



# Uralkali: A Leader in the Global Potash Market

## 1H 2012 IFRS Results and Potash Market Outlook

Webcast & Conference Call

11 September 2012

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# 1H 2012 – Key Milestones



<b>1</b> <b>Robust Market Fundamentals</b>	<ul style="list-style-type: none"><li>■ 1H 2012 sales of 5.1 m t KCl</li><li>■ Potash prices maintained at 2011 levels</li><li>■ Recent increases in agricultural prices expected to catalyze positive global fertilizer demand response</li></ul>
<b>2</b> <b>Progress on Capacity Expansion Strategy</b>	<ul style="list-style-type: none"><li>■ Commenced construction at new mine Ust-Yayva</li><li>■ Projected annual capacity of 2.8 mt KCl<sup>1</sup></li><li>■ Ongoing development of debottlenecking projects as well as Berezniki-4 expansion</li></ul>
<b>3</b> <b>Continued Focus on Capital Structure and Shareholder Return</b>	<ul style="list-style-type: none"><li>■ Cancellation of c. 5.1% share capital pursuant to buyback programme / associated optimisation of structure</li><li>■ Debut investment grade rating; independent recognition of strengths and prudent financial policies</li></ul>
<b>4</b> <b>Leading Corporate Governance &amp; Disclosure</b>	<ul style="list-style-type: none"><li>■ Election of a fourth INED to the Board</li><li>■ Inaugural Sustainability Report published</li></ul>



**Uralkali continues to focus on enhancing the Company's position of leadership in the global potash industry and driving longer term value creation through an efficient and transparent strategy**

Notes:  
1. Including 0.5 mt of additional capacity and 2.3 mt of new capacity that will substitute the depleting capacity of Berezniki-2 mine

# Key Financial Highlights – 1H 2012

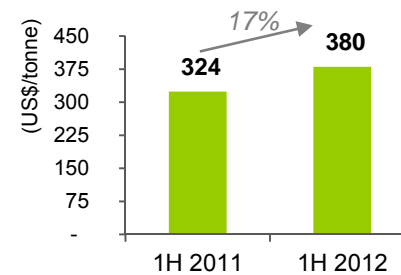


## Key Figures

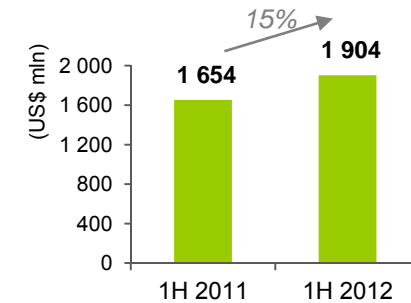
(US\$ mln)	IFRS 1H 2012	Pro-forma 1H 2011 <sup>1</sup>	Change %
Sales volume, mln tonnes	5.1	5.3	-3%
- Domestic sales	1.0	0.9	18%
<i>Sales for local consumption</i>	0.3	0.3	
- Export sales	4.1	4.4	-7%
Revenue	2 234	1 973	13%
Net Revenue <sup>2</sup>	1 904	1 654	15%
EBITDA <sup>3</sup>	1 400	1 054	33%
EBITDA margin <sup>4</sup> , %	74%	64%	
Net Profit	842	794	6%
CAPEX	160	226	
incl. Expansion	87	107	

## Key Highlights<sup>1</sup>

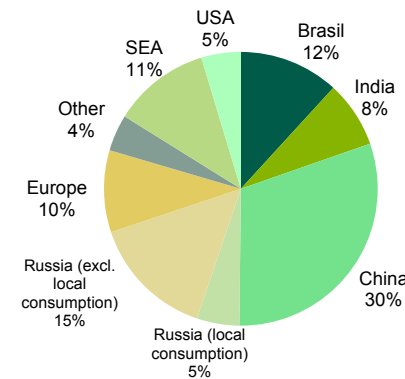
**Average export potash price, FCA**



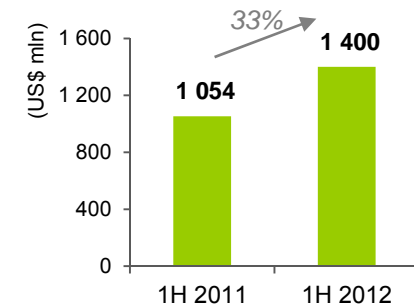
**Net Revenue<sup>2</sup>**



**1H 2012 Market mix**



**EBITDA<sup>3</sup>**



**Price environment remained robust, driving a 33% increase in EBITDA YoY**

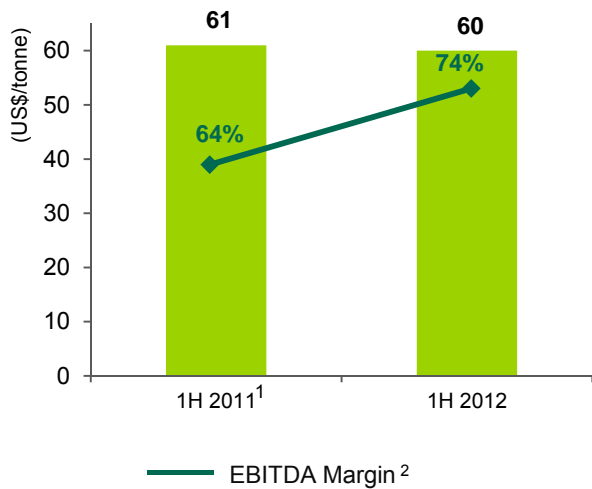
Notes:

1. Pro-forma 6M 2011 is calculated as Uralkali financial results for 1H 2011 + Silvinit financial results for 1H 2011
2. Net revenue represents adjusted revenue (sales net of freight, railway tariff and transshipment costs)
3. EBITDA is calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs
4. EBITDA margin is calculated as EBITDA divided by Net revenue

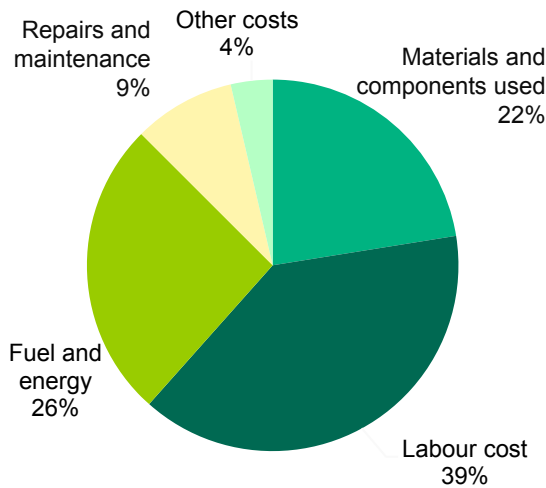
# Review of Cost Structure 1H 2012



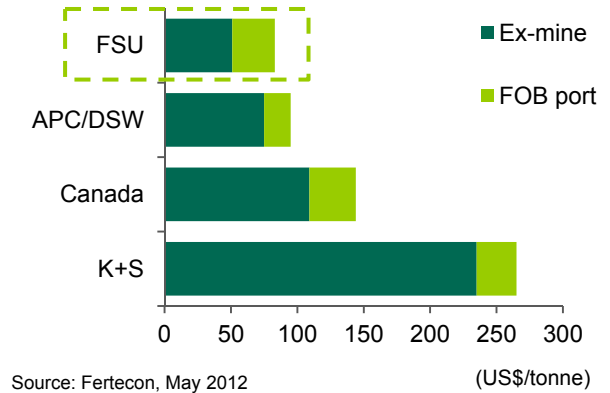
## Unit Potash Cash COGS<sup>1</sup>



## Cash COGS



## Global Cash Costs



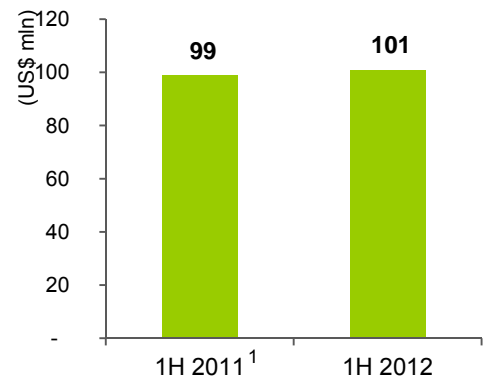
**Focus on continuous improvements in operational efficiencies and realisation of synergies from the merger allowed to decrease unit cash COGS**

Notes:  
 1. Pro-forma 6M 2011 is calculated as Uralkali financial results for 1H 2011 + Silvinit financial results for 1H 2011  
 2. EBITDA margin is calculated as EBITDA divided by Net revenue

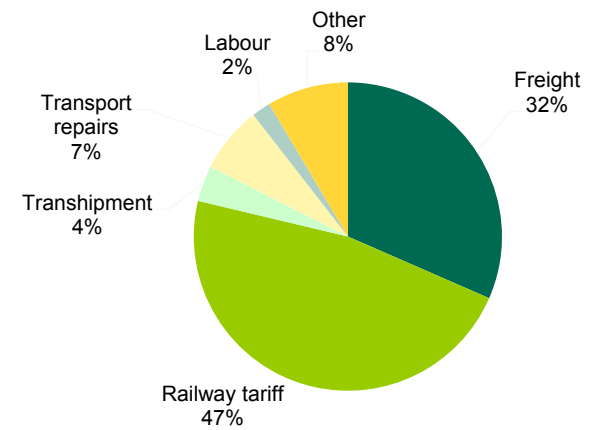


# Review of Cost Structure 1H 2012 (2 of 2)

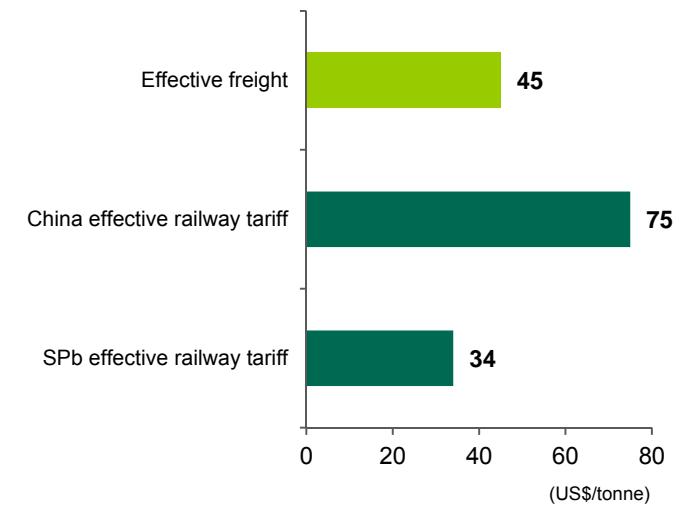
## Cash G&A Costs<sup>1</sup>



## Cash S&D Costs



## Effective Railway Tariff & Freight

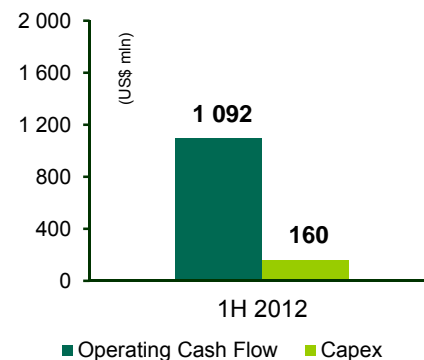
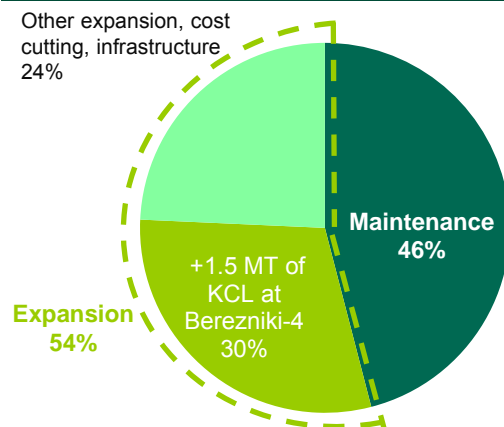


**Global cost leadership through optimization and delivery of synergies**

Notes:  
 1. Pro-forma 6M 2011 is calculated as Uralkali financial results for 1H 2011 + Silvinit financial results for 1H 2011

# Capex, Cash Flow, Balance Sheet 1H 2012

## Capex , Operating Cash Flow , Balance Sheet

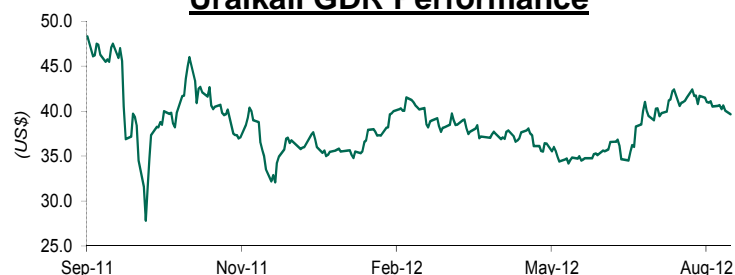


(US\$ bn)	30 June 2012
Debt (bank loans)	3.8
Cash <sup>1</sup>	1.6
Net debt/(cash)	2.2
LTM EBITDA <sup>2</sup>	2.8
Net debt/LTM EBITDA	0.8x

- Loan portfolio parameters as of Jun'12:
  - c.100% of debt exposure is in US Dollars
  - Effective interest rate as of 30 Jun 2012 – 3.2%
  - Target Net Debt/LTM EBITDA ratio of 1.0–2.0x

## Buy-back Programme

### Uralkali GDR Performance



- 6 Oct'11 – 6 Oct'12: buyback programme to the maximum amount of US\$2.5bln
- c. US\$863 mln completed to date
- Effective buyback price<sup>3</sup> - US\$35.7/GDR
- Cancellation of shares acquired completed in July 2012 (c. 5.1% of share capital), new number of shares is 2,936,015,891

**Balanced approach to investing in organic growth and returning excess capital to shareholders whilst maintaining a robust capital structure**

- Note: 1. Including restricted cash
2. EBITDA is calculated as Operating Profit plus depreciation and amortization and does not include mine flooding costs; LTM EBITDA is calculated as 2H 2011 EBITDA plus 1H2012 EBITDA
3. Average buyback price calculated as total value acquired divided by total number of GDRs and shares (converted to GDRs at 5:1)



# Debut Investment Grade Rating

- In June 2012, Uralkali achieved first time credit ratings from three international credit rating agencies

Agency	Rating	Outlook	Commentary
<b>STANDARD &amp; POOR'S</b>	BBB-	Stable	<i>"Key strengths include its leading position in the global potash market; fundamentally strong industry conditions with high barriers to entry; robust profitability supported by a low cost base; and a prudent financial policy, which results in healthy credit ratios and an 'adequate' liquidity position"</i>
<b>MOODY'S</b>	Baa3	Stable	<i>"Rating reflects benefits of; (i) a leading market position in the global potash market, (ii) a vertically integrated business model, (iii) large global potassium reserves with an estimated lifespan of more than 200 years and (iv) one of the lowest global cost positions... Rating also reflects our expectations of extended strength in the cycle of the global potash market, characterised by resilient pricing despite generally inherent volatility of the fertiliser industry"</i>
<b>FitchRatings</b>	BBB-	Stable	<i>"Rating reflects leading market position in the global potash sector, where high consolidation, scarcity of reserves and supply discipline support producers' pricing power and resilience through down cycles"</i>

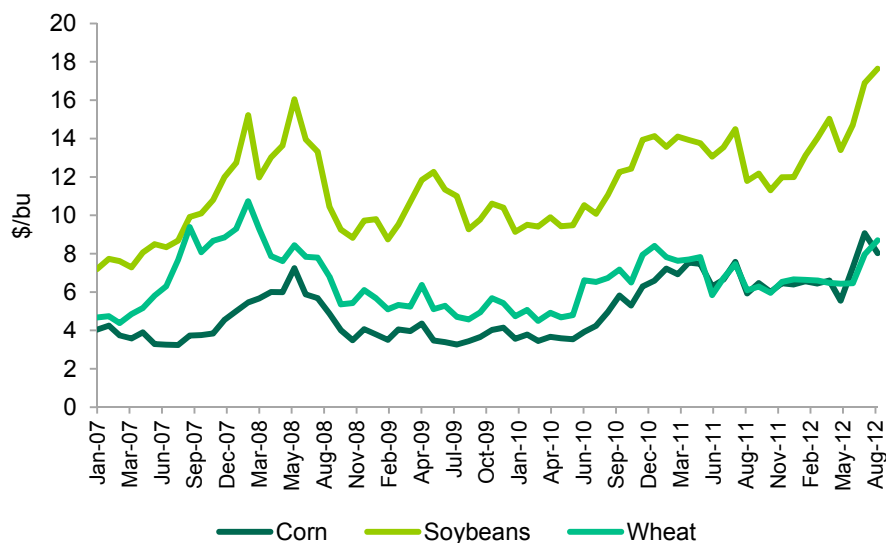
- Consistent investment-grade rating, acknowledging Uralkali's strengths
- High-ratings should allow the Company to attract credit financing even more efficiently and expand investor base

**Achievement of an investment grade rating a further step in Uralkali's development and disclosure plan**



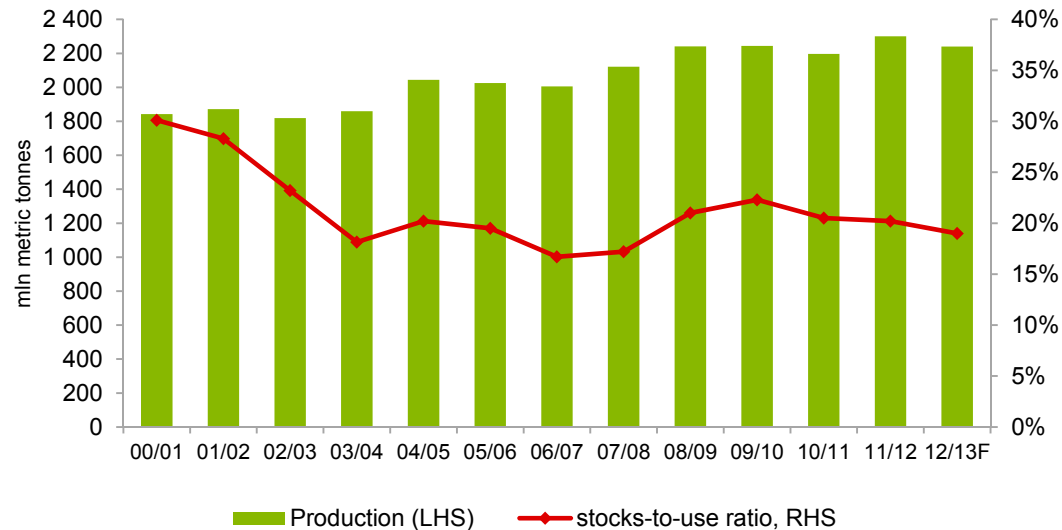
# Fundamentals Remain Strong

## Crop Future Prices are Record High



Source: WSJ, Bloomberg

## Global Grain Stocks to Use Ratio is Moving Down



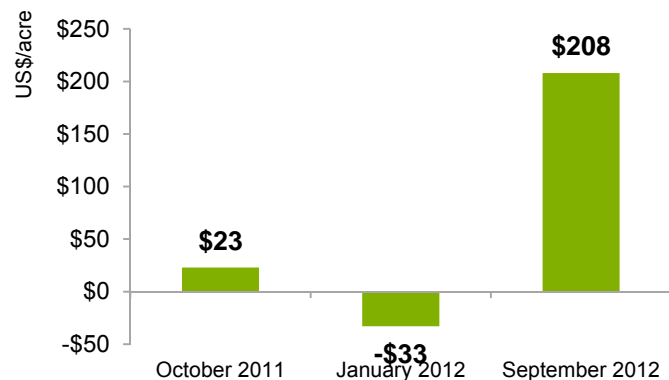
Source: USDA

- Agricultural commodity prices have traded at, or close to, historic highs, a result of supply-side issues driven by drought in the US
- US drought has created a robust environment for soybean planting in Brazil during 4Q 2012 in response to tight global oilseed supplies
- Drought and high agriculture commodity prices this year are expected to incentivise a large planting during 2013

**The recent increases among agricultural commodity prices are expected to catalyze a positive global fertilizer demand response**

# Farmers' Gross Margins

## Corn, USA



## Soybeans, Brazil



## Wheat, Poland



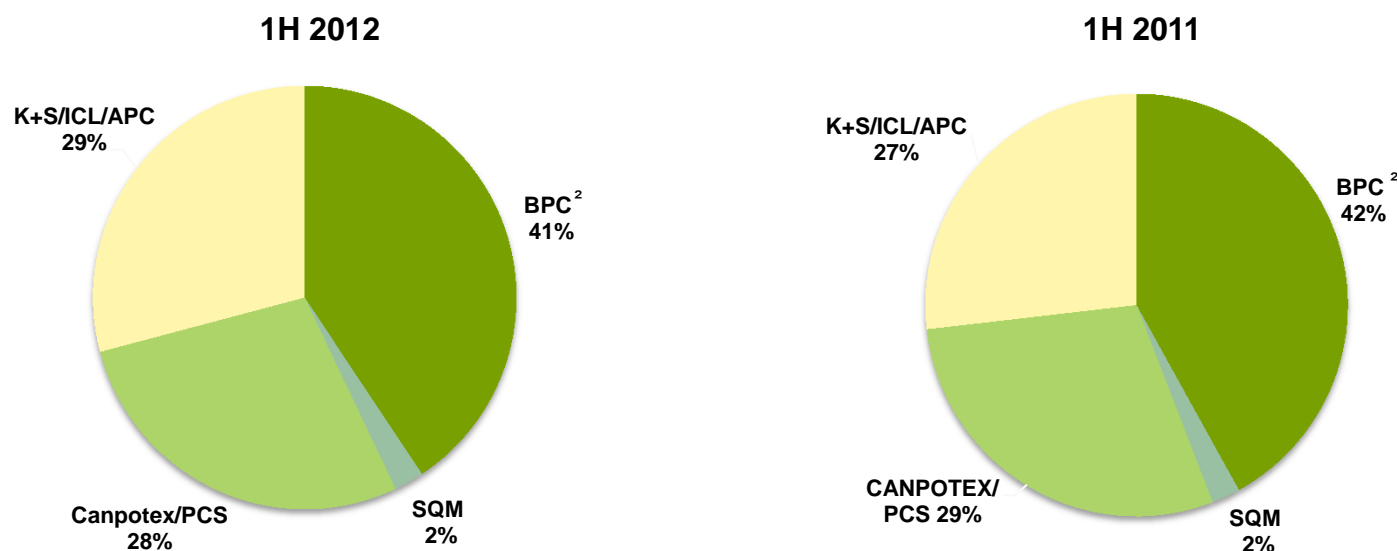
## Palm oil, Malaysia



**Solid returns that farmers are enjoying will provide substantial support for fertilizer consumption growth**

# Uralkali traders in global potash export 1H 2012

## Suppliers' market shares in global potash export <sup>1</sup>



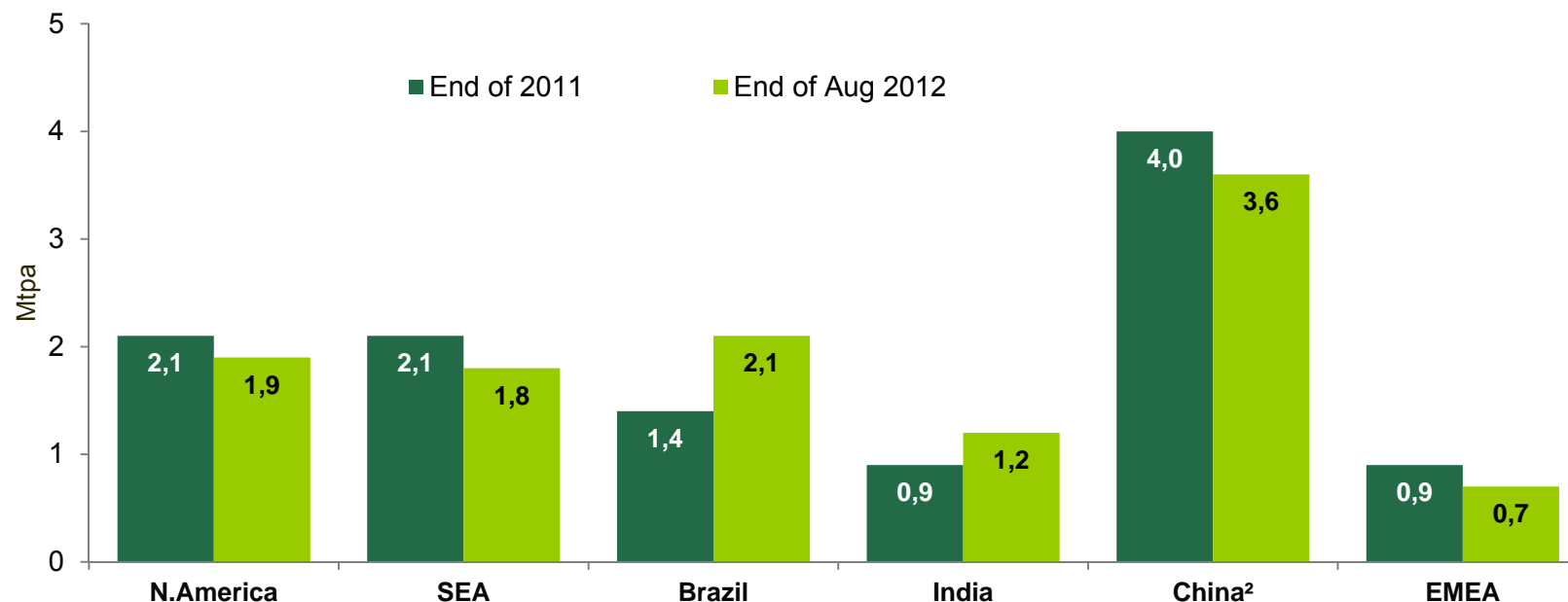
Source: IFA, companies' Earnings reports, Fertecon

**In 1H 2012 some smaller suppliers increased their market shares in world potash export compared to previous year while offering higher leverage to potash prices**

Notes:

- 1. Excluding Canadian potash export to the United States
- 2. Together with Uralkali Trading S.A

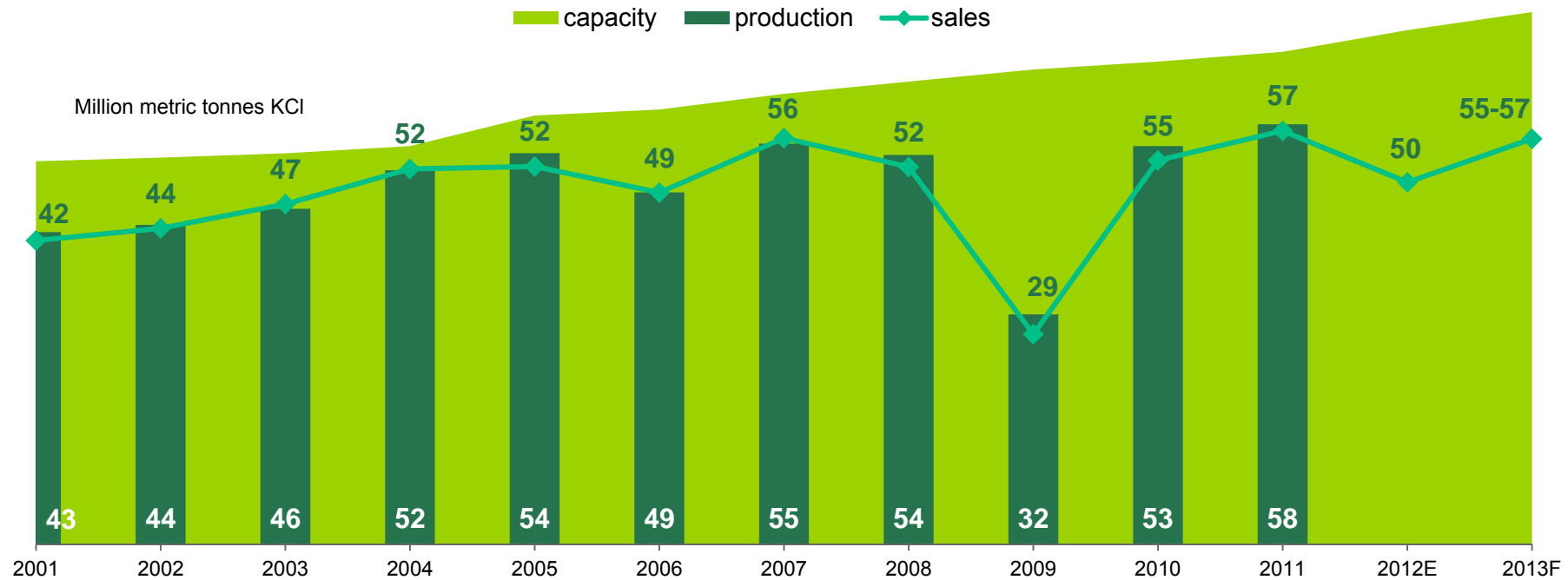
# Global potash inventory<sup>1</sup>



Source: BPC estimates

- Global potash inventories were depleting in NA, SEA and EMEA during 2012 due to pick-up in application and substantial slowdown in import volumes during 1Q2012
- In India, despite good loading volumes in Q2/Q3 2012, sales volumes were weak due to high retail prices and deficient monsoon
- In Q2 2012, Chinese market remained seasonally slow
- We expect the Brazilian and Chinese inventory drawdown during 4Q 2012
- Global potash inventory level is expected to be lower by the end of this year than in the previous year

# Supply/Demand Dynamics 2001-2013F



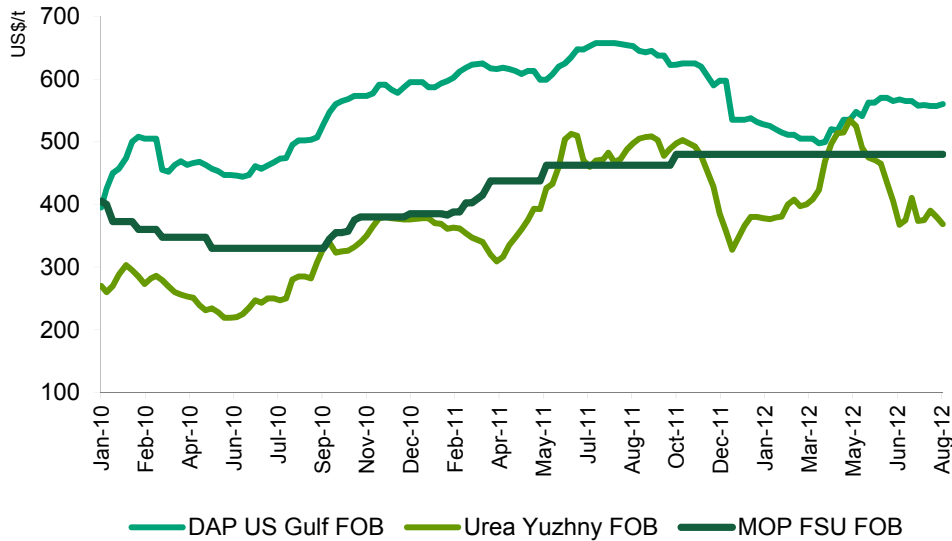
Source: IFA, BPC estimates

- Global potash deliveries for 2012 are estimated at 50 Mtpa, following weakness in 1Q 2012, ongoing challenges in India and lack of clarity with respect to China contract for 3Q 2012
- Given robust crop prices, unfavorable weather impacts will create opportunities going forward with farmers likely to increase planted acreage in the next crop year, which should drive greater potash demand around the world
- For 2013, we expect global potash demand to increase to 55-57 Mtpa

# 2012 Potash Prices to be Stable and Affordable

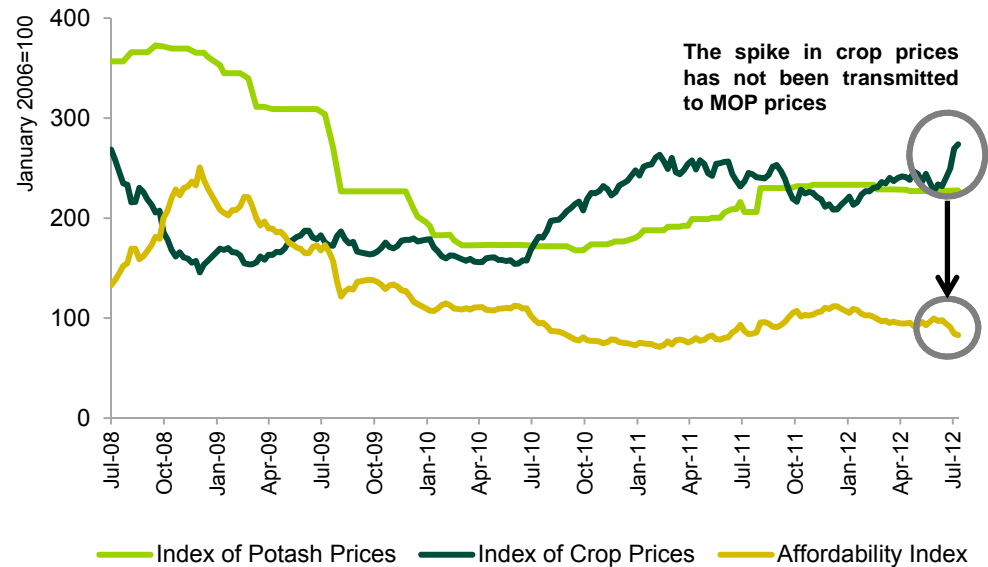


## Global Dynamics of Fertilizer Prices



Source: FMB

## Potash Affordability Index



Source: CRU

- Although high crop prices have boosted potash demand, this has not yet been transmitted through to MOP prices making potash more affordable for farmers
- Potash prices are expected to be supported by low grains stocks-to-use ratios, robust soybean plantings in Brazil during 4Q 2012 and strong prospective plantings for US corn in 2013





## Potash Market Outlook

- Potash fundamentals remain supportive. Farmer balance sheets are extremely strong and potash is still affordable on a historical basis
- We expect potash deliveries total 50 Mtpa in 2012 reflecting industry destocking during 1Q 2012, ongoing challenges in India, lack of clarity with respect to China contract for 3Q 2012 and macroeconomic concerns
- Potash prices are estimated to be healthy in 2012. Current spike in crop prices should translate into potash price growth in 2013
- The potash demand is likely to return on its historical growth trend over the next couple of years. For 2013 we expect global potash demand to increase to 55-57 Mtpa

# Conclusion and Outlook



<b>A Leader in the Global Potash Market</b>	<ul style="list-style-type: none"><li>• Leading player in potash export market</li><li>• Amongst the lowest cost producers and further synergistic potential</li><li>• Attractive portfolio of cost-advantaged brownfield projects + large-scale greenfield opportunities</li></ul>
<b>Implementation of Strategic Expansion Programme</b>	<ul style="list-style-type: none"><li>• Strengthening long term capacity expansion programme to achieve 19 m t of KCl by 2020 (greenfield and brownfield)</li><li>• Most cost effective expansion programme projects in the global potash industry</li></ul>
<b>Potash Market Update</b>	<ul style="list-style-type: none"><li>• Industry fundamentals remain supportive, buyer sentiment continues to be influenced by the macroeconomic volatility</li><li>• Global potash deliveries are expected to total 50 MT in 2012</li></ul>
<b>Further Improvement in Governance &amp; Disclosure</b>	<ul style="list-style-type: none"><li>• Four INEDs elected to the Board to further optimize the balance of professional knowledge and skill</li><li>• Cash distribution policy thought dividends and buyback to benefit all shareholders</li><li>• Publication of inaugural Sustainability Report</li></ul>



**Focused on delivery of growth to drive shareholder value**



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