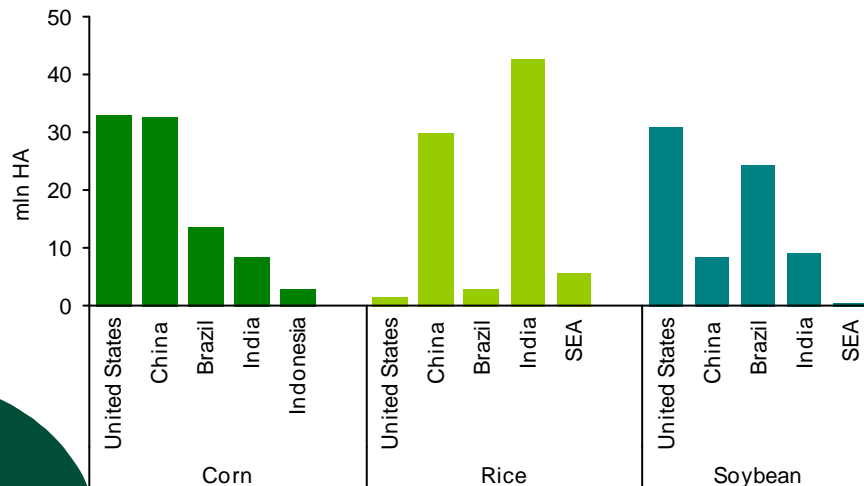
Source: FAO

## World Cereal Stock-to-Use Ratio



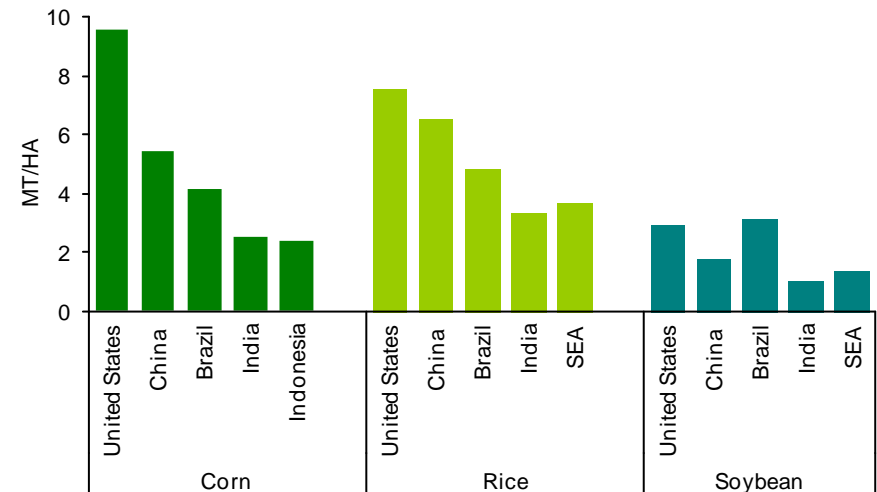
Source: IFA, FAO, USDA

## Developing countries have a big portion of total crop acreage



Source: USDA

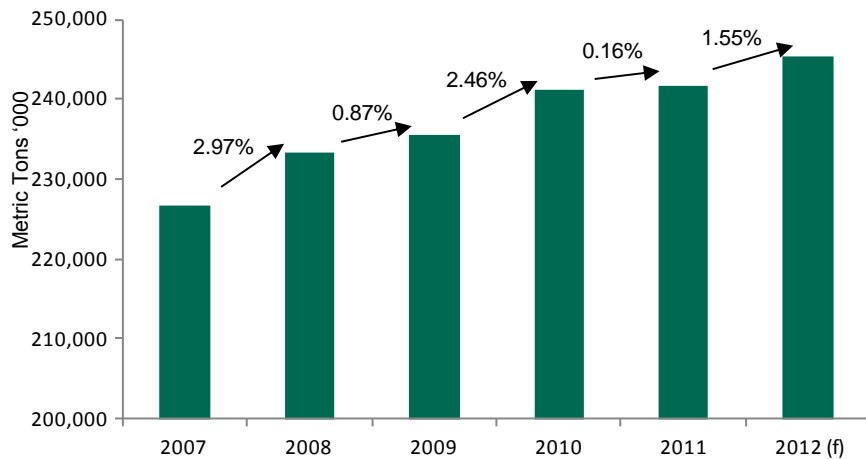
## ...though have lower yields compared to developed agricultures



Source: USDA,

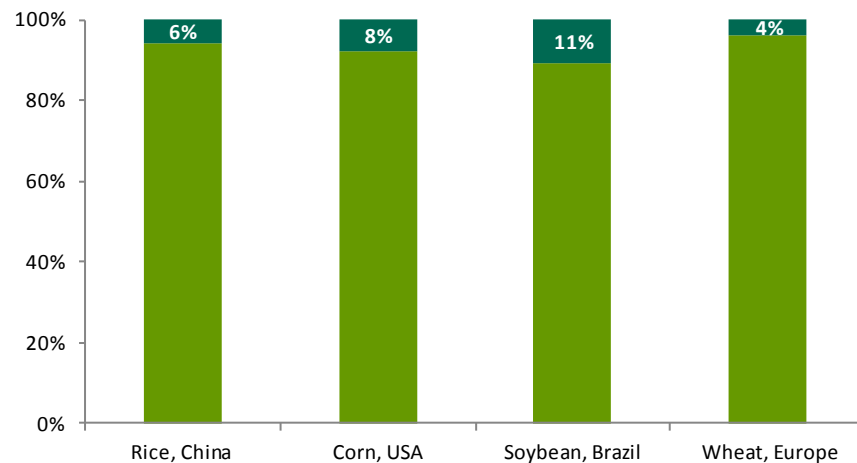
# Changing Diets Driven by Growing Income in Developing Countries

## World Meat Consumption



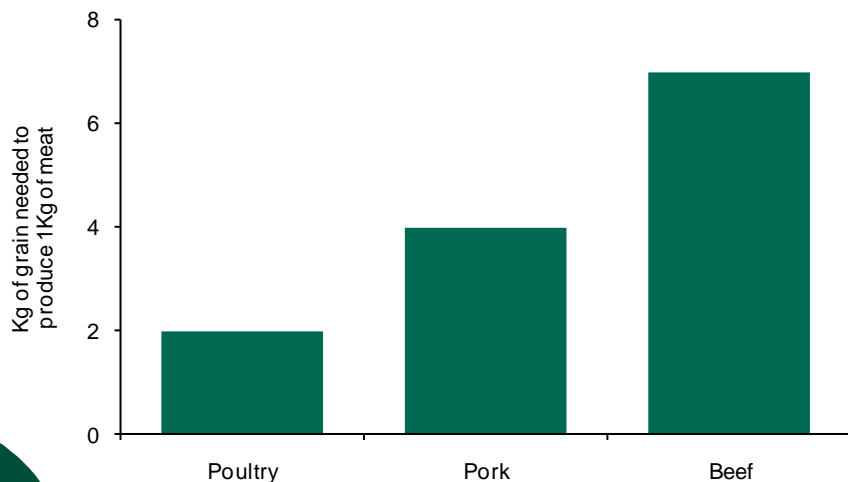
Source: FAS

## Share of Potash in Total Farmer's Costs (%)



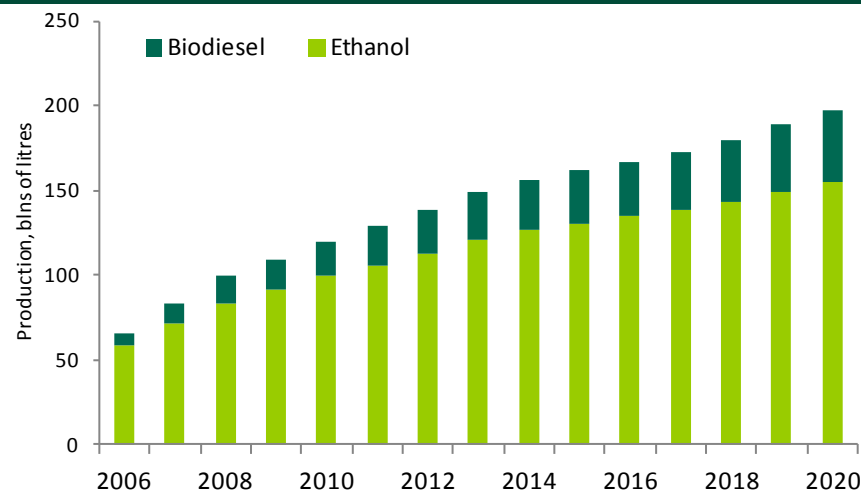
Source: BPC

## Grain Consumption vs. Meat Production



Source: FAO

## Global Biofuel Production



Source: OECD

# Appendices



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**Operating Process**

**Awards and Achievements**

# Production Flow

## 1. Mining



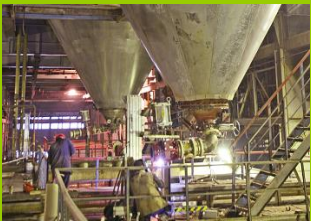
- One extraction takes place underground at an approximate depth of **400 metres**
- Specialized mining combines drill for potash underground, then the extracted one is moved by conveyor belts to the shafts and lifted to the surface

## 2. Crushing



- In the crushing section of the flotation plant rod mills and screens break ore into smaller particles of the size required for further enrichment

## 3. Chemical Enrichment



- The **Halurgic method** is based on the varying joint solubility of KCl and NaCl in water at different temperatures
- KCl crystallises out of saturated solution when it cools down
- Produce potash fertilisers which contain up to 98% of the useful component

## 4. Flotation



- Partly purified potash ore is placed in the flotation machine, bubbles stick to potassium chloride particles and push them to the mixture surface for subsequent separation
- Produce potash fertilisers for agriculture which contain up to 96% of the useful component

## Standard Product

### White Potash (MOP)



- Applied directly to the soil for producing compound NPK fertilisers, and for other industrial needs
- Uralkali supply this mainly to China, Russia and Europe

### Pink Potash (MOP)



- Applied directly to the soil
- Produced through the flotation method
- Uralkali supply this primarily to India and Southeast Asia

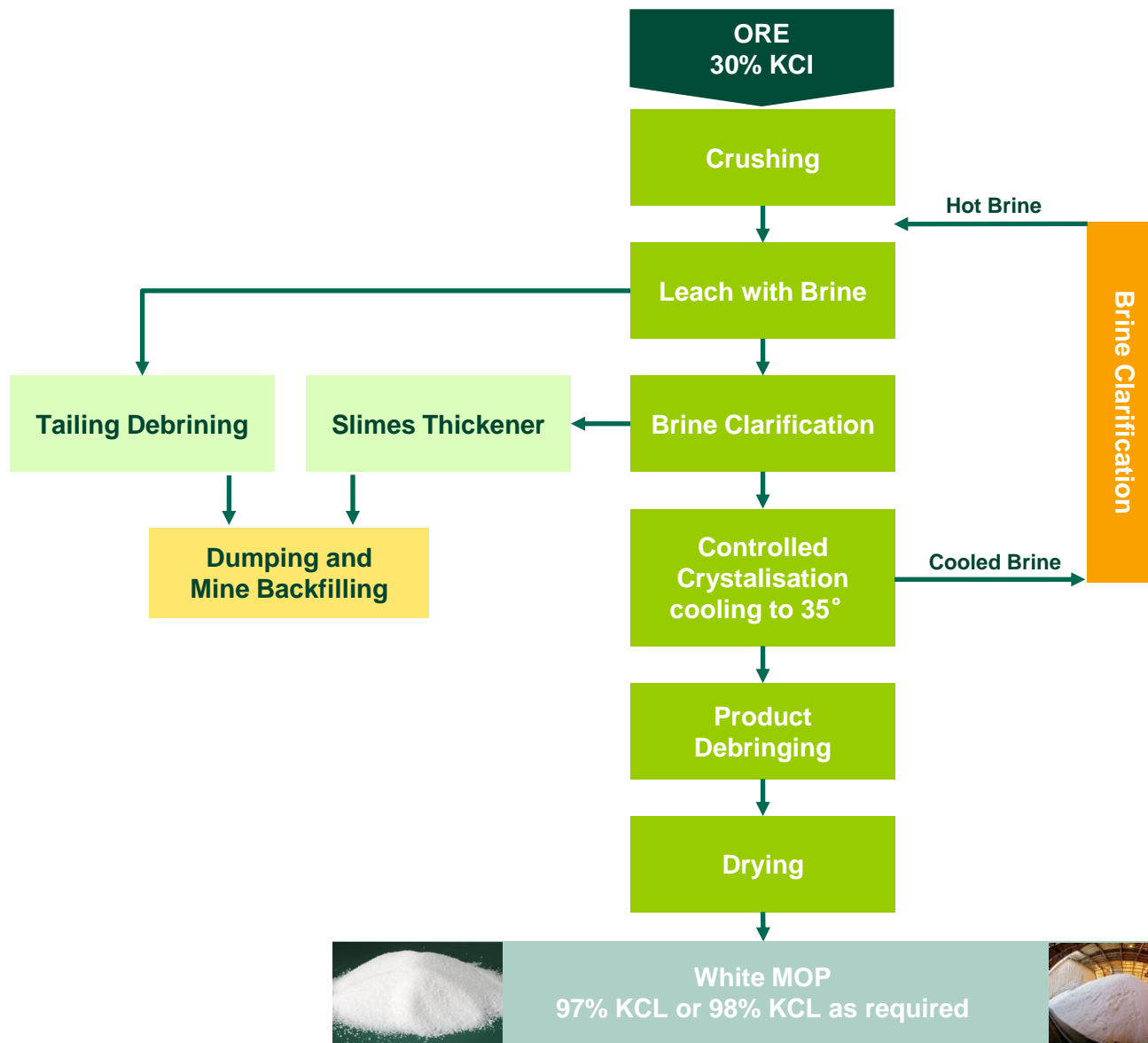
## Compacting

### Granular potash

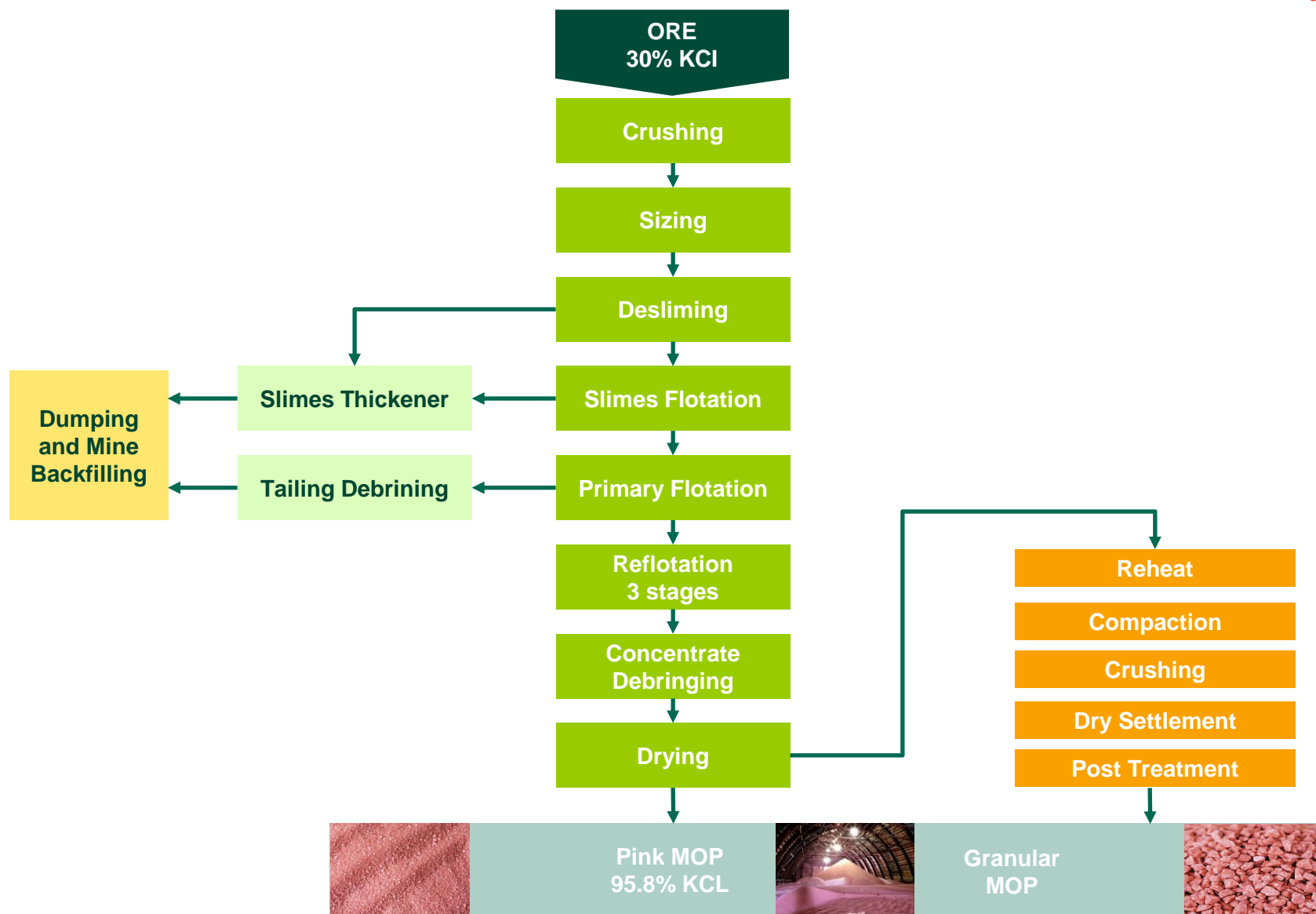


- Premium product bought mainly in countries using advanced soil fertilisation methods
- Uralkali export granular principally to Brazil, the USA and China, where it is applied directly to the soil or blended with nitrogen and phosphate fertilisers

# Chemical Enrichment



# Flotation



# Appendices



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# Awards and Achievements



## DAXglobal Agribusiness Index

September 2012: with a weighting of c.6.2%, Uralkali's GDRs were included in the DAXglobal Agribusiness Index and ranked among the top five index constituents. Uralkali is the first Russian company in the Index.



## Best IR Strategy



April 2013: Uralkali IR team was awarded for the **Best Investor Relations Strategy**. The Ceremony was organized by Adam Smith Institute.



## Strong Local Liquidity + LSE Listed GDRs

GDRs admitted to main Board of LSE under ticker URKA; local presence at Moscow Exchange



## MSCI Russia

MSCI increased Uralkali weighting in its MSCI Russia Index from 2.99% to 4.5% following the completion of combination with Silvinit



## Deal of the Year Awards



**Russian CFO Awards 2012**  
Viktor Belyakov - award for **Best M&A Deal of the Year**

## Investor Awards 2012

M&A: The deal of the year  
Best corporate development strategy



## Annual Report Wins Awards



Best Annual Report 2012, 2011 among companies with **Market cap over 100 bln RUB**



Best Annual Report 2012, 2011, 2010 for **Best Level of Disclosure / Best Overall Annual Report**

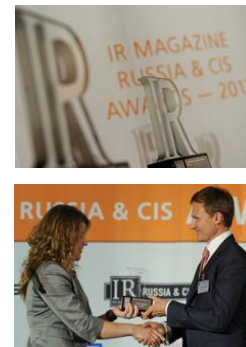


## Investor Relations Progress Award



**IR Magazine Russia & CIS Awards 2013**

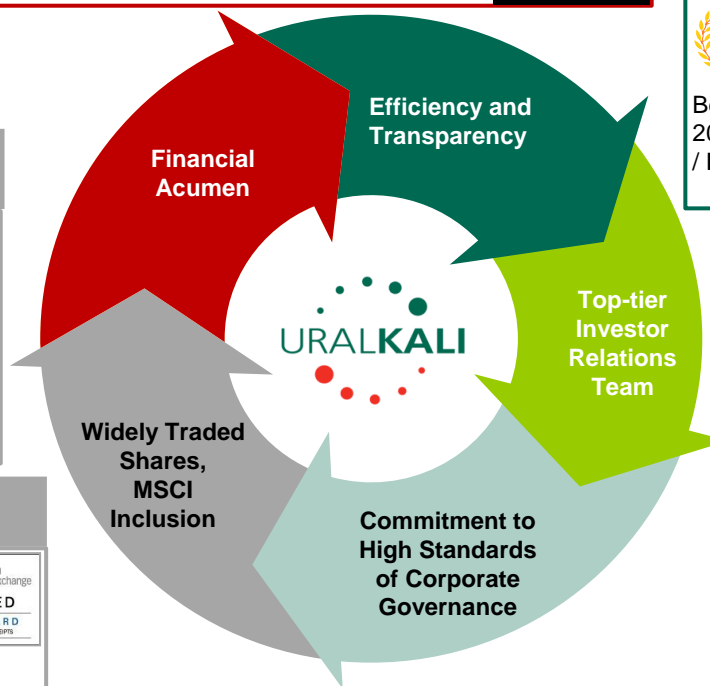
Best overall **Investor Relations Vladislav Baumgartner**  
Best investor relations by a CEO **Viktor Belyakov**  
Best investor relations by a CFO **Anna Batarina**  
Best investor relations officer



## INED Received 'Director of the 2011 Year' National Award



**Paul James Ostling** received award for his contribution towards the development of CGS in Russian companies





# Thank you!

**For more information please contact Investor Relations Department:**

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