

Translation from the Russian original

APPROVED BY

**the decision of the Board of Directors of
Open Joint Stock Company
United Chemical Company URALCHEM,
(minutes No. 1 of 17.10. 2008)**

**PROVISIONS
ON DIVIDEND POLICY
OF OPEN JOINT STOCK COMPANY
United Chemical Company URALCHEM**

Moscow,

2008

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1. GENERAL

- 1.1 These Provisions on dividend policy (hereinafter referred to as the Provisions) of Open Joint Stock Company United Chemical Company Uralchem (hereinafter referred to as the Company) in accordance with the current legislation of the Russian Federation, Charter, Code of Corporate Conduct and internal documents of the Company establish key principles of the Company's dividend policy, the procedure of passing a resolution on payment (declaration) of dividends, and the procedure of dividend size calculation.
- 1.2 The primary intent of adoption of these Provisions is to establish transparent and effective mechanism of determining the dividend size and the procedure of payout, as well as to determine the strategy of the Board of Directors of the Company when elaborating recommendations as to the size of dividends and terms and procedure of payout.

2. DIVIDEND POLICY PRINCIPLES

- 2.1 The key principles of the Company's dividend policy are:
- optimum combination of the Company's interests and interests of its shareholders;
 - strict observance of the rights and interests of the Company's shareholders;
 - necessity of improvement of investment appeal and capitalization of the Company;
 - maximization of profitability of the Company's activity and, accordingly, of the net profit assigned for dividend payments;
 - elaboration of the stable medium-term and long-term dividend policy in accordance with the key principles fixed in these Provisions.
- 2.2 The Company is aiming at annual dividend payments.

3. COMPANY'S DIVIDEND POLICY. DIVIDENDS.

- 3.1 Dividend policy is determined by the Board of Directors and sets the proportions between the after-tax portion of the Company's profit (the Company's net profit) and the portion of the profit paid in the form of dividends.
- 3.2 The dividend is a part of the Company's net profit allocated among the shareholders pro rata the number of shares of a corresponding category (type) owned by them.
- 3.3 The Company has the right to pass the resolution on (to declare) payment of dividends on outstanding shares based on the results of the first quarter, six months, and nine months of the financial year.
- 3.4 The resolution on payment (declaration) of dividends based on the results of the first quarter, six months, and nine months of the financial year can be passed by the Company within 3 (three) months after the corresponding period is over.

- 3.5 Passing the resolution on payment (declaration) of dividends is the right but not the obligation of the Company. The General Meeting of shareholders of the Company is entitled to pass a resolution on non-payment of dividends on shares.
- 3.6 The payment of the declared dividends is the liability of the Company. The Company is responsible to its shareholders for non-fulfilment of this liability under the current legislation of the Russian Federation.
- 3.7 The dividends are paid out in cash.
- 3.8 The Company has the right to form a fund the assets of which will be used for payment of dividends on the Company's shares.

4. TERMS OF DIVIDEND PAYOUT

4.1 The terms of dividend payout are as follows:

- existence of the Company's net profit for the corresponding period the size of which is determined based on pp. 5.1 and 5.2 of these Provisions;
- absence of restrictions on payment of the dividends subject to p. 11 of these Provisions;
- a resolution on recommended size of dividends paid by the Company passed by the Board of Directors of the Company under these Provisions;
- a resolution on payment of dividends on outstanding shares passed by the General Meeting of shareholders of the Company.

5. PROCEDURE OF DIVIDEND SIZE DETERMINATION

- 5.1 Dividends are paid out of the Company's net profit for the corresponding period. The Company's net profit is determined based on the Company's financial statements prepared under the requirements of the legislation of the Russian Federation less mandatory allocations to the Company's reserve fund subject to the provisions of the Articles of Association of the Company. The Company can pay dividends out of the retained profit of the previous years.
- 5.2 At determining the dividend size (per one ordinary share) and corresponding portion of the Company's net profit assigned for dividend payments to be recommended to the General Meeting of shareholders of the Company, the Board of Directors of the Company shall be guided by the rule stating that the amount to be assigned for dividend payments will be generally not less than 15 (fifteen) percent of the Company's net profit shown in the annual consolidated financial statements prepared under applicable international financial reporting standards used by the Company including International Accounting Standards (IAS) elaborated by the International Accounting Standards Board and validated by an independent audit authority in accordance with the applicable auditing standards, provided that at determining the recommended dividend size the financial results of the Company for the corresponding period, its capital costs, and the Company's net profit for the

corresponding period calculated based on the Russian accounting standards, as well as other factors relevant to passing a valid resolution on the recommended dividend size including restrictions on dividend size established by these Provisions and Russian legislation, are taken into consideration. For the purpose of this paragraph the value of net profit based on the annual consolidated financial statements prepared under applicable international financial reporting standards used by the Company is determined in rubles at the rate set by the Central Bank of the Russian Federation as of the date of conducting the meeting of the Board of Directors of the Company at which a resolution on recommendation as to the size of dividends is passed.

- 5.3 The recommended dividend size (per one ordinary share) of the Company is determined based on the amount assigned for dividend payments and numerically equals to ruble counterpart of the portion of net profit for the year calculated subject to p. 5.2 of these Provisions and divided by the number of ordinary shares of the Company distributed as of the date of making a list of persons entitled to dividends.
- 5.4 The dividend size per one share recommended by the Board of Directors of the Company and approved by the General Meeting of shareholders of the Company shall be determined in Russian rubles correct to kopecks.
- 5.5 Dividends are not paid on shares which are not outstanding or which are on the books of the Company.

6. PROCEDURE OF PASSING A RESOLUTION ON DIVIDEND PAYOUT

- 6.1 A resolution on dividend size recommended to the General Meeting of shareholders shall be passed by the Board of Directors of the Company subject to the Articles of Association and Provisions on the Board of Directors of the Company by the majority of votes of the Directors of the Company who participate in the meeting within the term not later than 30 days before the corresponding General Meeting of shareholders is held.
- 6.2 The recommendations of the Board of Directors to the General Meeting of shareholders shall include the total amount of net profit assigned for dividend payments calculated subject to paragraph 5 of these Provisions, as well as an amount of dividends per each share.
- 6.3 At determining the recommended dividend size the Board of Directors of the Company shall be guided by the current legislation of the Russian Federation, Articles of Association of the Company, and these Provisions.
- 6.4 A resolution on payment (declaration) of dividends including resolutions on dividend size and form of dividend payments shall be passed by the General Meeting of shareholders of the Company by the majority of votes of the shareholders holding the voting shares who participate in the General Meeting of shareholders. The size of dividends shall not exceed that recommended by the Board of Directors of the Company.
- 6.5 The resolution on dividend payout shall determine:
 - a category (type) of shares on which the dividends are declared;
 - the amount of dividends per share of a corresponding type;

- a form of payout;
- a procedure of payout.

6.6 A resolution on dividend payout on outstanding shares based on the results of the first quarter, six months, and nine months of the financial year shall be passed by the General Meeting of shareholders as a resolution on a separate agenda item of the General Meeting of shareholders.

6.7 A resolution on dividend payout on outstanding shares based on the results of the financial year shall be passed by the General Meeting of shareholders of the Company as a separate agenda item of the General Meeting of shareholders or as a part of the resolution on distribution of profit based on the results of the financial year.

7. LIST OF PERSONS ENTITLED TO DIVIDENDS

7.1 To ensure the dividend payout the Company's Registrar under the Company's instructions shall make a list of persons entitled to dividends.

7.2 The list of persons entitled to dividends shall be made as of the date of making up a list of those entitled to participate in the General Meeting of shareholders at which a resolution on payment of corresponding dividends is passed.

7.3 To make up the list of those entitled to receive dividends, a nominal holder of shares shall submit data on the persons on whose behalf he/she holds shares.

7.4 The list of registered persons entitled to dividends shall include the following data:

- first name, patronymic, and last name (full business name) of a registered person;
- requisites of an identification document or a document confirming the state registration of a legal entity;
- information on a place of residence or location of a shareholder;
- Address for sending correspondence (mailing address);
- the number of securities indicating a type or category of securities;
- banking details.

7.5 The Company or an authorized organization acting on behalf of each registered person entitled to dividends shall calculate:

- accrued income;
- taxes payable;
- payable amounts.

8. DIVIDEND PAYOUT PERIOD

- 8.1 The announced dividends based on the results for the first quarter, six months, and nine months of a financial year and (or) based on the results of a financial year shall be paid out not later than December 31 of the year following the reporting one.
- 8.2 In case when the Company's shareholders have failed to receive the accrued dividends within the terms fixed by these Provisions, the Company shall continue to pay such (unclaimed) dividends. The period for payout of such unclaimed dividends shall not exceed 3 (three) years after the financial year, within which the dividends have been accrued, is over. No interest shall accrue on unclaimed dividends.

9. DIVIDEND PAYOUT PROCEDURE

- 9.1 The Company shall inform all its shareholders about the time, place and procedure of dividend payout by way of placing the corresponding information on the Company's Internet site at www.uralchem.com.
- 9.2 The Company has the right to involve paying agents to arrange regular and timely dividend payout. Involvement of paying agents does not release the Company from its responsibility of dividend payout to its shareholders.
- 9.3 In case when a paying agent is involved in dividend payout the Company shall make a contract for services to define the rights and obligations of the parties, their liabilities, and the procedure of settlements under the contract.

10. DIVIDEND PAYOUT

- 10.1 The Company shall be a tax agent when income is paid to the shareholders on the shares held by them. The Company shall calculate, deduct and transfer taxes out of income of the shareholders receiving dividends in the procedure and within the time provided for by the current legislation of the Russian Federation.
- 10.2 Dividends shall be paid to the shareholders less the taxes deducted subject to rounding off to an integer kopeck according to the mathematical rules.
- 10.3 When calculating taxes to be withheld out of income of foreign entities as well as out of income of individuals who are not residents of the Russian Federation the Company shall consider availability or absence of treaties (agreements or conventions) on avoidance of double taxation with the states in which these foreign entities or individuals who are not residents of the Russian Federation are registered.
- 10.4 Dividend payout shall be considered the transfer of the corresponding funds from the Company's current account (or from a paying agent's current account - in case of involvement of such paying agent) onto a bank account (to the mailing address - in case of mail payment) which is indicated in the Company's shareholder register keeping system in accordance with the passed resolution as to the terms and procedure of dividend payout.

- 10.5 In case a person entitled to dividends has failed to inform the Company's Registrar (nominee) of or indicated incorrect banking details valid as of the date of making up a list of those entitled to dividends, the Company shall not bear responsibility for non-payment of dividends to the shareholder. The transfer of dividends to a person who has failed to submit his/her banking details to the Company's Registrar (nominee) shall be made upon his/her written application. The repeated transfer of dividends to a person entitled to dividends according to the corrected data shall be made upon his/her written application after the wrong transferred amount net of expenses for their return and repeated transfer has been returned to the Company.
- 10.6 In case shareholders jointly own shares the dividends shall be distributed among these shareholders pro rata their portions subject to the documents kept by the Company's Registrar.

11. RESTRICTIONS ON DIVIDEND PAYOUT

- 11.1 To pass the resolution on (to declare) dividend payout the Company shall observe the restrictions established by the legislation of the Russian Federation, Charter of the Company, and these Provisions.
- 11.2 The Company has no right to pass the resolution on (to declare) dividend payout:
- until the Company's authorized capital is paid in full;
 - until all shares which are to be redeemed by the Company according to the redemption right vested in shareholders are redeemed;
 - if as of the date when the resolution on dividend payout is passed or when dividend payout is declared the Company meets the insolvency (bankruptcy) test subject to the legislation on insolvency (bankruptcy) of the Russian Federation or if the Company acquires the specified indicia of insolvency due to dividend payout;
 - if as of the date when the resolution on dividend payout is passed or when dividend payout is declared the Company's net assets value is less than the value of its authorized capital, reserve fund or becomes less their values due to passing such resolution;
 - in other cases stipulated by the federal laws.
- 11.3 The Company has no right to pay the declared dividends on shares:
- if as of the date of dividend payout the Company meets the insolvency (bankruptcy) test subject to the legislation on insolvency (bankruptcy) of the Russian Federation or if the Company acquires the specified indicia of insolvency due to dividend payout;
 - if as of the date of dividend payout the Company's net assets value is less than the value of its authorized capital and reserve fund or becomes less their values due to dividend payout;
 - in other cases stipulated by the federal laws.

When the circumstances specified in this paragraph cease to exist, the Company shall be obliged to pay the declared dividends to its shareholders.

12. COMMUNICATING THE COMPANY'S DIVIDEND POLICY TO THE SHAREHOLDERS

- 12.1 The Company shall communicate its dividend policy to its shareholders by way of placing the corresponding information on the Company's Internet site at: www.uralchem.com.
- 12.2 The materials submitted to shareholders to pass a resolution at the General Meeting of shareholders on payment (declaration) of dividends shall contain the information confirming the terms stipulated for payment (declaration) of dividends.
- 12.3 The statement on passing the resolution on dividend payout, dividend size, the form, period and procedure of dividend payout shall ensure that shareholders have unambiguous and clear understanding on these issues. At the same time the statement shall explain to the shareholders their obligation to notify the Company's Registrar of any changes of their banking details and mailing addresses for receipt of dividends, as well as of consequences of their failure to comply with such obligation.
- 12.4 The information of passing the resolution on dividend payout subject to paragraph 12.3 of these Provisions shall be disclosed in accordance with the procedure established by the legislation of the Russian Federation.

13. RESPONSIBILITY FOR PAYMENT OF DECLARED DIVIDENDS

- 13.1 The Company shall pay the declared dividends on each category (type) of shares.
- 13.2 In case the Company fails to comply with its obligations related to payment of dividends the shareholders have the right to demand payment of the declared dividends in a court case.
- 13.3 The Company, the Company's Registrar and their officials shall not bear any responsibility in case if the shareholders who fail to submit their correct banking details or mailing addresses for receipt of dividends or changes to those details and addresses to the Company's Registrar have not received the dividends, as well as in case if a shareholder has failed to appear at the place of dividend payout provided such shareholder receives dividends in cash.
- 13.4 The Company's Registrar and nominee registered in the Company's share register shall bear responsibility for violation of periods of dividend payout and failure to submit the data required for dividend payout under paragraph 7 of these Provisions.
- 13.5 In case of incomplete or tardy payment of dividends due to the Company's fault the Company shall bear responsibility in accordance with the legislation of the Russian Federation.