

Research
June 20, 2008

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Uralkali

Prices keep growing

Bullet moments

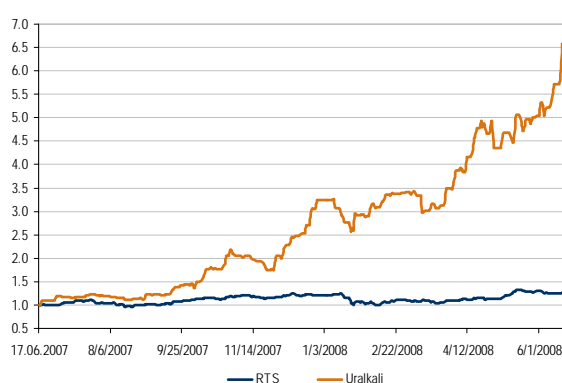
- In just 2 days Uralkali's shares have increased by 8.3% and 6.8% respectively. Company's capitalization according to Tuesday results formed 33.57 mn USD. Since the beginning of the year company's securities growth formed 90%.
- The main reason to propel quotes growth was "Belorusskaya Kaliynaya Kompaniya", Uralkali's representative, which signed a contract of potash chloride export with Brazil at the price of 1000 USD per t. The previous price was lower and formed 610 USD per t (the contract was signed in June and the shipments will be provided starting with August).
- Let us remind you that long-term contract the shipments volume in Brazil will form 1.12 mn t over the current year. It is less than 21% of all Uralkali's sales. In 2016 company's sale volume may form 2.41 mn t.
- Also, the 2nd reason to drive the growth of company's securities is a high demand on potash chloride in one of the main trading center of this product – Vancouver. The price of potash chloride expanded from 550.5 USD per t to 587.5 USD per t.
- Due to the market situation changes, we have reviewed company's model, upgraded it in accordance with the current product prices in South America, increasing sales prices by 31% in 2008 and long-term price forecast by 26%.
- As the result, the new fair price of Uralkali's shares formed 17.83 USD against 14.2(+25.5%) USD, which was forecasted earlier, demonstrating 11.83% growth potential. Due to the potential growth limitation, we change our recommendation from "BUY" to "ACCUMULATE" on company's shares.

Recommendation: CS – ACCUMULATE

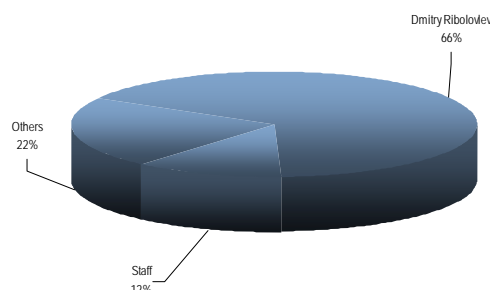
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Principal estimates

Company's shares vs RTS index



Owners' structure of Uralkali



Uralkali profile

RTS	URKA
Last price, USD	1.590
Min/max price for 52 weeks, USD	0.000 / 0.000
Target price/ADR (end of the year), USD	1.182
Upside (pref.), %	-25.7
Shares outstanding	2,124,390,000
Market capitalization, mn USD	3,378
EV, mn USD	3,393

Financial highlights (IAS)	2005	2006 (F)	2007 (F)
Income, mn USD	732	717	683
EBITDA, mn USD	396	307	324
Net income, mn USD	270	188	202
EBITDA margin, %	54.0	42.9	47.5
Net income margin, %	36.9	26.2	29.5

Multipliers	2005	2006 (F)	2007 (F)
EV / S	4.63	4.73	4.97
EV / EBITDA	8.57	11.05	10.47
P / E	12.51	17.96	16.75
ROIC, %	65.7	40.1	30.7
ROE, %	59.0	29.2	23.9

Company's financial model

Uralkali's volumes of potash chloride production over 2006-2016, mn t

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Mine - 1	1.2	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Mine - 2	1.3	1.8	1.8	1.9	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Mine - 3	0.9	1.8	1.9	2.3	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Mine - 4	0.9	1.3	1.4	1.5	2.0	2.6	3.0	3.0	3.0	3.0	3.0
Mine - 5	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.9	2.5	3.5	3.7
Total volume of potash chloride	4.2	5.1	5.4	6.0	6.9	7.5	8.4	9.8	10.4	11.3	11.6
<i>The sale rates of natural products growth</i>	-22.8	23.0	4.5	11.7	15.9	7.6	11.9	16.8	6.2	9.2	2.2

Source: company's data; Estimation: Veles Capital

Uralkali's sale volume of potash chloride at the primary markets in 2006-2016, mn t

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Russia	0.44	0.51	0.48	0.54	0.62	0.67	0.75	0.87	0.93	1.01	1.03
China	1.76	2.04	1.23	1.37	1.59	1.71	1.91	2.23	2.37	2.59	2.64
China	0.43	0.36	0.64	0.71	0.83	0.89	1.00	1.16	1.24	1.35	1.38
India	0.63	1.07	1.12	1.25	1.45	1.56	1.75	2.04	2.16	2.36	2.41
South-East Asia	0.27	0.56	0.91	1.01	1.17	1.26	1.41	1.65	1.75	1.91	1.95
Europe	0.39	0.41	0.64	0.71	0.83	0.89	1.00	1.16	1.24	1.35	1.38
Other directions	0.43	0.13	0.37	0.36	0.41	0.45	0.50	0.58	0.62	0.67	0.69
Total volume of potash chloride	4.35	5.08	5.39	5.96	6.90	7.43	8.31	9.70	10.30	11.25	11.49
<i>The sale rates of natural products growth</i>	-18.5	16.7	6.0	10.6	15.9	7.6	11.9	16.8	6.2	9.2	2.2

Source: company's data; Estimation: Veles Capital

Uralkali's prices forecasts 2006-2016, USD per t

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Potash chloride (FOB Vancouver)	167	196	501	610	702	754	679	645	613	582	553
Prices in Russia	113	140	323	383	440	487	439	417	396	376	357
Prices in China	181	209	515	611	703	756	680	646	614	583	554
Prices in China	218	243	601	714	821	882	794	754	717	681	647
Prices in India	184	248	805	956	1,099	1,181	1,063	1,010	959	912	866
Prices in South-East Asia	200	251	622	738	849	912	821	780	741	704	669
Europe	179	228	533	632	727	782	704	668	635	603	573
Prices in other directions	200	245	606	720	828	890	801	761	723	687	652

Source: company's data; Estimation: Veles Capital

Sales of Uralkali, 2006-2016, mn USD

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Russia	49	72	155	205	274	326	328	364	367	381	370
China	318	427	632	837	1,116	1,291	1,300	1,442	1,454	1,508	1,464
China	94	87	385	510	680	786	792	878	886	919	892
India	115	265	901	1,195	1,593	1,843	1,855	2,058	2,075	2,153	2,090
South-East Asia	55	141	564	747	996	1,152	1,160	1,287	1,298	1,346	1,307
Europe	70	93	341	452	602	697	702	778	785	814	790
Other directions	86	31	226	257	343	397	399	443	447	463	450
Other incomes	34	38	52	68	91	105	106	117	118	123	119
Export tax	0	0	(108)	(200)	(267)	(308)	(310)	(344)	(347)	(360)	(350)
Total sales value	822	1,155	3,147	4,073	5,428	6,287	6,331	7,023	7,082	7,346	7,133

Source: company's data; Estimation: Veles Capital

Uralkali's balance sheet, 2006-2016, mn USD

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Assets											
Non-current assets	873	976	1,217	1,393	1,480	1,784	2,246	2,730	2,818	2,945	2,883
PPE	743	947	1,186	1,362	1,450	1,755	2,218	2,702	2,790	2,918	2,856
Non-material assets	6	6	6	6	6	6	6	6	5	5	5
Assets with limited usage	3	0	0	0	0	0	0	0	0	0	0
Goodwill	13	14	15	15	15	14	14	14	14	13	13
Associated companies' loans	98	0	0	0	0	0	0	0	0	0	0
Financial assets	9	9	9	9	9	9	9	8	8	8	8
Current assets	345	575	1,783	3,396	5,595	7,937	9,993	12,224	14,659	17,006	19,187
Inventories	55	60	76	95	116	132	153	188	210	238	252
Current income tax liabilities	9	0	0	1	1	1	1	1	1	1	1
Accounts receivable	161	230	435	562	749	868	874	970	978	1,014	985
Loans issued to subsidiaries	16	0	0	0	0	0	0	0	0	0	0
Cash assets and equivalents	104	285	1,272	2,738	4,729	6,937	8,966	11,066	13,470	15,753	17,950
Total assets	1,218	1,551	3,000	4,789	7,075	9,721	12,239	14,954	17,476	19,951	22,070
Liabilities											
Long-term liabilities	173	278	265	231	159	97	49	48	30	30	29
Long-term liabilities	131	252	237	204	132	71	23	23	5	5	5
Other long-term liabilities	1	10	10	10	10	10	10	9	9	9	9
Deferred tax liabilities	16	15	16	17	16	16	15	15	15	14	14
Short-term liabilities	395	292	338	332	332	325	308	308	298	295	284
Accounts payable	92	94	178	205	236	251	249	260	259	262	256
Current income tax liabilities	0	10	10	11	10	10	10	10	9	9	9
Other tax liabilities	6	7	7	7	7	7	7	7	7	7	6
Short-term liabilities	296	181	143	109	79	57	42	31	23	17	12
Uralkali's shareholders' equity	651	981	2,397	4,226	6,584	9,298	11,883	14,599	17,148	19,627	21,757
Authorized capital	24	25	27	27	26	25	25	24	24	24	23
Treasury stock	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Retained earnings	647	1,002	2,418	4,247	6,605	9,318	11,903	14,618	17,167	19,646	21,775
Overestimation reserve	6	6	6	6	6	6	6	6	6	5	5
Added capital	(19)	(33)	(35)	(36)	(34)	(33)	(33)	(32)	(32)	(31)	(30)
Others	(7)	(19)	(20)	(20)	(19)	(19)	(18)	(18)	(18)	(17)	(17)
Minority interest	1	1	1	1	1	1	1	1	1	1	1
Total liabilities	1,218	1,551	3,000	4,789	7,075	9,721	12,239	14,954	17,476	19,951	22,070

Source: company's data; Estimation: Veles Capital

Income and loss statements by Uralkali, 2006-2016, mn USD

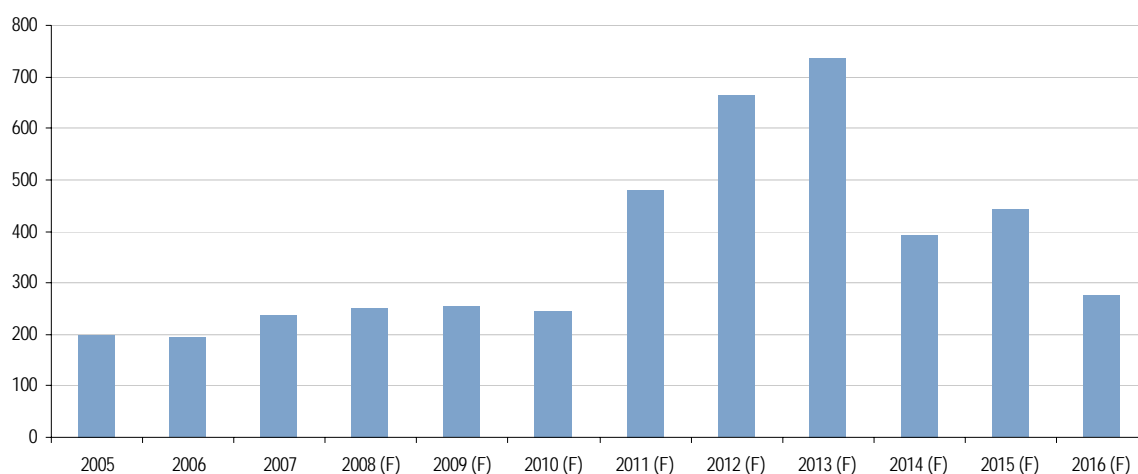
	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Sales	822	1,155	3,147	4,073	5,428	6,287	6,331	7,023	7,082	7,346	7,133
Costs	580	758	970	1,213	1,482	1,675	1,946	2,391	2,674	3,033	3,202
Salaries	61	74	89	109	132	148	172	210	231	263	277
Energy costs	48	58	71	91	116	136	168	216	254	309	349
Materials	48	54	69	90	116	138	170	220	256	308	342
Repairs and maintenance	12	29	16	21	28	32	32	36	36	37	36
Transport costs in between mines	6	12	14	18	21	24	28	34	37	43	45
Housing costs	1	1	1	2	2	2	3	3	3	4	4
Other costs	3	(5)	3	4	5	6	6	7	7	7	7
Commercial expense	247	311	387	486	602	691	823	1,026	1,151	1,330	1,402
General and administrative costs	76	136	219	253	291	309	312	346	349	362	351
Taxes, excluding income tax	10	11	12	14	16	16	18	20	21	23	23
Other operating costs	16	22	26	32	39	43	50	62	68	77	81
EBITDA	295	451	2,239	2,955	4,062	4,743	4,550	4,843	4,668	4,585	4,216
EBITDA margin, %	35.9	39.1	71.1	72.5	74.8	75.4	71.9	69.0	65.9	62.4	59.1
Depreciation and amortization	53	55	62	95	116	130	164	211	260	272	286
EBIT	241	396	2,177	2,860	3,946	4,612	4,385	4,632	4,408	4,313	3,931
EBIT margin, %	29.4	34.3	69.2	70.2	72.7	73.4	69.3	66.0	62.2	58.7	55.1
Non-operating income/expense	(82)	0	(39)	(13)	3	1	(2)	(1)	3	8	14
Income before tax	159	396	2,138	2,847	3,949	4,614	4,383	4,631	4,411	4,321	3,944
Income before tax margin, %	19.4	34.3	67.9	69.9	72.8	73.4	69.2	65.9	62.3	58.8	55.3
Income tax	(31)	(81)	(513)	(683)	(948)	(1,107)	(1,052)	(1,111)	(1,059)	(1,037)	(947)
Minority interest, income (payoffs)	0	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Net income	129	315	1,624	2,163	3,000	3,505	3,330	3,518	3,351	3,283	2,997
Net income margin, %	15.7	27.3	51.6	53.1	55.3	55.7	52.6	50.1	47.3	44.7	42.0

Source: company's data; Estimation: Veles Capital

Uralkali's statement of cash flows, 2006-2016, mn USD

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Cash flows from operating activities											
Profit before income tax and minority interest	159	396	2,138	2,847	3,949	4,614	4,383	4,631	4,411	4,321	3,944
Adjustments for:											
Depreciation and amortisation	74	77	62	95	116	130	164	211	260	272	286
Bad debt reserves	1	1	0	0	0	0	0	0	0	0	0
Net change in provision for earth replacement and mine	18	(26)	0	0	0	0	0	0	0	0	0
(Gains)/losses less loss/(gain) on disposal of property, plant and equipment	(0)	8	7	6	4	3	3	2	2	1	1
Loss on fixed assets disposed on mine flooding	45	3	0	0	0	0	0	0	0	0	0
Financial income/expense	12	20	46	39	30	20	13	6	5	3	2
Other financial income/expense	0	0	(12)	(34)	(45)	(35)	(26)	(26)	(31)	(37)	(43)
Foreign exchange gains	(11)	(19)	0	0	0	0	0	0	0	0	0
Operating cash flows before change in current capital	298	460	2,240	2,952	4,055	4,733	4,536	4,825	4,647	4,560	4,190
Change of current assets	(1)	(70)	(206)	(139)	(228)	(161)	(48)	(150)	(50)	(82)	(6)
Change of current liabilities	4	22	79	25	37	22	4	16	3	7	(1)
Final change of current capital	3	(48)	(127)	(115)	(191)	(139)	(45)	(134)	(47)	(75)	(8)
Net cash from operating activities	300	412	2,113	2,837	3,864	4,594	4,491	4,691	4,601	4,485	4,182
Income tax paid	(37)	(63)	(513)	(683)	(948)	(1,107)	(1,052)	(1,111)	(1,059)	(1,037)	(947)
Interest paid	(19)	(28)	(46)	(39)	(30)	(20)	(13)	(6)	(5)	(3)	(2)
Cash generated from operations	244	321	1,554	2,116	2,886	3,467	3,427	3,573	3,537	3,445	3,233
Cash flows from investing activities											
Purchase of PPE	(193)	(238)	(250)	(253)	(245)	(480)	(664)	(738)	(393)	(441)	(276)
Other operations	(1)	(2)	0	0	0	0	0	0	0	0	0
Net cash used in investing activities	(282)	(116)	(250)	(253)	(245)	(480)	(664)	(738)	(393)	(441)	(276)
Cash flows from finance activities											
Increase/(decrease) of short-term loans	207	(1)	(48)	(36)	(26)	(19)	(14)	(10)	(8)	(6)	(4)
Increase/(decrease) of long-term loans	91	(2)	(28)	(37)	(65)	(57)	(47)	0	(17)	0	0
Dividends paid	(293)	(22)	(257)	(342)	(474)	(554)	(526)	(556)	(530)	(519)	(474)
Redemption of treasury stock	(9)	(3)	0	0	0	0	0	0	0	0	0
Financial (expenses)/income	(1)	(1)	0	0	0	0	0	0	0	0	0
Net cash used in financing activities	(5)	(29)	(333)	(415)	(566)	(630)	(587)	(566)	(554)	(524)	(478)
Effect of foreign exchange rate changes on cash and cash equivalents	(5)	(2)	0	0	0	0	0	0	0	0	0
(decrease)/increase in cash and equivalents	(48)	173	971	1,447	2,074	2,357	2,176	2,269	2,590	2,480	2,480
Cash and equivalents at the beginning of the year	150	110	301	1,290	2,654	4,580	6,790	8,797	10,881	13,273	15,470
Net cash and equivalents at the end of the year	102	283	1,272	2,738	4,729	6,937	8,966	11,066	13,470	15,753	17,950

Source: company's data; Estimation: Veles Capital

Uralkali's capital investments


Company's financial analysis

Value forming estimates

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Invested capital at years start, mn USD	54.2	15.9	67.1	53.5	53.0	50.1	39.2	34.4	27.3	14.2	10.5
Growth of invested capital (IC), %	974	1,129	1,887	2,895	4,431	6,652	9,258	12,439	15,830	18,074	19,979
Share capital at years start, mn USD	651	981	2,397	4,226	6,584	9,298	11,883	14,599	17,148	19,627	21,757

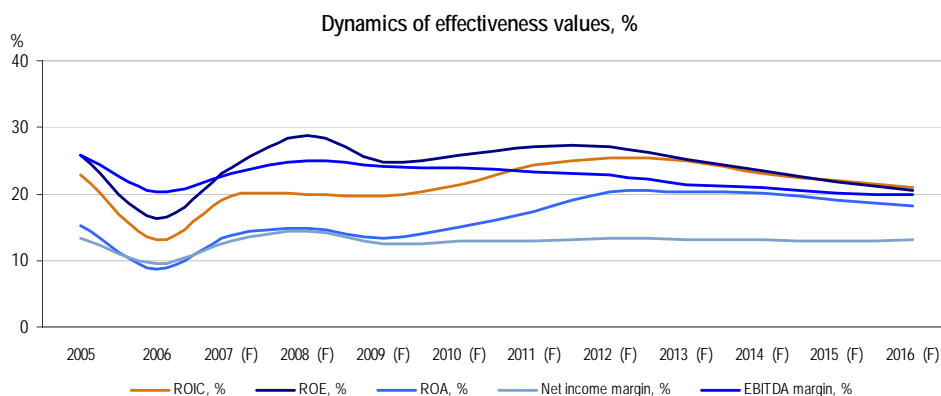
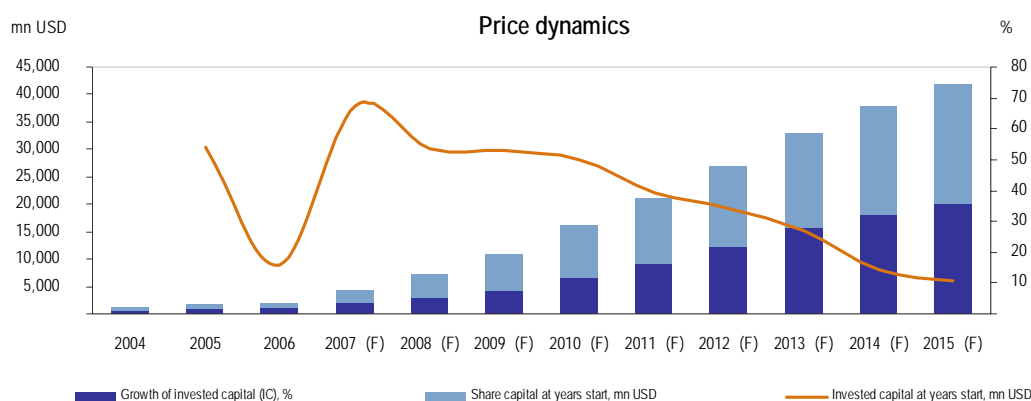
Business effectiveness analysis

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
ROIC, %	20.0	27.9	87.7	75.1	67.7	52.7	36.0	28.3	21.2	18.1	15.0
ROE, %	19.8	32.1	67.8	51.2	45.6	37.7	28.0	24.1	19.6	16.7	13.8
ROA, %	10.6	20.3	54.2	45.2	42.4	36.1	27.2	23.5	19.2	16.5	13.6
EBITDA margin, %	35.9	39.1	71.1	72.5	74.8	75.4	71.9	69.0	65.9	62.4	59.1
EBIT margin, %	29.4	34.3	69.2	70.2	72.7	73.4	69.3	66.0	62.2	58.7	55.1
net income margin, %	15.7	27.3	51.6	53.1	55.3	55.7	52.6	50.1	47.3	44.7	42.0

Financial state analysis

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Financial leverage	0.66	0.44	0.16	0.07	0.03	0.01	0.01	0.00	0.00	0.00	0.00
liquidity estimates											
coverage ratio	0.74	1.77	5.05	9.95	16.48	24.00	31.97	39.13	48.47	56.88	66.69
current ratio	0.87	1.97	5.27	10.24	16.83	24.41	32.47	39.74	49.17	57.68	67.58
quick ratio	0.26	0.98	3.76	8.25	14.23	21.33	29.13	35.98	45.19	53.43	63.22
business activity estimates											
accounts receivable coverage period, days	71	72	50	50	50	50	50	50	50	50	50
turnover of supplies, days	24	19	9	8	8	8	9	10	11	12	13
use of own turnover capital	(16.50)	4.07	2.18	1.33	1.03	0.83	0.65	0.59	0.49	0.44	0.38

Source: company's data; Estimation: Veles Capital



Price estimation

Discount rate (WACC), %

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
Cost of equity (ks)	10.47	10.43	10.26	10.26	10.26	10.26	10.26	10.26	10.26	10.26	10.26
Risk-free rate, %	4.73	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
10 year US Treasuries yield, %	4.73	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Russia risk, %	1.11	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65	1.65
Stock market risk, %	7	7	7	7	7	7	7	7	7	7	7
Coefficient b	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686	0.686
Share of equity, %	60.35	69.38	86.31	93.12	96.89	98.63	99.45	99.63	99.84	99.89	99.92
Cost of debt (kd)	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Risk free rate, %	4.73	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Debt cost, %	4.77	5.35	5.35	5.35	5.35	5.35	5.35	5.35	5.35	5.35	5.35
Tax rate, %	19.23	20.53	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Share of debt, %	39.65	30.62	13.69	6.88	3.11	1.37	0.55	0.37	0.16	0.11	0.08
WACC	9.36	9.55	9.84	10.05	10.16	10.22	10.24	10.25	10.25	10.26	10.26

Source: company's data; Estimation: Veles Capital

Free Cash Flow of Uralkali, forecast, 2006-2016, mn USD

	2006	2007	2008 (F)	2009 (F)	2010 (F)	2011 (F)	2012 (F)	2013 (F)	2014 (F)	2015 (F)	2016 (F)
EBITDA	241	396	2,177	2,860	3,946	4,612	4,385	4,632	4,408	4,313	3,931
Amortization and depreciation	(46)	(81)	(522)	(686)	(947)	(1,107)	(1,052)	(1,112)	(1,058)	(1,035)	(943)
EBIT	195	315	1,655	2,173	2,999	3,505	3,333	3,521	3,350	3,278	2,987
Income tax	53	55	62	95	116	130	164	211	260	272	286
after-tax EBITDA	248	370	1,717	2,268	3,115	3,636	3,497	3,732	3,610	3,550	3,273
CapEx	(193)	(238)	(250)	(253)	(245)	(480)	(664)	(738)	(393)	(441)	(276)
Change of operating capital	3	(48)	(127)	(115)	(191)	(139)	(45)	(134)	(47)	(75)	(8)
FCF	58	84	1,339	1,900	2,678	3,016	2,788	2,860	3,171	3,034	2,989

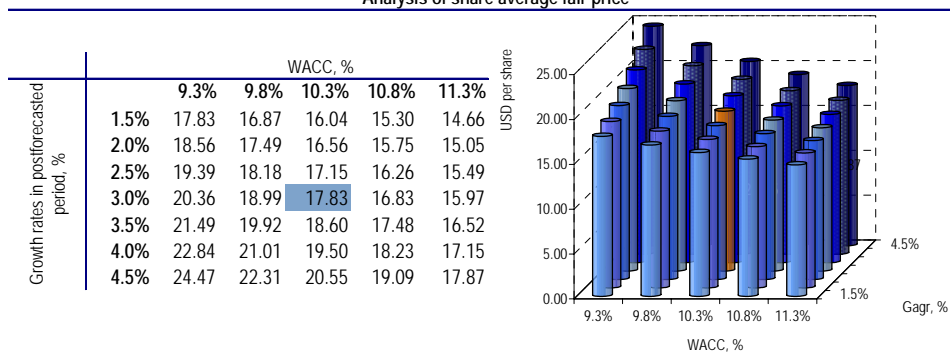
Source: company's data; Estimation: Veles Capital

Uralkali's fundamental price estimation

TGR, %	3.00%
Discount rate, %	10.26%
Sum of cash flows, mn USD	17,280
Terminal value, mn USD	49,964
Discounted terminal value, mn USD	20,750
Enterprise value, mn USD	38,030
Net debt, mn USD	160
Shareholder's equity (incl. minority interest), mn USD	37,871
Number of shares, mn units	2,124,390,000
Fair value of common stock at the year end, USD	17.83
Upside (downside) of common stock, %	11.83%

Source: company's data; Estimation: Veles Capital

Analysis of share average fair price



Source: Veles Capital estimation

Public comparables

Sector companies' multipliers and coefficients

		Current capitalization, mln USD	Enterprise value, mln USD										Financial coefficients			
				P/S	EV/S	$EV/EBITDA$	P/E	P/BV	EV/IC	ROE, %	ROA, %	ROIC, %	EBITDA margin, %	ROIC / WACC		
Developed markets																
Kemira OYJ	FINLAND	1,712	3,250	-	0.73	6.86	13.41	1.04	1.02	7.98	4.70	5.89	10.59	0.65		
Agrium Inc	CANADA	17,530	16,852	2.42	2.32	8.49	15.43	5.34	6.47	36.25	9.69	45.36	27.34	2.91		
Potash Corp of Saskatchewan	CANADA	74,366	74,192	7.64	7.62	14.15	21.44	11.95	12.27	56.94	13.85	58.73	53.87	3.93		
Migao Corp	CANADA	395	383	2.38	2.30	13.24	18.97	3.11	3.35	13.00	14.27	20.08	17.39	1.39		
K+S AG	GERMANY	23,943	24,532	3.40	3.48	12.94	20.70	15.75	11.63	56.00	22.81	59.14	26.94	4.54		
CF Industries Holdings Inc	UNITED STATES	9,540	8,424	2.45	2.17	6.21	12.33	7.10	-	48.85	22.40	393.73	34.89	31.30		
Terra Industries Inc	UNITED STATES	4,987	4,619	1.78	1.65	5.22	9.81	6.71	12.33	47.46	11.37	157.04	31.61	12.86		
Mosaic Co/The	UNITED STATES	69,991	70,154	7.59	7.61	22.43	37.21	11.99	11.69	36.65	4.69	35.90	33.92	3.14		
Isagro SpA	ITALY	136	339	-	1.06	9.00	36.20	1.18	1.07	3.00	0.03	0.64	11.82	0.09		
Rosier	BELGIUM	171	174	0.67	0.68	15.41	18.91	2.51	2.44	14.92	8.12	9.85	4.43	1.11		
FMC Corp	UNITED STATES	5,996	6,004	2.07	2.07	9.81	19.11	5.21	5.18	22.90	10.40	37.50	21.08	3.93		
Developed markets weighted average		18,979	18,993	4.78	4.35	13.34	22.21	9.46	9.12	46.16	11.60	66.46	39.03	5.08		
Developing markets																
Incitec Pivot Ltd	AUSTRALIA	8,877	9,496	3.81	4.08	10.40	15.42	18.73	8.69	45.97	33.50	56.04	39.17	5.03		
Fertilizantes Fosfatados SA	BRAZIL	8,063	7,667	4.90	4.66	17.05	28.27	13.54	-	25.95	10.99	121.16	27.33	-		
Qinghai Salt Lake Potash Co	CHINA	8,261	8,179	9.68	9.59	12.27	25.93	-	-	65.73	15.83	82.22	78.16	7.47		
United Phosphorus Ltd	INDIA	1,655	1,897	1.67	1.91	8.83	12.63	4.24	3.00	20.98	11.10	25.23	21.64	2.15		
Rashtriya Chemicals & Fert	INDIA	846	1,012	0.78	0.93	13.28	22.86	2.53	2.02	10.40	5.01	7.51	7.04	0.62		
Chambal Fertilizers & Chemicals Ltd	INDIA	888	1,321	0.95	1.41	9.17	19.79	4.22	2.05	11.30	3.52	6.92	15.34	0.68		
Fauji Fertilizer Bin Qasim Ltd	PAKISTAN	517	409	1.10	0.87	3.67	8.97	3.74	13.66	41.90	12.46	197.62	23.66	19.08		
Zhejiang Xinan Chemical Industrial Group Co Ltd	CHINA	2,099	2,078	2.98	2.95	11.25	22.38	10.53	11.66	33.12	21.40	60.62	26.19	4.68		
China XLX Fertiliser Ltd	CHINA	585	599	2.14	2.19	8.86	11.13	3.23	3.06	27.43	17.54	25.99	24.74	2.21		
Soquimich Comercial	CHILE	164	161	0.79	0.78	10.74	17.42	1.30	1.30	9.71	6.72	9.25	7.25	0.98		
Taiwan Fertilizer Co Ltd	TAIWAN	4,363	4,066	9.34	8.70	41.08	28.51	2.71	3.10	9.20	7.44	5.05	21.18	0.37		
Developing markets weighted average		3,301	3,353	3.64	3.70	12.54	20.65	6.59	4.47	37.53	17.56	68.18	39.77	4.73		
Russia																
Acron JSC	RUSSIA	5,770	5,957	3.42	3.53	14.18	23.68	6.21	5.34	28.70	14.73	19.88	24.88	1.82		
Dorogobuzh	RUSSIA	1,010	1,081	2.55	2.73	10.67	16.82	3.94	3.30	23.45	11.53	17.38	25.59	1.49		
Azot Berezniki	RUSSIA	379	345	0.82	0.75	2.14	3.38	1.66	1.78	49.13	38.31	59.07	34.97	4.36		
KuibyshevAzot	RUSSIA	1,102	1,348	1.26	1.55	5.56	7.40	2.71	2.06	36.57	19.82	26.87	27.81	2.09		
Ammofos	RUSSIA	1,804	1,803	1.05	1.05	2.86	3.96	2.08	2.08	52.41	47.60	54.25	36.74	3.74		
Uralkali	RUSSIA	33,565	33,725	-	-	15.06	20.67	14.00	13.19	67.79	54.16	87.69	71.14	8.55		
Silvinit	RUSSIA	17,138	17,351	7.50	7.60	10.60	14.27	9.32	8.46	65.34	37.85	43.46	71.66	3.97		
Minudobrenia	RUSSIA	405	409	2.19	2.21	4.67	5.55	2.27	2.24	87.63	59.91	36.27	47.38	3.44		
Azot Novomoskovsk	RUSSIA	-	-	-	-	-	-	-	-	36.39	27.02	-	26.63	-		
Azot Kemerovo	RUSSIA	204	311	0.76	1.16	9.62	13.34	2.13	1.53	4.29	1.52	6.52	12.10	0.80		
Nevinnomyssk Azot	RUSSIA	1,203	1,231	1.72	1.77	5.26	7.23	1.36	1.35	31.01	23.92	20.30	33.59	2.07		
Russia weighted average		6,258	6,356	3.39	3.48	10.99	15.26	7.74	7.01	60.00	46.68	73.93	61.14	7.10		

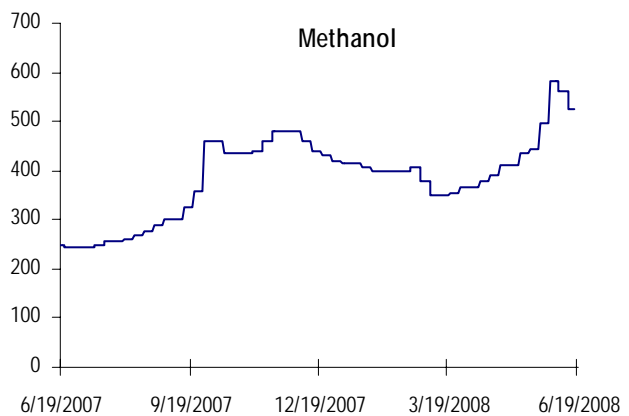
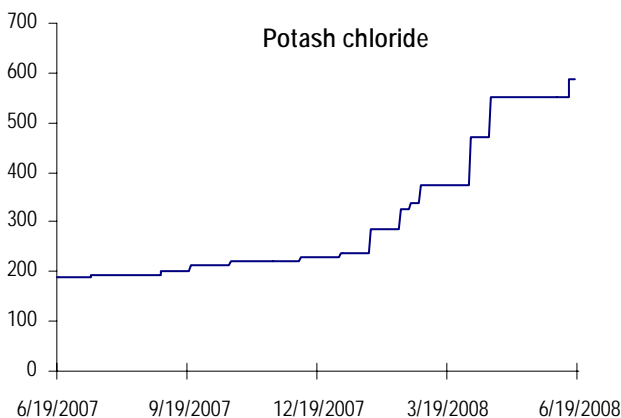
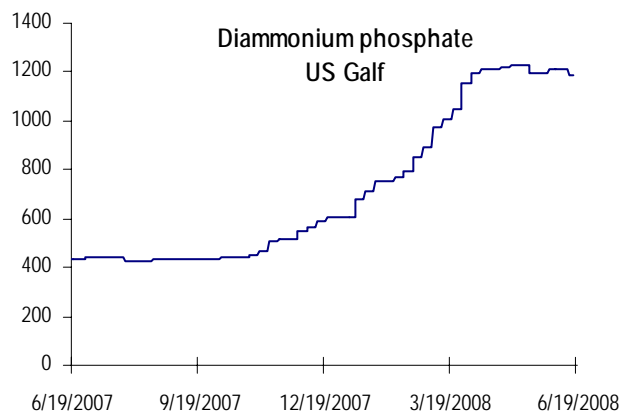
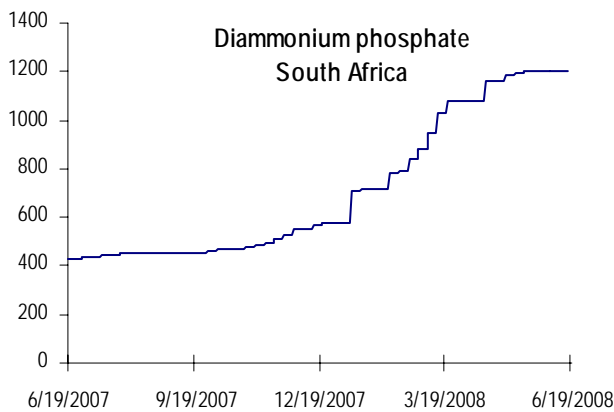
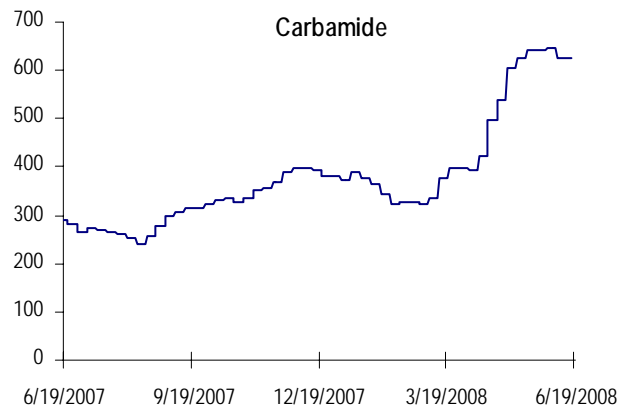
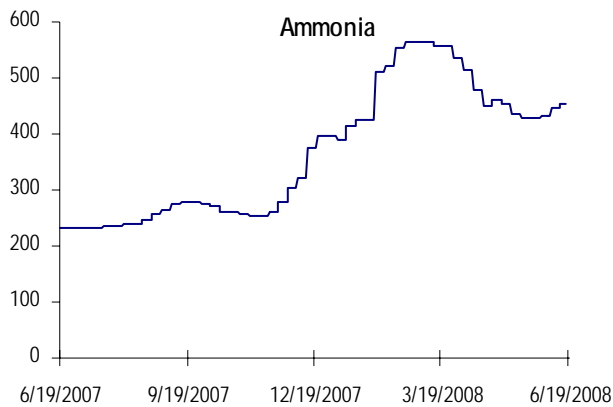
Source: Bloomberg, company data, Estimation: Veles Capital

Commodity markets

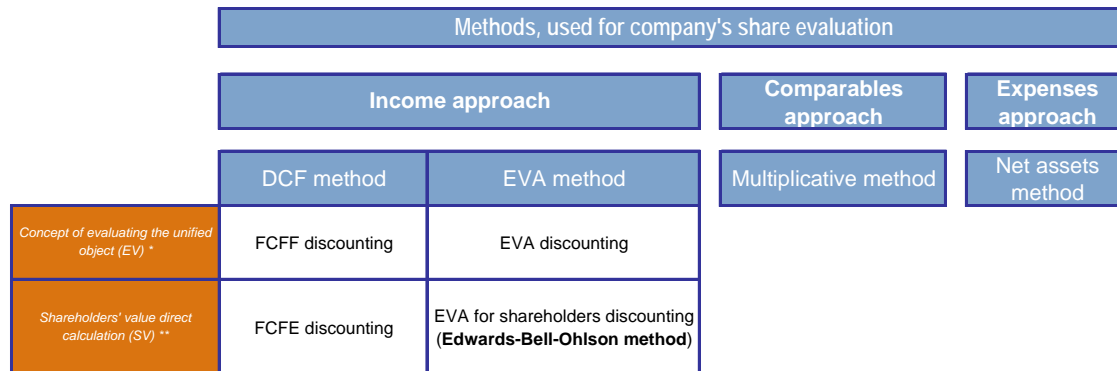
Current fertilizer price

	Close, USD	Change, USD	Change, %					Current year, USD	
			day	week	month	from Jan 1	year	min	max
Ammonia, USD/t	452.50	0.00	0.00	1.69	5.60	14.56	94.62	390.00	565.00
Carbamide, USD/t	625.00	0.00	0.00	0.00	-2.72	63.83	114.41	322.50	647.50
DAP (South Africa), USD/t	1,202.50	0.00	0.00	0.00	0.00	109.13	181.95	575.00	1,202.50
DAP US Galf, USD/t	1,190.00	0.00	0.00	-2.06	-0.42	96.69	173.56	605.00	1,227.50
Methanol	525.00	0.00	0.00	-6.25	17.98	25.00	110.00	350.00	580.00
Sulphur, USD/t	690.00	0.00	0.00	0.00	0.00	112.31	762.50	325.00	690.00
Potassium chloride (Vancouver)	587.50	0.00	0.00	6.72	6.72	158.24	209.21	227.50	587.50

Fertilizer price charts



Brief investor's guide



* Debt cost is calculated separately and then subtracted from the sum total cost of business (target EV), formed considering the cash flows/ economic profits of firm.

** Debt is accounted integrated -via annual coverage. So the fair cost of shareholders' value (target SV) is formed directly - considering the cash flow / economic profits for holders.

Note:

DCF methods differ from the methods of economic profit by the way of investments calculation. The methods of unified object evaluation concept differ from these methods of direct calculation of shareholders' value costs - by the way of accounting cost and maintenance of debt liabilities.

Cost calculation within the frames of income approach:

	Business cost calculation (EV) within the frames of united object cost evaluation	Shareholders' capital value calculation (SV)
DCF method (FCFF)	$EV = \sum_{i=1}^n \frac{FCFF_i}{(1+WACC_1)^i} + \frac{TV}{(1+WACC_1)^n} + NA$	$SV = EV - D$
DCF method (FCFE)		$SV = \sum_{i=1}^n \frac{FCFE_i}{(1+k_{sj})^i} + \frac{TV}{(1+k_{sj})^n} + \text{Cash} + NA$
EVA method	$EV = IC_1 + \sum_{i=1}^n \frac{EVA_i}{(1+WACC_1)^i} + \frac{TV}{(1+WACC_1)^n} + NA$	$SV = EV - D$
EBO method		$SV = BV_1 + \sum_{i=1}^n \frac{SVA_i}{(1+k_{sj})^i} + \frac{TV}{(1+k_{sj})^n} + \text{Cash} + NA$

Signs:

- EV - Enterprise Value
- SV - Shareholders Value
- TV - Terminal Value
- Cagr - development rates within the target period
- BV, E - Balance Value, Equity
- EBIT - operational profit from selling, profit before payments of credit interest and income tax
- EBITDA - operational profit before payment of credit interest, income tax and amortization
- EBT - Earnings Before Tax
- EAT - Earnings After Tax
- EPS - Earnings Per Share
- NOPAT - net operational profit, free from effects of debt financing

$$NOPAT = EBIT * (1 - \text{income tax effective rate})$$
- FCFF - Free Cash Flow to Firm

$$FCFF = \text{gross cash flow} - \text{gross investments}$$

$$\text{Gross cash flow} = NOPAT + \text{amortization}$$
- FCFE - Free Cash Flow to Equity

$$FCFE = \text{gross shareholders' cash flow} - \text{gross investments}$$

$$\text{Gross shareholders' cash flow} = EAT \text{ of operational profit (including interest payoffs) } - \text{annual debt coverage} + \text{attracted borrowed assets} + \text{amortization}$$
- EVA - Economic Value Added

$$EVA = \text{economic profit spread} * IC = (ROIC - WACC) * IC$$
- SVA - Shareholders Value Added

$$SVA = \text{spread} * E = (ROE - k_s) * E$$
- WACC - Weighted Average Cost of Capital
- k_s - required shareholders' yield
- D - fair (market) cost of net debt
- Cash - cash assets, along with market securities on thee balance
- NA - non-operational assets
- IC - Invested Capital
- ROIC - Return on Invested Capital

$$ROIC = \frac{NOPAT}{IC}$$
- ROE - Return on Equity
- ROA - Return on Assets

Information disclosure

The statement of an analyst and confirmation of the responsibility withdrawal

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The principle of recommendation assignment

The investment recommendations are given based on the evaluation of the company's share yield. The basis for the calculation of the expected company's cost is the evaluation by the discounted cash flows method (DCF). In some estimations the method of comparable coefficients, and also the mixed estimation (by DCF method and by comparable coefficients method) are applied. All recommendations are assigned based on the determined by us the fair cost of the shares within the nearest 12 months.

At the present moment the investment scale of the Investment Company Veles Capital is the following:

BUY – corresponds to the growth potential of the shares within the nearest 12 months by 15% or more.

ACCUMULATE – corresponds to the growth potential of the shares within the nearest 12 months for 5-15%.

HOLD – corresponds to the growth (reduction) potential of the shares within the nearest 12 months from -5% to 5%.

REDUCE – corresponds to the reduction potential of the shares within the nearest 12 months from 15% to 5%.

SELL – corresponds to the reduction potential of the shares within the nearest 12 months by 15% or more.

In some cases the deviations from the evaluation scale given above, based on which the recommendations are assigned, are possible. That fact relates to the high volatility of some securities in particular, and market in the whole, and also to the individual characteristics of one or another issuer.

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