Scope of the Annual Report

This Annual Report discloses the performance of URALCHEM Group, which includes URALCHEM JSC, its subsidiaries and companies directly or indirectly controlled by it. Except when otherwise specified, all information and data contained in this Annual Report are as of 31 December 2015.

Forecast statements

Some statements in this document may refer to projects or forecasts with regard to forthcoming events or future financial results. The Company wishes to forewarn that such statements are nothing but assumptions and the actual course of events or results may be different from those contained in the statements. The Company shall not obligate itself to reconsider such statements with a view to correlate them with actual results.
URALCHEM maintains its leadership in the production of ammonium nitrate and its derivatives, ammonia and urea. In 2015, the performance of all Group companies was solid, which was accompanied by full capacity utilization.

In 2015, we continued our active cooperation with Uralkali. The policy of rapprochement and close cooperation between the two companies in force since 2014 has brought some good results. Last year, Voskresensk Mineral Fertilizers, JSC and Azot Branch started joint production of new products demanded by the market.

Voskresensk Mineral Fertilizer, JSC resumed the production of its main products – phosphorus fertilizers. This was an important event not only for our Company, but for the entire industry.
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CHAIRMAN’S STATEMENT

Last year was difficult not only for Russia but also for the global economy. The general instability, worsening economic and political tensions across the globe were the main factors which had an impact on domestic and foreign companies and entire industries. Producers of mineral fertilizers, in contrast to many other industries, largely avoided the negative impact and incurred only minimal losses.

As in previous years, we paid great attention to improving the efficiency of our work. As a result, compared to recessionary figures of many other companies and industries, we ended 2015 strongly and showed good results. URALCHEM still holds a leading position in the production of its main products — ammonium nitrate, ammonia and urea. The performance of the Group companies in 2015 was solid, which was accompanied by full capacity utilisation.

One of the important achievements in 2015 is the resumption of production of the main product, i.e. phosphorus fertilizers, at Voskresensk Mineral Fertilizers, JSC. This was made possible thanks to the difficult, but constructive dialogue with the supplier of raw materials and the resolution of all existing disagreements. The operations resumed after a long downtime. This was an important event not only for our Company, but for the industry as a whole.

In 2015, we decided to revise URALCHEM’s development strategy for the years 2016-2020. The document was revised to reflect current economic conditions, and now it includes not only the development of current capacities and improvement of energy efficiency of our production operations, but also a serious investment programme of new construction. During the eight years of the Company’s history we have managed to achieve a significant margin of safety. In spite of the difficult market conditions, it contributes to our development and enables us to make ambitious plans for the future.

In 2015, we continued our active cooperation with Uralkali (URALCHEM bought a 20-percent stake in the company at the end of 2013). The policy of rapprochement and close cooperation between the two companies in force since 2014 have brought some good results. We have become closer in the literal sense of the word after the relocation of Uralkali’s Moscow office, and also began to work together on long-term projects. Last year, Voskresensk Mineral Fertilizers, JSC and Azot Branch started joint production of new products demanded by the market.

URALCHEM pays much attention to the development of its employees. Despite the difficult macroeconomic situation, in 2015 the Company’s Board of Directors decided to increase the wage pool across all production enterprises of the holding by 12.8%. The Company continued to maintain a high level of social benefits and guarantees and increased spending on social benefits by more than 18% year-to-year.

In 2015, our expenses on social and charitable programmes more than doubled and exceeded 530 million roubles. Particular attention was paid to socially vulnerable groups of population, the development of children’s and youth sports, projects in the field of education and culture, the 70th anniversary celebrations of Victory in the Great Patriotic War.

We continued to actively build mutually beneficial partnership relations with consumers, especially in the domestic market. The measures adopted by the Company to support Russian agricultural producers contributed to the development of agriculture and an increase in the consumption of our products in Russia.

Corporate social responsibility is one of our important priorities. URALCHEM is continuously engaged in charitable and sponsorship activities, spending much money on these purposes.
The consolidation of efforts and positions of all market players is of particular importance for the industry in the current situation. In 2015, on our initiative, RSPP (Russian Union of Industrialists and Entrepreneurs) established the Commission for the Production and Market of Mineral Fertilizers. This unique platform, which has already started its work, offers new opportunities for a constructive dialogue between producers and consumers of agrochemicals and promotes effective interaction between them.

The Company ended 2015 on a high note, but the current global political and economic situation makes us concentrate our efforts. 2016 will be more difficult for the fertilizer industry, and we will have to pass another test of strength. I am confident that the accumulated potential of the Company, professionalism of our employees and work with full dedication will enable us to overcome all difficulties.

I thank the Board of Directors, management and all employees for their productive work, involvement and focus on results. I am confident that together we will successfully complete all the tasks!
In 2015, the negative phenomena in the global economy worsened and again had a negative impact on the industry of mineral fertilizers. The prices in the commodities segment were the ones most affected by the crisis. Because of a decline in the global demand for nitrogen fertilizers, the prices continued to drop: average annual prices for ammonium nitrate and ammonia decreased by 22%, whereas urea became cheaper by 14% compared to 2014.

However, due to the significant devaluation of the Russian currency, and as a result of our systematic efforts to reduce the production costs, the Company maintained a high level of efficiency and ended the year with good operating and financial results.

Our capacity for the production of nitrogen fertilizers in 2015 was utilised to the maximum, which helped to increase commercial output to 5.9 million tonnes, or by 4.4% year-on-year. This was achieved by increasing average daily production rates at all plants by 1.5%, as well as by substantially reducing unplanned downtime by 40%.

Urea production increased by 7% compared to 2014, production of complex fertilizers was boosted by 18%. Due to the resumption of production operations at Voskresensk Mineral Fertilizers, JSC in late 2015, the output of phosphate fertilizers increased 2.5 times.

Despite an increase in production and sales volumes, the decline in activity in the world market influenced our financial results in 2015. URALCHEM’s revenue fell by 14% to US$1,746 million in comparison with 2014. EBITDA decreased by 5% to US$880 million. Net loss decreased by 71%, from US$1,881 million to US$554 million. Net debt/EBITDA ratio remained at the level of 2014 and amounted to 6.8. Our current debts are linked primarily to strategic investments, i.e. the purchase of a stake in Uralkali, PJSC in 2013.

At the end of 2015, total investments in the development of the Company amounted to US$95 million. Among the most significant investment projects, there was the renovation of AM76 and AM70 ammonia plants and AS72/2 ammonium nitrate plant at KCCW Branch, which significantly improved the efficiency and increased productivity. Azot Branch implemented measures to expand the range of its products, improve the energy efficiency and sustainability of production. In 2015, Azot Branch launched a project for the production of granular amines — an alternative to widely marketed foreign analogues. PMU Branch started the biggest upgrade of its urea production facilities that would increase the productivity of the urea plant by 40%.

In addition, PMU continued to upgrade its ammonia plant, which was aimed at increasing the production volume, decreasing the consumption of raw materials and reducing the impact of weather conditions on operations. Voskresensk Mineral Fertilizers, JSC in 2015 completed a project for water-soluble monoammonium phosphate production allowing to produce world-class products.

By the end of 2015, URALCHEM strengthened its position as a leading Russian producer of ammonium nitrate and its derivatives, producing over 2.9 million tonnes of these products, the same as in 2014. The Company set its own record for the production of ammonia with a gross output of more than 2.9 million tonnes, which is 4% higher than in 2014.
URALCHEM-TRANS, despite an increase in tariffs for railway transportation, in 2015 managed to reduce costs by 118 million roubles, mainly by reducing the number of leased rail cars and increasing the share of block train shipments. The operation of the Company’s sea port terminals was stable that resulted in transhipment of a total of 2.5 million tonnes of cargo.

URALCHEM always pays great attention to the development of its employees. As a part of the corporate programme IMPULSE, we completed work to identify promising candidates for key positions. Thus, we created a succession pool that would meet the Company’s strategic development targets. In 2015, we completed the preparations for the transition to a uniform remuneration system that would become mandatory for all structural units of the holding in 2016. Its main objective is to improve the transparency of remuneration and establish a clearer link between the results achieved and the money paid, to increase the motivation of employees to achieve goals and even get ahead of them.

In 2015, we intensified our work in the domestic market to provide Russian agricultural producers with mineral fertilizers and create favourable conditions for the development of the industry. To this end, we adjusted our pricing policy in the interests of the consumers by freezing our prices during spring and autumn sowing seasons. Despite the devaluation of the rouble and increased production cost, we have kept domestic prices for our products at the level of 15-20% lower than our export prices. In the period from June 2015 to January 2016, the Company increased shipments of ammonium nitrate to Russian agricultural producers by 90% compared to the same period of 2014/2015. URALCHEM shipped to the domestic market about half of its ammonium nitrate.

In 2015, we adopted a renewed development strategy for 2016-2020. Previously, the main focus of the strategy was to maintain and develop our current capacity. However, now we have added new construction projects to our investment programme. New facilities for the production of high-margin products, as well as current products using advanced technology will be constructed at our production enterprises. At the same time, the Company’s strategic goal remains unchanged — to become a leader in the nitrogen segment in terms of output and operating efficiency.

I thank all the Company’s employees for their good work, their efforts, which helped the Company to end 2015 with decent results. Current market conditions suggest that 2016 will be a challenging year for the entire industry and our Company, in particular. But I am confident that the excellent professional skills, responsibility and dedication of our employees will remain the basis of long-term sustainable development and prosperity of the Company. I wish all of us the successful achievement of our goals!
URALCHEM today

URALCHEM Group is a leading producer of nitrogen and phosphate fertilizers in Russia, the CIS and Eastern Europe.

The Company’s annual capacity is as follows:

- over 2.9 million tonnes of ammonia
- 2.9 million tonnes of ammonium nitrate and its derivatives
- 1.2 million tonnes of urea
- 0.8 million tonnes of phosphate and complex fertilizers.

URALCHEM Group’s integrated business model ensures high efficiency of all business processes in any market conditions.

**PRODUCTION**

By investing in the upgrade of production facilities, we improve the efficiency of our business and launch new products.

**LOGISTICS**

Thanks to the development of our own port and rail infrastructure, we ensure safe and reliable delivery of our products to the customers.

**SALES**

The optimum combination of export and domestic sales of high quality products help us to maintain the existing positions and enter new markets.

URALCHEM produces a well-balanced range of high quality products.

By concentrating our efforts on producing high-quality and innovative products, we provide consumers with mineral fertilizers at competitive prices and help to improve the efficiency of agricultural production.

URALCHEM Group adheres to the principles of long-term sustainable development.

We are engaged in active dialogue with all stakeholders — customers, partners, shareholders, investors, employees, the state and society, as well as commit ourselves to environmental protection and sustainable use of natural resources required for the production process.

Read about the key events in our history on the Company’s website [www.uralchem.com](http://www.uralchem.com) in the About URALCHEM / History section.
URALCHEM today

- **5.9 mln tonnes** commercial output in 2015
- **$95 million** investments in 2015
- **$1,746 million** revenue in 2015

#2 in Russia by ammonia output

>10 thousand employees

80 types of mineral fertilizers and other chemical products

>60 countries importing the Group’s products
KEY AREAS OF OUR BUSINESS

Production

KCCW Branch
Kirovo-Chepetsk, Russia
A leading Russian producer of nitrogen and complex mineral fertilizers. The plant’s production capacity is 1,200 thousand tonnes of ammonia, 1,550 thousand tonnes of ammonium nitrate and its derivatives, and 450 thousand tonnes of complex fertilizers per year. The main types of products are ammonium nitrate and its derivatives (SAN/CAN/NS), complex fertilizers (NP, NPK/NPKS), and granular calcium nitrate.

Azot Branch
Berezniki, Russia
A leading Russian producer of ammonia and nitrogen fertilizers and the only producer of higher aliphatic amines, potassium and sodium nitrates, and crystalline sodium nitrite in the Russian market. The plant’s production capacity is 1,200 thousand tonnes of ammonia, 1,380 thousand tonnes of ammonium nitrate, and 540 thousand tonnes of urea per year.

Minudobrenia, JSC
Perm, Russia
A leading producer of nitrogen fertilizers in the Urals region and western Siberia. The plant’s production capacity is 600 thousand tonnes of ammonia and 670 thousand tonnes of urea per year.

Voskresensk Mineral Fertilizers, JSC
Voskresensk, Russia
The company is a leading producer of phosphate fertilizers, fodder additives, and phosphoric and sulphuric acids in the Russian market. In 2014, due to partial suspension of production, the plant’s capacity was reduced to 300 thousand tonnes of monoammonium phosphate or 400 thousand tonnes of NPK fertilizers per year.
In 2015 the problem with the supply of raw materials was solved, which helped to resume commercial production of phosphate and complex NPK fertilizers, as well as launch new production of water-soluble fertilizers.
Logistics

URALCHEM-TRANS, LLC
Moscow, Russia
A specialized logistic business unit with the necessary infrastructure to ensure the export of finished products and supply of raw materials by rail. URALCHEM-TRANS, LLC manages a fleet of 7,811 rail cars, including gondola cars, open-top and box cars, tank cars for transportation of ammonia and various acids.

SIA Riga fertilizer terminal
Riga, Latvia
One of the most modern and safe terminals for transhipment and temporary storage of bulk mineral fertilizers in Northern Europe. It was constructed using environmentally friendly technologies and materials and now meets all the European requirements for safety and environmental impact. The capacity of the first phase is 2 million tonnes of bulk cargo per year.

SIA VENTAMONJAKS
Ventspils, Latvia
The largest liquid ammonia transhipment terminal on the Baltic Sea, with a capacity of 1 million tonnes per year, located in the ice-free Free Port of Ventspils. Three deep-water berths allow to service ships carrying up to 60 thousand tonnes. Continuous operation of the terminal enables handling of up to 250 tank cars per day.

Sales

URALCHEM TRADING HOUSE, LLC
Perm, Russia
Since 2008, all the sales and promotion of the Company’s products in the territory of Russia and the CIS are carried out by URALCHEM Trading House, LLC with structural branches in Moscow, Voskresensk, Nizhny Novgorod, Kirovo-Chepetsk of the Kirov region, Perm, the Perm Territory (Berezniki), as well as a storage base for mineral fertilizers in Sergach, the Nizhny Novgorod region.

SIA URALCHEM Trading
Riga, Latvia

URALCHEM TRADING DO BRASIL LTDA
São Paulo, Brazil
Sales and promotion of URALCHEM Group’s products in non-CIS countries are carried out by SIA URALCHEM Trading and URALCHEM TRADING DO BRASIL LTDA. In addition, SIA URALCHEM Trading is responsible for transhipment at sea ports and transportation of the Company’s export products by sea.
Key performance indicators

**Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue, US$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,265</td>
</tr>
<tr>
<td>2014</td>
<td>2,028</td>
</tr>
<tr>
<td>2015</td>
<td>1,746</td>
</tr>
</tbody>
</table>

**Commercial output and labour productivity**

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial output, '000 tonnes</th>
<th>Labour productivity, tonnes/employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>500</td>
<td>0.7</td>
</tr>
<tr>
<td>2014</td>
<td>473</td>
<td>0.5</td>
</tr>
<tr>
<td>2015</td>
<td>460</td>
<td>0.3</td>
</tr>
</tbody>
</table>

**Lost Time Injury Frequency Rate (LTIFR)**

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.7</td>
</tr>
<tr>
<td>2014</td>
<td>0.5</td>
</tr>
<tr>
<td>2015</td>
<td>0.3</td>
</tr>
</tbody>
</table>

**EBITDA and EBITDA margin**

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA, US$m</th>
<th>EBITDA margin, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>6032</td>
<td>64</td>
</tr>
<tr>
<td>2014</td>
<td>648</td>
<td>50</td>
</tr>
<tr>
<td>2015</td>
<td>675</td>
<td>5</td>
</tr>
</tbody>
</table>

**Cash flow and capital investments**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net operating cash flow, US$m</th>
<th>CAPEX, US$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>473</td>
<td>174</td>
</tr>
<tr>
<td>2014</td>
<td>460</td>
<td>106</td>
</tr>
<tr>
<td>2015</td>
<td>413</td>
<td>95</td>
</tr>
</tbody>
</table>
50% EBITDA margin
Key events in 2015

**02 February**
URALCHEM and Stamicarbon BV implemented the urea production upgrade project at PMU
URALCHEM and a global leader in developing and licensing urea production technologies Stamicarbon BV reached an agreement on the start of a project to upgrade urea production at Minudobrenia, JSC. Project investments are estimated at RUB4.2 billion. By 2019, the urea production capacity of the plant will increase by 40%, or 250 thousand tonnes per year.

**03 March**
Riga fertilizer terminal shipped the two millionth tonne
In mid-February, the Company’s sea port terminal in Riga shipped the two millionth tonne of products since its commissioning in December 2013. Development of own transhipment capacities is among URALCHEM Group’s strategic objectives.

**04 April**
URALCHEM began shipping products to Russian consumers at reduced prices
In accordance with a decision taken at a meeting with Russian Prime Minister Dmitry Medvedev on the stable functioning of agriculture, URALCHEM introduced additional discounts on the price of ammonium nitrate declared for February and March and began deliveries of these products to Russian regions. This step complemented the programme to support domestic agricultural producers, initiated by URALCHEM in late 2014.

URALCHEM’s staff policy was recognized at the RSPP contest
As a result of the All-Russia contest Russian Business Leaders: Dynamics and Responsibility 2014 organized by the Russian Union of Industrialists and Entrepreneurs (RSPP), URALCHEM was awarded a diploma in the special For the Development of Human Resources category.

**09 September**
URALCHEM and PhosAgro reached an agreement on the supply of phosphate rock
Voskresensk Mineral Fertilizers, JSC resumed production of its main products — phosphate fertilizers. All differences in relation to the supply of phosphate rock were finally resolved by representatives of URALCHEM and PhosAgro during a meeting chaired by the Minister of Industry and Trade of the Russian Federation Denis Manturov.

URALCHEM and CRYOGENMASH entered into an agreement for a period of 20 years
URALCHEM and the largest Russian manufacturer of cryogenic equipment and industrial gases CRYOGENMASH signed an agreement on construction and operation of new air separation capacities at KCCW Branch. Outsourcing of industrial gas supply allows URALCHEM to reduce own costs for maintenance and repair of fixed assets and increase the reliability of industrial gas supply through the use of new technologies.

**KCCW Branch completed the reequipment of the ammonium nitrate plant**
KCCW Branch completed a large investment project for the re-equipment of the AS-72/2 ammonium nitrate plant. As a result, the plant is able to produce 2,100 tonnes of nitrate per day. This is an absolute record, as no other Russian company has yet achieved such a capacity of their ammonium nitrate plants.

URALCHEM continued its charitable programmes in Latvia
URALCHEM and Latvian foundation «Faith, Hope, Love» signed an agreement on joint charity projects. In accordance with the agreement, the Company allocates funds for medical care to seriously ill children in Latvia who are treated in the leading Russian clinics, as well as two schools in the Vecmilgravis district of Riga.

Azot Branch launched a project for the production of granular amines
At the production site of Azot Branch, the production of a free flowing agent based on higher aliphatic amines, which was called Steamin, was launched. The product was developed as an alternative to widely marketed imported analogues, produced by well-known foreign companies. The Company took into account the preferences of consumers, regarding the form of delivery.

VMF completed a project for the production of water-soluble monoammonium phosphate
VMF developed a scheme for production of water-soluble monoammonium phosphate (Solar MAP) from wet-process phosphoric acid, allowing to produce world-class products. By year-end, the output of Solar MAP reached 85 tonnes per day.
URALCHEM and the Government of the Kirov region signed an agreement on social partnership. Under this agreement, URALCHEM reafirms its social responsibility and ensures participation in solving priority social issues in the region. Particular attention will be paid to the development of children's sports, support for gifted children, corporate assistance to schools, improvement of the efficiency of public institutions, promotion of healthy lifestyles among young people.

At VMF, pilot batches of blended fertilizers on the basis of watersoluble fertilizers were obtained. Based on the production of water-soluble monopotassium phosphate (SMP), a fertilizer blending technology was developed with a subsequent launch of pilot batches of NPK 19:19:19 and NPK 13:40:13 blends. These high-margin fertilizers were produced using the products manufactured by URALCHEM Group, which was an important step on the way to reduce VMF’s dependence on raw materials from phosphate rock supplies.

Azot Branch implemented a unique project aimed at enhancing the prestige of blue-collar and engineering jobs. In November and December, Azot Branch in partnership with the State TV and Radio Company Perm, implemented a unique multimedia project aimed at enhancing the prestige of blue-collar jobs — an industrial style reality show Zavod. For five weeks, 16 participants competed for getting a job at the Company. The reality show took place at the production site.

URALCHEM is a leader in corporate charity. KCCW Branch was among the winners of the contest Leaders of Corporate Charity, organized by the newspaper Vedomosti, PwC and the Donors Forum. The URALCHEM for Children programme, presented in the Best Programme Highlighting the Policy of Corporate Charity and Social Investment Principles of the Company category, was highly appreciated by the jury and entered the top three. Every year, the jury identifies the best practices of socially responsible companies in the field of charity.

PMU implemented measures to upgrade and stabilize the ammonia plant. To upgrade the ammonia plant converter as part of the investment project Upgrading the Ammonia Plant, PMU purchased all the necessary equipment. In addition, as part of the investment project Stabilizing the Ammonia Plant Performance at 1,725 Tonnes per Day, in 2015 the third reverse osmosis plant was introduced, which allowed to optimize the water treatment process for the production of high-pressure steam.

URALCHEM increased wages of employees of the Group companies. As part of the remuneration strategy, the Company decided to increase the annual wage pool for all manufacturing companies of the Group by 12.8%.

URALCHEM launched its updated website. The Company launched its updated corporate website www.uralchem.com, meeting all modern requirements for information presentation, visibility and ease of navigation.
In October 2015, the Board of Directors approved URALCHEM Group’s updated strategy for 2016-2020. At the same time, the Company’s strategic goal remains unchanged – to become a leader in the nitrogen segment in terms of output and operating efficiency.

During the eight years of the Company’s history, we have managed to achieve a significant margin of safety. In spite of the difficult market conditions, it contributes to our development and enables us to make ambitious plans for the future.

In 2015, the Company added to its investment programme new construction projects, including facilities for the production of high-margin products and traditional products using advanced technology.
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Business model

ADVANTAGES OF OUR INTEGRATED BUSINESS MODEL

URALCHEM Group’s operation relies on a sustainable business model that ensures high efficiency in any market conditions and helps us to deliver to our customers high-quality mineral fertilizers at competitive prices.

**EFFICIENT MANAGEMENT**

**ENGAGED EMPLOYEES**

**INVESTMENTS**

**INNOVATIONS**

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**RAW MATERIALS AND ENERGY RESOURCES**

Efficient and transparent relations with our partners

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**SUPPLIERS**

Long-standing partners and new suppliers, complying with the requirements of reliability, assurance of supply and security of transactions

- **80** types of products
- **1,746** US$m revenue
- **5,894** thousand tonnes commercial output
SALES
Efficient balance between export and domestic sales

LOGISTICS
Own fleet of rail cars and sea ports to guarantee product supplies

PRODUCTION
Extensive and regularly upgraded production assets

Environmental safety and resource efficiency

MINERAL FERTILIZERS and other chemical products
Well-balanced product range

Trading companies
URALCHEM Trading House, LLC
URALCHEM TRADING DO BRASIL
SIA URALCHEM Trading

Logistic assets
Railway transport
URALCHEM-TRANS, LLC
Sea port terminals
SIA «VENTAMONJAKS»
SIA «Riga fertilizer terminal»

Production assets
KCCW Branch
Azot Branch
Minudobrenia, JSC
Voskresensk Mineral Fertilizers, JSC

Employees
>10 thousands

Environmental spending
>301 mln roubles 2015 figures

Countries export destinations
>60
We aim at long-term and successful operations in the mineral fertilizer market.

**GLOBAL REACH**

- **2.5 million tonnes**
  - Products transhipped through our sea port terminals

- **6.3 million tonnes**
  - Products and raw materials transported by rail

**Export**

- **72%**
  - Total FCA revenue
Ireland, 5.8%
Norway, 5.5%
Sweden, 5.9%
Finland, 8.3%

Structure of export to non-CIS countries (by volume)

Management, Production assets, Logistics, Sales
The Group’s strategic goal is to become Russia’s largest producer of mass consumption nitrogen fertilizers with the best operating performance.
In all its activities, URALCHEM follows an evolutionary growth model. Flexible responses to external challenges enable us to introduce timely changes and consistently improve the efficiency of each area of our business. This approach helps the Company to successfully move towards the achievement of its strategic goal.

URALCHEM’s Board of Directors annually approves the overall targets for commercial output and EBITDA valid for all Group companies. The Company revises its strategy on an annual basis. Once a year, we analyse in detail the progress of its implementation, as well as internal and external factors that may influence further strategic development of URALCHEM Group, and make adjustments, if necessary. In October 2015, the Board of Directors approved URALCHEM Group’s updated strategy for 2016-2020.

Strategic areas of URALCHEM Group’s development for 2016–2020

1. PRODUCTION
2. PRODUCT PORTFOLIO AND SALES
3. COST-EFFICIENT LOGISTICS
4. HUMAN RESOURCE MANAGEMENT
5. FINANCIAL MANAGEMENT
6. PROCUREMENT MANAGEMENT
7. OPERATING MODEL
8. INFORMATION TECHNOLOGIES
Development strategy

Strategic blocks

PRODUCTION

Production ramp-up at existing and possible construction of new facilities

- URALCHEM maintained its position among Russian producers of nitrogen fertilizers: No. 1 in the production of ammonium nitrate and its derivatives, and No. 2 in the production of ammonia and urea
- Commercial output increased by 4.4% compared to 2014 to 5,894 thousand tonnes, labour productivity increased by 6.6%
- VMF resumed operations in full
- Implementation of a number of large investment projects on upgrading production capacities and improving working processes
- Daily average production of ammonia per plant increased to 1,720 tonnes
- Unscheduled downtime of the main production equipment reduced by 40.3% year-on-year
- Natural gas flow rate for ammonia production was down by 1%

Our performance in 2015

- Increasing commercial output to 6,000 thousand tonnes in 2016
- Expansion of the investment programme together with an increase in the investment efficiency
- Construction of nitrogen fertilizer facilities
- Implementation of a centralized system of maintenance and repairs
- Reducing the period of scheduled repairs and increasing their efficiency
- Reducing consumption rates of key raw materials, improving energy efficiency and setting spending limits for repairs
- Further reduction of unplanned downtime of the main production equipment

Strategy changes:
The main strategic task to achieve maximum production output using current capacities is supplemented by the opportunity to establish new, high-tech facilities for the production of high-margin products and traditional mineral fertilizers.
## PRODUCT PORTFOLIO AND SALES

<table>
<thead>
<tr>
<th>Strategic blocks</th>
<th>Our performance in 2015</th>
<th>Strategic priorities up to 2020</th>
</tr>
</thead>
</table>
| **Product portfolio with a focus on commodities in order to maximize margins, building sales channels to maintain long-term presence in key markets, growth in production and sales of niche products to realize our potential according to the market capacity** | - Revised structure of the product portfolio with specification of the four groups: commodities, commodity substitutes, niche and other products  
- EBITDA reached US$880 million, which is 17% above the level approved in the business plan  
- EBITDA margin increased from 46% in 2014 to 50% in 2015  
- The share of direct sales in the export market increased to 85%, which is 1 p.p. higher than in 2014  
- Growth of sales and gross profit margin in the industrial segment: the sales of ammonium nitrate for industrial use increased by 89% compared to 2014  
- Achieved project volumes for a new product — calcium nitrate for the industrial segment  
- Full capacity production of a premium niche product Super MAP — the basic product of the water-soluble fertilizer range  
- Measures to support Russian agricultural producers | - Maximizing margin and building sales channels in order to maintain long-term presence in key markets  
- Development and adoption of the updated sales strategy  
- Increasing sales of niche products according to the market capacity  
- Development of sales for industrial uses  
- Development of new products and new application areas of traditional URALCHEM’s products in the industry and agriculture |

## Strategy changes:

Strategic tasks to maximize margin due to creation of a product portfolio focused on “commodities” and developing sales channels for maintaining long-term presence on key markets are supplemented by the task to increase sales of niche products taking into account market capacity.
Development strategy

Strategic blocks

COST-EFFICIENT LOGISTICS

Cost efficient logistics: consistent efforts to improve the efficiency of logistics

- Total volume of rail transportation by the Group increased by 9% compared to 2014 and amounted to 6.3 million tonnes
- The share of block train shipments across the routes where such shipments are possible increased by 3% and amounted to 89%; total savings on the railway tariff were 149 million roubles
- 656 block train shipments in 2015
- 2,030 thousand tonnes of fertilizers and 484 thousand tonnes of ammonia were shipped through sea port terminals of the Group

Our performance in 2015

- Increasing the share of block train shipments to 95% in 2016, introducing block train shipments for empty trains
- Increasing the share of scheduled shipments by rail in the export shipment structure to 60% in 2016
- Increasing the share of container transportation of niche and chemical products
- Development of an intelligent system for even distribution of specialized rail cars (gondola cars and ammonia tanks) across the plants and improvement of shipment uniformity
- Constructing at Riga RFT terminal new facilities for the temporary storage of bulk goods

Strategic priorities up to 2020

Strategy changes:

Strategic tasks to ensure logistic safety and manage logistic efficiency are supplemented by the task to continuously improve practices for logistic efficiency management.
Strategic blocks | Our performance in 2015 | Strategic priorities up to 2020
---|---|---
**PEOPLE MANAGEMENT**

**Employees’ involvement in the Company’s development and further implementation of previously adopted five strategic pillars**

- Voluntary labour turnover decreased from 5.1 to 4.4%, and for the pivotal business roles moves towards zero (0.6-0.7% per year)
- The average age of employees at manufacturing enterprises decreased to 41.1 years; the percentage of employees of retirement age fell by 0.7 p.p. to 5.8% in comparison with 2014
- Recruitment of young talent increased by 7%
- Development and adoption of a uniform remuneration system, establishing a clearer link between the results achieved and the money paid
- Labour productivity increased by 6.6% compared to 2014
- The average wage across manufacturing enterprises increased by 9.9% compared to 2014 and totalled 43.5 thousand roubles
- IMPULSE — a regular corporate management development programme — was implemented in the Company
- Owing to the successful implementation of our succession programme, 85% of key positions were filled by internal human resources
- In 2015, the employee engagement index rose by 9% in comparison with 2014 and amounted to 58%

- Long-term staffing: creating conditions and attractive environment for young talents
- Connecting remuneration to performance: phased introduction of the Uniform remuneration system
- Increasing productivity: centralizing the functions shared by the Group companies, outsourcing non-core functions, reducing the number of management levels, reducing working time which does not result in added value
- Improving the quality of human resources: development of the succession programme and Impulse programme; improving the internal system of blue-collar training; development and implementation of professional standards for priority and key blue-collar jobs, building competencies
- Involvement of employees in achieving URALCHEM Group’s goals

**Strategy changes:**

In HR management, the Company’s priorities are the same – employee’s involvement in the Company’s development and further implementation of five adopted strategic goals. However, the importance of these goals in the corporate value hierarchy is now bigger.
### Strategy changes:
The traditional main task to reduce direct costs is supplemented by the tasks to continuously improve practices for cost optimization and budgetary control, as well as to manage transactional efficiency.

#### Continuous improvement of our practices: cost optimization, budget performance monitoring, transactional efficiency

<table>
<thead>
<tr>
<th>Our performance in 2015</th>
<th>Strategic priorities up to 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Successful performance of the United Service Centre as URALCHEM Group’s functional centre in the areas of finance and information technology</td>
<td>• Improving budgeting practices to ensure limited growth of fixed costs</td>
</tr>
<tr>
<td>• Changes to the management accounting methodology in the process of aligning management accounting standards with IFRS standards</td>
<td>• Better planning practices for CAPEX budget and control of its execution</td>
</tr>
<tr>
<td>• Launching the project of budgeting automation based on SAP BPC platform</td>
<td>• Further process automation in the area of financial management</td>
</tr>
<tr>
<td>• Developing the analytical structure for accounting of fixed costs and CAPEX as part of improving budgeting practices and cost control</td>
<td>• Further development of the United Service Centre as a transactional service</td>
</tr>
<tr>
<td>• Start of the project on implementation and automation of a multi-level quality control mechanism for the preparation of financial statements</td>
<td>• Aligning management accounting standards with IFRS standards through the development of a consistent internal control system given the available resources</td>
</tr>
<tr>
<td>• Implementation of a direct integration system between the United Service Centre and the bank (bypassing the Bank-Client system) in order to improve the security of payments</td>
<td>• Reducing current financing costs and obtaining loans at lower rates</td>
</tr>
<tr>
<td>• Changing the terms of lease contracts as part of efforts to reduce current financing costs</td>
<td></td>
</tr>
<tr>
<td>• Making a deal to finance SIA URALCHEM Trading’s operations with the participation of the Russian Agency for Export Credit and Investment Insurance</td>
<td></td>
</tr>
</tbody>
</table>
Strategy changes:
Procurement management is a strategy area that is new for the Company. Its main purpose is to ensure the transparency and efficiency of URALCHEM Group’s procurement activities.
**Development strategy**

<table>
<thead>
<tr>
<th>Strategic blocks</th>
<th>Our performance in 2015</th>
<th>Strategic priorities up to 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING MODEL</strong></td>
<td>As part of optimising the Group structure and improving the system for management of controlled business entities, the Company completed the process of reorganization through consolidation of KCCW, OJSC with URALCHEM, JSC</td>
<td>Further evolution of the operating model: development and implementation of measures to optimize business processes and the corporate governance system</td>
</tr>
<tr>
<td>Role evolution of the management company URALCHEM, JSC as a strategic controller and centre of competence, effective distribution of powers and competences</td>
<td>In accordance with the changes in the legislation, as well as for a more efficient distribution of powers and competences, the Company approved new revisions of the Articles of Association for priority subdivisions controlled by URALCHEM, JSC: Minudobrenia, JSC, Voskresensk Mineral Fertilizers, JSC, URALCHEM-TRANS, LLC and URALCHEM Trading House, LLC</td>
<td>Evaluating the effectiveness of the measures taken</td>
</tr>
<tr>
<td></td>
<td>As part of the optimization of internal procedures, standardization of processes and replication of best practices, the Company developed and adopted new internal documents or changed the existing ones</td>
<td></td>
</tr>
</tbody>
</table>
### INFORMATION TECHNOLOGIES

**Development and implementation of the IT-strategy as the basis to meet the information needs of our growing business and support the approved operating model**

<table>
<thead>
<tr>
<th>Strategic blocks</th>
<th>Our performance in 2015</th>
<th>Strategic priorities up to 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and implementation</td>
<td>• 41% of all Group’s document workflow is in electronic form</td>
<td>• Projects for automating the management of human resources, production, maintenance and repairs, finance and procurement</td>
</tr>
<tr>
<td>of the IT-strategy</td>
<td>• The Company began automating its budgeting process</td>
<td>• Consolidation and unification of information systems</td>
</tr>
<tr>
<td>as the basis to meet the information needs of our growing business and support the approved operating model</td>
<td>• The project for automating the payroll process according to a new uniform methodology</td>
<td>• Optimizing IT expenditures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Outsourcing non-core functions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Implementing a process for life cycle management of IT assets</td>
</tr>
</tbody>
</table>

**Strategy changes:**

Automation of production, HR management, finances and procurement are among new IT projects.
**International Market**

We consider in our activities the main tendencies in the market of mineral fertilizers.

**Demand for mineral fertilizers**

According to the International Fertilizer Industry Association (IFA)*, global demand for mineral fertilizers stagnated and amounted to 182.6 million tonnes (in terms of nutrient value). The consumption of nitrogen fertilizers did not change, and phosphate fertilizers were down 0.6%, while the demand for potassium fertilizers dropped by 0.2%.

**Global fertilizer consumption in 2014–2016, million tonnes in nutrient value**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015 (estimate)</th>
<th>2016 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen fertilizers (N)</td>
<td>110.1</td>
<td>110.1</td>
<td>111.7</td>
</tr>
<tr>
<td>Phosphate fertilizers (P₂O₅)</td>
<td>40.8</td>
<td>40.6</td>
<td>41.4</td>
</tr>
<tr>
<td>Potassium fertilizers (K₂O)</td>
<td>31.8</td>
<td>31.9</td>
<td>32.7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>182.7</td>
<td>182.6</td>
<td>185.8</td>
</tr>
</tbody>
</table>

The breakdown of fertilizer consumption remained almost the same as in 2014: the share of potassium fertilizers increased from 17.4 to 17.5%, whereas the share of phosphate fertilizers decreased by 0.1%.

**Breakdown of global fertilizer consumption in 2015**

- Nitrogen fertilizers  60.3%
- Phosphate fertilizers  22.2%
- Potassium fertilizers  17.5%

The situation in the global fertilizer market in 2015 was also characterized by a relative deterioration in the conditions of trade. The economic situation in a number of regions caused a massive devaluation of the national currencies and, as a consequence, led to a decrease in demand and price regulation.

Another factor limiting the growth of demand was the change in the fertilizer use policy in some countries. Thus, the United States and Western European countries are seeking to improve the efficiency of fertilizer use, China is trying to limit the growth of fertilizer consumption to 1% a year during 2015–2020 and then to stabilize it at the level of 2020. High grain crop expectations in 2015, together with significant inventories, weighed on prices for cereal grains, which in turn had an impact on the price level in the fertilizer market.

Demand for fertilizers in 2015 was kept down by devaluation of national currencies of the main fertilizer consumers (India, Brazil, Turkey, Thailand) and difficult access to credit for farmers.

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* Hereinafter in the international fertilizer market review, reference is made to the data provided in the Global Fertilizer Supply and Trade: 2015–2016, M. Prud’homme, IFA.
Lower energy prices over the reporting period helped to reduce costs and enabled to resume or continue production operations in the regions with traditionally high energy costs. Market balance shifted towards excessive supply. As IFA notes, in 2015 China significantly increased its share in the market of urea and ammonium phosphates. The drop in coal prices in China and the devaluation of the RMB were preconditions for increasing exports from this country. In addition, China improved the competitiveness of its products due to the construction of modern production facilities and decommissioning of old plants.

Global price trends for mineral fertilizers
Throughout 2015 there was steady negative global price dynamics for mineral fertilizers. For example, average prices for ammonia and ammonium nitrate (FOB CIS ports) dropped by 22%, urea by 14%, ammonium phosphates by 2%.

In 2015, DAP production increased by 7%, phosphoric acid and phosphate output increased by 4%. In the nitrogen segment, ammonia and urea output grew by 2%. Production of phosphorite raw materials increased by 1%. Average capacity utilization for the production of mineral fertilizers was 78% of the installed capacity.
Urea prices in Q1 and the beginning of Q2 fell to the lowest level in the last 5 years. Importers in Latin America and Europe delayed purchases to the utmost, whereas the beginning of urea deliveries from Iran to Turkey and Europe increased competition in the market. A small increase in prices in Q2 is explained by the position of the Chinese exporters as well as the decline in supply from Egypt, Algeria and Ukraine. The main factor why prices continued to drop at the end of Q2 was low demand in Brazil, USA, Europe, Thailand and Turkey. The only major foreign market that increased the volume of urea purchases was India. In the second half of Q4, export shipments of urea from Egypt resumed, together with an increase in supply from Algeria, Indonesia and the Middle East.

Prices for ammonium nitrate in 1H 2015 declined steadily. The rouble devaluation made exports more attractive compared to domestic shipments to Russian suppliers, while the main importers of Russian ammonium nitrate — Brazil and Turkey — showed only limited activity because of concerns related to fluctuations of the exchange rates of their national currencies. Later, Brazilian imports were hindered by low sugar prices. Stabilization of prices in 2H lasted until the second half of Q4, when, under the influence of urea prices, ammonium nitrate prices fell again.

Prices of MAP / DAP during the reporting period varied according to seasonal factors. The rise in prices at the beginning of the year was attributed to purchases from Latin American countries with a limited supply from China. In March and April, a seasonal drop in demand from Latin America was observed, while Indian importers delayed purchases in anticipation of clarification of subsidy rates and maximum retail prices. Intensification of the Latin American demand provided a recovery in prices. However, at the beginning of Q3, there was a correction due to the weakened procurement activity in Brazil, as well as because of a fall of interest in procurement in India. Prices continued to decline until the end of the year as importers tried to avoid stock accumulation.

Ammonia prices remained stable throughout the most of 2015. In late October, the price level began to decrease due to oversupply and the lack of demand: ammonia shipments from Egypt and Algeria resumed. At the same time, adverse weather conditions limited purchases from the United States. In the Far East, the chemical industry reduced its ammonia purchases.

**Breakdown of supply and demand by mineral fertilizer segment**

**Nitrogen fertilizers / Ammonia**

The global ammonia capacity in 2015 reached 221 million tonnes, which is 2.8% higher than in 2014. Global ammonia output over the reporting period amounted to 173.4 million tonnes, an increase over the previous year by 2%. China, Indonesia and Vietnam accounted for over a third of this increase. The production of ammonia grew in India, America and Australia, new facilities were commissioned in Egypt and Algeria. The utilisation level was 78% of the design capacity.
Global ammonia supply and demand, million tonnes in nutrient value

Domestic shipments accounted for up to 90% of ammonia trade. Foreign deliveries amounted to 17.7 million tonnes, which is 4% lower than in 2014.

The volume of ammonia production determines the total consumption of nitrogen in the production of fertilizers and in other industries. According to IFA, global consumption of nitrogen fertilizers (in terms of nitrogen) in agriculture amounted to 110.1 million tonnes in 2015, while in 2016 it will increase by 1.4%. Taking into account the consumption in other industries, global demand for nitrogen fertilizers rose by 0.7% in the reporting year.

In 2015, the total ammonia supply exceeded aggregate demand by 7.5 million tonnes in nutrient value, or by 5%. A modest increase in supply shortages was observed in South Asia, Latin America, Australia and Europe. In North America, the supply shortage decreased to 27% compared to 30% a year earlier. Oversupply persisted in the CIS and the Middle East. The export supply of ammonia from North Africa significantly increased.

Oversupply led to a drop in prices for nitrogen fertilizers accompanied by the lack of demand growth in 2015.

Nitrogen fertilizers / Urea

The global urea capacity increased by 5% to 218 million tonnes. Global urea output in 2015 reached almost 170 million tonnes, which is 2% higher than in 2014. Capacity utilization was 76% of the design capacity. Urea production increased in South and West Asia, China and Algeria.

The global urea trade volume decreased only slightly in comparison with 2014, from 47.5 to 47.3 million tonnes.

Oversupply in 2015 was estimated at 10 million tonnes, or about 6% of the total output, up 1 million tonnes compared to 2014. The main factor of oversupply growth was the commissioning of new capacities.

Oversupply growth was primarily observed in Africa, and secondarily in the CIS and West Asia. In South Asia and, to a lesser extent, in Europe there was an increase in supply deficit and, consequently, urea imports. In North America, the supply shortage decreased due to the commissioning of new capacities. In Latin America, there was a reduction in demand and, as a result, in urea imports.
Mineral fertilizer market

**Phosphate fertilizers**

The situation in the global phosphoric acid market during 2015 worsened compared to 2014. At the end of the reporting period, oversupply increased to 2.5 million tonnes (in terms of P₂O₅), or 5% of the total supply, due to capacity growth amidst static demand. Phosphoric acid offer amounted to 46.8 million tonnes (in terms of P₂O₅). Growing demand for phosphate fertilizers was also recorded in the United States, Pakistan and India. Exports of phosphoric acid increased to 4.1 million tonnes, or 2% compared to 2014. The largest exporters of phosphoric acid in 2015 were Jordan and Morocco.

**Potassium fertilizers**

In 2015, potassium fertilizer capacities decreased to 51.4 million tonnes (by 1.5%). Due to reduced demand, oversupply increased to 5.2 million tonnes, which corresponded to 12% of the total supply. Global potassium output (including fertilizers and industrial uses) in 2015, according to IFA, was estimated at 43.5 million tonnes (in terms of K₂O).
The demand for potassium fertilizers from farmers, over the reporting period, amounted to 31.9 million tonnes, or 38.3 million tonnes in nutrient value including industrial uses. Imports of potassium fertilizers by major consumers like the United States, Brazil, Indonesia and Malaysia decreased, while in Western Europe and India it remained unchanged. Growth in demand for potassium fertilizers was observed only in China.

**Global potassium supply and demand (including fertilizers and industrial uses), million tonnes in nutrient value**

<table>
<thead>
<tr>
<th>Year</th>
<th>Supply</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>38.2</td>
<td>33.2</td>
</tr>
<tr>
<td>2013</td>
<td>40.2</td>
<td>34.6</td>
</tr>
<tr>
<td>2014</td>
<td>42.9</td>
<td>39.7</td>
</tr>
<tr>
<td>2015</td>
<td>43.5</td>
<td>38.3</td>
</tr>
<tr>
<td>2016 (forecast)</td>
<td>44.6</td>
<td>39.6</td>
</tr>
</tbody>
</table>

**Outlook**

In 2015, the global fertilizer industry faced difficulties caused by oversupply. In the countries leading by production volumes, optimization and consolidation of the industry were observed. It is expected that the demand for fertilizers in 2016 will increase by 1.9% compared to 2015. Overall demand for nutrients, including industrial consumption, is forecast at 245 million tonnes. In 2016, the growth rate of production capacity will remain at the level of 2015, because of which the supply and demand balance will shift in favour of oversupply even more. In 2016, urea capacity growth, according to our estimates, will amount to 4% to 227 million tonnes. Taking into account the planned commissioning of new facilities in the United States aimed at import substitution, suppliers will face the need to redistribute excessive volumes in other markets. The expected increase in demand, both in the agricultural and industrial sectors, will be insufficient to offset an increase in capacity, which will create additional pressure on prices. In the phosphate fertilizer segment, capacity is also expected to increase, outpacing the level of demand growth.
Nitrogen fertilizers 45.9%
Potassium fertilizers 36.6%
Phosphate fertilizers 17.5%

Production of mineral fertilizers in Russia
In 2015, the domestic production of mineral fertilizers in Russia rose by 1.4% year-on-year to about 19 million tonnes in nutrient value. The production of nitrogen fertilizers in nutrient value increased by 6.3% to 8.7 million tonnes. The production of phosphate fertilizers grew by 7.6% and reached its maximum in recent years — 3.3 million tonnes (in terms of P₂O₅). Only in the potassium segment, due to the unfavourable situation in the world market, a year-on-year decrease in production by 6.6% to 6.96 million tonnes was observed over the reporting period. The ammonia production (commodity sector) in 2015 increased by 3.8% and amounted to 15.2 million tonnes.

In the Russian market of nitrogen and phosphate fertilizers, URALCHEM Group is ranked third with a share of 15.1%, maintaining its leadership in the production of ammonium nitrate and its derivatives, and ranked second for the production of ammonia and urea

*Review of the Russian mineral fertilizer market is based on the AZOTECON Plus’ study Fertilizer Industry of Russia, Q4 2015.
Nitrogen and phosphate fertilizer production in Russia remained practically unchanged. In total, the five industrial holdings accounted for 83.7% of the total production of nitrogen and phosphate fertilizers in 2015.

**Breakdown of nitrogen and phosphate fertilizer production in Russia in 2015**

- PhosAgro: 26.9%
- EuroChem: 23.9%
- URALCHEM: 15.1%
- Acron: 12.4%
- SDS Azot: 5.4%
- Other producers with a share <5%: Gazprom neftekhim, Salavat, Minudobreniya, KulibyshevAzot, Togliattiazot, Mendeleevskazot, Ammoniy, GMZ, Shchekinoazot: 16.3%

In 2015, the utilisation ratio of mineral fertilizer production capacity in Russia remained at the 2014 level totalling 87.2%. The nitrogen fertilizer production capacity reached 84.5%, up 0.7 p.p. year-on-year. The utilisation ratio of phosphate fertilizer production capacity rose from 82.3 to 84.2%, whereas for potassium it amounted to 93.5% in comparison with 94.1% in 2014.

In the difficult political situation and the slowing global economy, Russian fertilizer producers were able to maintain their positions in the market. Rouble devaluation offset losses in export revenues caused by the global decline in prices. In the domestic market, Russian fertilizer producers increased the supply of nitrogen and phosphate fertilizers. The commissioning of the ammonia, methanol and urea production complex by Ammoniy, JSC (Tatarstan) was an important event for 2015.

**Domestic consumption**

In 2015, mineral fertilizer deliveries to agricultural producers amounted to 2.5 million tonnes, up 3.9% year-on-year. The most demanded fertilizer in Russia is ammonium nitrate. In the reporting year (from January to 13 December), its supplies increased by 25% year-on-year to almost 3.5 million tonnes. Ammonium nitrate supplies peaked in spring at 1.2 million tonnes, while in Q3 the deliveries were down to the minimum level of 0.6 million tonnes. In total, agricultural producers acquired 13.9% of all mineral fertilizers produced in Russia, compared to 13% in 2014.

During the period of fertilizer procurement for spring application in 2015, URALCHEM Group supplied Russian agricultural companies with about 470 thousand tonnes of ammonium nitrate, which represents a 30% increase year-on-year.

In 2015, to support domestic agricultural companies, fertilizer producers implemented a programme of mineral fertilizer price control, developed jointly by the Russian Association of Fertilizer Producers (RAFP), the Ministry of Industry and Trade, the Ministry of Agriculture and the Federal Antimonopoly Service of the Russian Federation.

As part of the measures to support domestic agriculture, before the start of the spring sowing season, fertilizer producers — members of RAFP decided to freeze the prices for the most demanded mineral fertilizers at the January level for the most difficult regions and at the February level for other regions, which spurred the demand for fertilizers in the domestic market.
In accordance with the decision on the stable functioning of agricultural industries, taken at a meeting with the Russian Prime Minister Dmitry Medvedev, URALCHEM introduced additional discounts on ammonium nitrate from the prices declared for February and March and began to supply these products to the Russian regions. In the period from June 2015 to January 2016, the Company increased shipments of ammonium nitrate to Russian agricultural producers by 90% compared to the same period of 2014/2015.

According to RAFP, over the reporting period, the prices for mineral fertilizers increased: the average annual price (excluding VAT) for ammonium nitrate in comparison with 2014 increased by 13.9%, urea by 60%, azophoska by 38.8%, MAP by 50%.

The Russian Ministry of Agriculture is currently developing proposals to stimulate the application of mineral fertilizers, according to which, in a five-year period, at least 7–7.5 million tonnes of fertilizers will be applied to the soil throughout the country. According to the Ministry of Agriculture, the planting acreage in Russia will be increased by 350 thousand hectares — to 79 million hectares in 2016. That will also spur the consumption of mineral fertilizers.

**Export sales**

In 2015, Russian mineral fertilizer exports (including shipments to Belarus) rose by 4.6% year-on-year to 16.7 million tonnes in nutrient value. Export revenues shrank by 1.3% due to decreased exports of nitrogen fertilizers.

Russian exports of nitrogenous fertilizers declined in 2015 by 2.2% compared to 2014, which was due to a decrease in exports of single nitrogen fertilizers by 4.8%. This reduction in supply was characteristic of all items across this fertilizer group. Since the beginning of 2015, urea shipments fell by 5.6%, ammonium nitrate by 0.6%, stabilized and lime ammonium nitrate by 6.7%.
Shipments of ammonium sulphate were down by 17.9%, urea-ammonia blend by 2.9%. Supplies of nitrogen as part of other nitrogenous fertilizers, on the other hand, increased by 9.1% in 2015 compared to the previous reporting period.

Exports of phosphate fertilizers (in terms of P₂O₅) exceeded the last year’s volume by 17.2%. Growth in exports was observed across almost all fertilizers in this segment. The smallest increase of 6.6% was recorded in the supply of MAP whereas DAP shipments showed the maximum increase of 81.3%. Exports of complex fertilizers (in terms of P₂O₅) grew by 10.8%, while the deliveries of liquid complex fertilizers increased by 45%. Sulfoammophos shipments (in terms of P₂O₅) fell by 27.4%.

Export sales of potassium fertilizers (in terms of K₂O) grew by 6.6% year-on-year. Export shipments of potassium chloride increased in volume terms by 7.2% to 11.1 million tonnes. Exports of complex potassium fertilizers increased in volume terms by 2.6% and reached 4.4 million tonnes.

Breakdown of Russian exports by type of mineral fertilizers in 2015

- Potassium fertilizers: 47.9%
- Nitrogen fertilizers: 36.7%
- Phosphate fertilizers: 15.4%
In 2015, URALCHEM Group increased the production of main commercial products by 4.4% to 5,894 thousand tonnes, maintaining a leading position among Russian producers of nitrogen fertilizers.

In 2015, we implemented an integrated programme to upgrade production facilities and improve operational procedures at the Group’s enterprises, which increased labour productivity by 6.6% year-on-year.

URALCHEM Group heavily invests in R&D projects, seeking to introduce unique technologies at its enterprises to enhance product quality, increase the output of new products, improve labour efficiency, reduce raw materials consumption, and enhance the energy efficiency and environmental safety of its production facilities. Spending on R&D and innovations totalled RUB295.8 million in 2015, a fivefold increase year-on-year.
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In 2015, URALCHEM Group increased the production of main commercial products by 4.4% to 5,894 thousand tonnes, maintaining a leading position among Russian producers of nitrogen fertilizers. We were ranked first for the production of ammonium nitrate and its derivatives, and second for the production of ammonia and urea.

Over the reporting period, we achieved a record high gross ammonia output — 2,978 thousand tonnes, which is 4.3% higher than in 2014. The production of ammonia increased due to the stable functioning of our plants during the year, the work to increase daily output at Azot and KCCW branches, shortening the duration of overhauls and reducing unscheduled downtime.

The increase in gross ammonia output contributed to the growth of commercial ammonia production by 6.3% to 825 thousand tonnes. The production of urea in 2015 grew by 6.9% and reached a record level of 1,186 thousand tonnes.

The output of phosphate and compound NPK fertilizers increased thanks to the resumption of deliveries of the main raw materials to Voskresensk Mineral Fertilizers, JSC — phosphate rock. The production of complex fertilizers increased by 18.3% to 617 thousand tonnes, phosphate fertilizers by 150% to 104 thousand tonnes.
Azot Branch, having increased its output by 5.8% year-on-year, was the main contributor to the Group’s production growth in 2015. VMF’s relative output growth was higher — 57%, but that was due to the resumption of work after unscheduled downtime in 2014; in absolute terms, the increase was 123 thousand tonnes, which is close to the production performance of Azot Branch (126 thousand tonnes). PMU and KCCW Branch kept their production rates at the 2014 level.
Efficiency improvements

In 2014-2015, we implemented an integrated programme to upgrade production facilities and improve the operational procedures at the Group’s enterprises (see Key Investment Projects section on p. 60–61), which increased labour productivity by 6.6% year-on-year. The biggest growth in output per employee was recorded at Azot Branch and PMU, by 9.3 and 8.1%, respectively. At VMF, product output per employee grew by 55.6% year-on-year, but in 2014 production operations were suspended, and the level of 2013 is not yet achieved.

In total, the average daily production by ammonia plants across the Group increased by 25 tonnes per day (1.5%) to 1,720 tonnes per day. Natural gas consumption in the production of ammonia decreased by 1%.

Labour productivity dynamics across URALCHEM Group, tonnes/employee

In 2015, the Group proceeded with cost optimisation. We made considerable efforts to cut fixed costs, reduce consumption rates for key feedstocks and energy, streamline expenses on procurement of raw materials, improve energy efficiency and set repair cost limits.

Over the reporting period, we continued our large-scale work to shorten unscheduled downtime at our core production facilities. As a result, such downtime shortened by 40.3%, which in turn helped to increase nitrogen fertilizer and ammonia output. Reduction of unscheduled downtime of our production facilities remains a substantial internal reserve for increasing production efficiency.

Procurement

Efficient procurement is one of URALCHEM Group’s priorities, since the result of this work is not only cost savings, but also a reliable, efficient and transparent system of relations with suppliers. We are proud of long-standing and reliable relations with our long-term partners. Besides, each year URALCHEM Group engages new contractors. Any Russian or foreign company can become our supplier subject to free competition and meeting the requirements of reliability, assurance of supply and security of transactions.

To enhance the efficiency of procurement, URALCHEM continuously improves all relevant procedures, approaches to procurement management and assurance of high quality interactions with contractors and suppliers.

In 2015, total purchases by the Group reached RUB36,596 million.

In order to improve the efficiency of procurement, URALCHEM, JSC established the Procurement Directorate, developed and adopted a strategy of transformation of the Group’s supply process, as well as developed a policy that defines the key principles of the supply process organization, in collaboration with internal customers and suppliers of materials and equipment.
The policy is designed to ensure that procurement activities in all Group companies are based on common principles.

Procurement for the needs of URALCHEM Group companies is carried out in accordance with internal documents on the basis of competitive procedures, including the publication of the necessary information on the website www.uralchem.com, PROCUREMENT section, providing optimal conditions for contract signing and transparency of procurement procedures.

### Breakdown of URALCHEM Group’s procurement in 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas</td>
<td>41%</td>
</tr>
<tr>
<td>Equipment and auxiliary materials</td>
<td>23%</td>
</tr>
<tr>
<td>Other raw materials</td>
<td>13%</td>
</tr>
<tr>
<td>Phosphate rock</td>
<td>11%</td>
</tr>
<tr>
<td>Power energy</td>
<td>8%</td>
</tr>
<tr>
<td>Sylvite</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Strategic goals of URALCHEM Group’s procurement development:

- Improving procurement transparency
- Increasing the efficiency of materiel and technical support of the Group companies
- Optimizing the use of working capital

In 2015, we joined the St. Petersburg International Commodity Exchange to purchase natural gas, which helped to increase competition among suppliers and reduce gas purchase costs. During the reporting period, we hold negotiations and concluded long-term contracts with key suppliers of raw materials and other counterparties. The terms of the contracts ensure resource security and help the Group to predict the procurement cost of key materials such as phosphate rock, liquid sulphur, sulphuric acid, magnesite and brucite.

Over the reporting period, we also hold a single tender for the supply of modern workwear and personal protective equipment for employees of the Group companies. This activity improved the safety of workers and provided us with the best price thanks to consolidated purchases.

In 2016, we plan to introduce a procurement planning system, start a project to automate the relationship management with suppliers, as well as continue to develop our procurement management system.
Offering a well-balanced selection of high quality products

URALCHEM’s product portfolio is one of the largest in the industry including 80 types of products. Along with fertilizers, the Group produces feedstock for the chemical industry and explosives. We keep extending our product portfolio, which enables us to satisfy demand from the maximum number of consumers across different markets and segments.
URALCHEM supplies its products to the domestic market and exports it to more than 60 countries.
We specify four groups of products: commodities, commodity substitutes, niche and other products. Commodities account for the bulk of our product output and sales.

<table>
<thead>
<tr>
<th></th>
<th>Revenue FCA, %</th>
<th>Output, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity</td>
<td>70</td>
<td>72</td>
</tr>
<tr>
<td>Ammonium nitrate (AN)</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>Potassium-ammonium nitrate (CAN)</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Urea</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>Liquid industrial ammonia</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>DAP/MAP 12:52</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Commodity substitutes</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Nitric phosphate (SAN)</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Calcium nitric sulphate (CNS)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>NPKS</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Nitric sulphate (NS 30:6/30:7)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Niche</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Potassium nitrate</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Calcium nitrate</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Water-soluble MAP 12-61</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water-soluble NPK blends 19-19-19, 13-40-13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other products</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Ammonium nitrate ZhVG
Nitrate solution
Industrial sodium nitrate, industrial sodium nitrite
Nitric, sulphuric and phosphoric acids
Ammonium hydroxide
Ground phosphate
Phosphogypsum
Aluminium fluoride
Carbon dioxide
Argon
Steamin
Strontium carbonate
Our marketing activities in 2015 were aimed at increasing the awareness of our products, demand making and increasing the profitability of sales due to direct access to end consumers in every region of our operations. As part of these activities, representatives of the Group participated in international agrochemical exhibitions in key sales regions, such as IPM Essen (Germany), Expo Agroalimentaria (Mexico), Cereals (UK) and YugAgro (Russia).

To facilitate direct communication with the target group of consumers and explore special product market segments (water-soluble fertilizers and products for industrial use), we participated in various activities of the mining, construction and agricultural industries over the reporting period.

In 2015, the Group companies significantly increased their output of such products as water-soluble monoammonium phosphate (MAP) and calcium nitrate. Our marketing activities helped to significantly increase the awareness of these products and expand our sales geography.

Analysis of Solar brand awareness, under which URALCHEM sells water-soluble fertilizers, indicates awareness and relevance of the brand for the target audience. To increase the consumption of water-soluble products, the Company developed new products — water-soluble NPK blends specifically for the open ground segment.

URALCHEM supports and develops activities related to marketing communications, including with foreign audiences. Over the reporting period, we updated our corporate website www.uralchem.com, as well as regional sub-sites, designed for customers from the UK, Ireland and Latin America. The websites dedicated to individual products produced by URALCHEM Group were updated, too.

URALCHEM continuously monitors and controls the quality of its products, which allows the Company to provide consumers with world-class products. We closely monitor compliance with the European REACH legislation on the classification, packaging and labelling of chemical substances and mixes, mandatory for all member countries of the European Union (EU Regulation 1272 / 2008). Our employees carry out regular monitoring of the classification of chemical substances, conduct product researches and update labelling and safety data sheets, if necessary.

In 2016, we plan to continue marketing activities to support sales and expand markets for premium products, as well as to monitor the needs of our customers in key regions. In addition, we will implement measures to strengthen our Solar brand and increase customer loyalty.
Operating review

LOGISTICS

Improving logistics efficiency

Railway transportation

Railway logistics is managed by a specialized enterprise URALCHEM-TRANS, LLC. Logistics consolidation enables integrated management of the Group’s transportation activities and optimal redistribution of the rolling stock between businesses, helps to quickly interact with forwarding agents and reduce transportation costs.

URALCHEM-TRANS operates a rolling stock consisting of 7,811 units. All branches of URALCHEM-TRANS have the necessary facilities for rolling stock maintenance, including both pre-load servicing at the plants and scheduled repairs at the Murashi depot. As part of setting up a single operation point for railway logistics, all railway facilities at production sites were consolidated into URALCHEM-TRANS. This initiative helped to optimise inter-plant flows of feedstock and finished products.

Rolling stock operated by URALCHEM-TRANS in 2015

- Gondola cars: 4,081 (52%)
- Tank cars (ammonia and chemicals): 2,074 (27%)
- Open-top and box cars: 1,656 (21%)

The total volume of the Group’s freight transported by rail in 2015 increased by 9% year-on-year to 6.3 million tonnes (including raw materials).

Transportation of the Group’s bulk mineral fertilizers in 2015 by destination

- Non-CIS: 70%
- Russia: 25%
- CIS: 5%

In 2015, we continued to develop transportation of finished products by block trains. Over the reporting period, 656 block trains were dispatched from the Group’s production facilities. The share of block train shipments across the routes where such shipments are possible increased by 3% and amounted to 89%. Total savings on the railway tariff were 149 million roubles. At the same time, the Group increased shipments from its plants to the domestic market and the customers receiving fertilizers only by carload and group shipments.
Over the reporting period, we started to work together with the Russian Railways on dispatching trains according to special route schedules: in 2015, 160 scheduled trains were dispatched.

To minimise empty runs after unloading of mineral fertilizers and optimize the number of special rail cars during the seasonal reduction in traffic, URALCHEM-TRANS also provided transportation services to third parties. In 2015, such services to third parties yielded 224 million roubles, which is 2.5 times more than in 2014.

In 2015, we started to actively implement the technology of transportation of bulk liquid chemical cargoes in tank containers that can effectively replace deteriorated chemical tank cars in a number of destinations, increasing transportation safety of finished products and raw materials. The volume of transportation in tank containers over the reporting period amounted to 4 thousand tonnes.

**Strategic areas for increasing the efficiency, technological effectiveness and safety of URALCHEM-TRANS’ operations in 2016**

- Increasing the share of export block train shipments and scheduled shipments
- Increasing the share of container shipping for niche and chemical products

**Sea port terminals**

In 2015, the Group’s principal export flows were channelled through its own sea port terminals Riga fertilizer terminal in Riga and Ventamonjaks in Ventspils.

Operation of our own sea port terminals ensures strategic security and stability of export cargo traffic and significantly increases the efficiency of the Group’s own rolling stock. Building supply chains Plant — Railway — Own terminal substantially improves the smoothness and technological effectiveness of transportation, which together with the work to increase block train shipments and other activities, led to a reduction in rolling stock downtime by 40% compared to 2014 and provided savings totalling 179 million roubles. The Company transhipped through the Estonian port of Sillamae 57 thousand tonnes of ammonia, which is 3.3 times less than in 2014.

Through the ports of the Baltic and Black Sea, the Group transhipped 1,007 thousand tonnes of fertilizers in 2015, which is 33% less than in 2014. In total, we shipped through the sea ports 3,037 thousand tonnes of fertilizers and 478 thousand tonnes of ammonia produced by the Company.
Riga fertilizer terminal (RFT) is one of the most modern and safest terminals in Northern Europe used for the transhipment and temporary storage of bulk mineral fertilizers. The capacity of the first phase is 2 million tonnes of bulk cargoes per year. RFT was built jointly with SIA Rīgas tirdzniecības osta and put into operation in 2013.
Ventamonjaks is the largest terminal in the Baltic Sea for the transhipment of liquid ammonia with a capacity of 1 million tonnes per year located in the ice-free port of Ventspils. The terminal was built in 1973 and has a modern infrastructure and equipment. Three deep-water berths allow to service vessels with a carrying capacity up to 60,000 tonnes. Continuous operation of the terminal enables handling of up to 250 tank cars per day.
Operating review

SALES

Maintaining optimal balance of export and domestic sales

In 2015, URALCHEM Group’s sales of finished products (by volume) totalled 5,808 thousand tonnes, with 71\% of sales attributed to exports to non-CIS countries, and 29\% to sales in Russia and the CIS. The sales were up 4\% year-on-year. FCA revenue from finished product sales amounted to US$1,426.8 million in 2015.

Revenue by world region in 2015, %

<table>
<thead>
<tr>
<th>Region</th>
<th>Exports 72% (US$1,034.4 million)</th>
<th>Russia and the CIS: 28% (US$392.4 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

URALCHEM Group’s sales by product type, ‘000 tonnes

<table>
<thead>
<tr>
<th>Product Type</th>
<th>2014</th>
<th>2015</th>
<th>change 2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial ammonia</td>
<td>730.1</td>
<td>807.6</td>
<td>11%</td>
</tr>
<tr>
<td>Ammonium nitrate and its derivatives</td>
<td>2,991.7</td>
<td>2,976.0</td>
<td>-1%</td>
</tr>
<tr>
<td>Urea</td>
<td>1,124.5</td>
<td>1,143.0</td>
<td>2%</td>
</tr>
<tr>
<td>NP/NPKS</td>
<td>511.2</td>
<td>603.7</td>
<td>18%</td>
</tr>
<tr>
<td>DAP/MAP</td>
<td>65.2</td>
<td>84.7</td>
<td>30%</td>
</tr>
<tr>
<td>Other</td>
<td>180.1</td>
<td>193.3</td>
<td>7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>5,602.8</td>
<td>5,808.3</td>
<td>4%</td>
</tr>
</tbody>
</table>

Sales in Russia and the CIS

In 2015, we paid special attention to the development of sales in the domestic market. URALCHEM Group’s sales to Russia and the CIS in 2015 increased by 17\% compared to the previous reporting period and amounted to 1,695 thousand tonnes.

In line with the historical pattern, ammonium nitrate and its derivatives accounted for the bulk of demand in Russia and the CIS, representing 64\% of sales in the market, or 1,073 thousand tonnes, which is 27.7\% higher than in 2014. In the domestic market and the CIS market, the Company sold nearly 37\% of its ammonium nitrate. Urea sales amounted to 248.3 thousand tonnes in 2015, exceeding the last year’s result by 12\%, which can be explained by our long-term policy to increase the domestic market share in the total sales structure. Ammonia sales increased by 26.9\% year-on-year to 83 thousand tonnes. Ammonia sales grew owing to the logistical reorientation of sales towards more profitable destinations.

In 2015, we implemented a number of activities to support domestic agricultural producers aimed at improving the economic efficiency of fertilizer application, stimulating demand for our fertilizers and reducing agrarians’ costs per unit of products. URALCHEM abandoned the principle of equal profitability in the export and domestic markets and sold fertilizers to domestic consumers on favourable pricing terms at a substantial discount to export prices. In our supplies, we gave priority to domestic agricultural producers and maintained ongoing contact with the governing bodies of agro-industrial complexes in the regions where we operate. These activities led to an increase in purchases of our fertilizers by Russian agricultural producers.
Over the reporting period, we were actively promoting complex supplies to industrial sector consumers across the range of products.

**URALCHEM Group’s sales in Russia and the CIS by product type in 2015 (by volume)**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ammonium nitrate and derivatives</td>
<td>64%</td>
</tr>
<tr>
<td>Urea</td>
<td>15%</td>
</tr>
<tr>
<td>Commercial ammonia</td>
<td>5%</td>
</tr>
<tr>
<td>NP/NPKS</td>
<td>3%</td>
</tr>
<tr>
<td>DAP/MAP</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
</tr>
</tbody>
</table>

The Group’s sales in the domestic market are governed by URALCHEM Trading House’s Trade Policy, which defines the negotiation and fertilizer pricing procedures and establishes other basic rules for customer targeting. The Policy establishes transparent pricing mechanisms to balance the interests of the Company and consumers of its products. Strict adherence to the Trade Policy helps to build customer trust, grow the customer base, and improve sales performance. The share of direct sales in Russia exceeds 75%, which is a telling sign of the Trade Policy’s efficiency.

**Export sales**

In 2015, URALCHEM Group exported 4,114 thousand tonnes of products. This figure remained virtually unchanged from the previous year. Ammonium nitrate and its derivatives accounted for almost half of the foreign demand (46% of export supplies, or 1,883 thousand tonnes of products). Over the reporting period, export sales of ammonia increased by 9% to 725 thousand tonnes, whereas urea sales declined by 1% to 895 thousand tonnes, due to a more favourable pricing environment in the ammonia markets. Export sales of phosphate fertilizers increased from 23 to 56 thousand tonnes after the resumption of production operations at VMF following their suspension in 2014.

**URALCHEM Group’s export sales by product type in 2015 (by volume)**

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ammonium nitrate and derivatives</td>
<td>46%</td>
</tr>
<tr>
<td>Urea</td>
<td>22%</td>
</tr>
<tr>
<td>Commercial ammonia</td>
<td>18%</td>
</tr>
<tr>
<td>NP/NPKS</td>
<td>13%</td>
</tr>
<tr>
<td>DAP/MAP</td>
<td>1%</td>
</tr>
</tbody>
</table>

In 2015, URALCHEM Group’s products were exported to over 60 countries. Brazil remains the key foreign market accounting for 12.9% of the Company’s exports. At the same time, over the reporting period, we increased delivery volumes to Peru and Mexico; their shares in total exports increased to 10.9 and 10.1%, respectively. In 2015, the top 10 countries importing URALCHEM’s products also included India and Kenya with imports of 82.4 and 77.5 thousand tonnes of products. Export sales of ammonium nitrate to industrial customers increased almost twofold, and their share reached 43% in 2015. The share of direct export sales was 85%, up 1 p.p. year-on-year.
In 2015, the Group continued to implement its long-term investment programme focused on new production projects, technical re-equipment of existing facilities, and acquisition of promising assets. The Group’s long-term objective is to increase output, including in the high-margin product segment, improve efficiency, and reduce resource consumption rates.

Implementing our long-term investment programme

In 2015, the Group’s CAPEX totalled US$95 million. URALCHEM Group invested in three areas:

- Investment projects aimed at introducing new technologies to improve the production process efficiency and/or manufacture new products
- Capital investment projects aimed at maintaining or upgrading existing facilities
- Capitalised repairs carried out every 18 months or less frequently to keep the equipment in serviceable condition

**Priority areas for project implementation as part of URALCHEM Group’s capital investment programme in 2015**

- Replacing worn-out and obsolete equipment
- Driving performance and increasing the environmental safety of production
- Production of new high-margin products
- Developing logistics through expansion of the rail car fleet and construction of proprietary transhipment facilities

**URALCHEM Group’s investments by area in 2015, US$m**

<table>
<thead>
<tr>
<th>Investment Category</th>
<th>US$m</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment projects</td>
<td>46.4</td>
<td>48.8%</td>
</tr>
<tr>
<td>Capital investments</td>
<td>40.2</td>
<td>42.3%</td>
</tr>
<tr>
<td>Capitalised repairs (with standard periods exceeding 18 months)</td>
<td>8.4</td>
<td>8.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>95</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Investments by URALCHEM Group’s enterprises in 2015**

- Total amount of investments — US$95 million
  - KCCW Branch: 43%
  - Azot Branch: 23%
  - PMU: 13%
  - VMU: 6%
  - RFT: 2%
  - Other: 13%
$46.4 million investment projects

$40.2 million capital investments

$95 million investments
Investing in the development of production and logistics

KCCW Branch • Investments in 2015: US$40.7 million

In 2015, investments at KCCW Branch were primarily aimed at building up capacity to manufacture high-margin products and renovating the existing plants to increase output of mineral fertilizers and chemical products.

Over the reporting period, we decided to make preparations for the project on upgrading the AM-76 ammonia plant boosting its capacity to 2,000 tonnes per day. According to the basic design estimates, the project investments will be at least US$66.3 million.

In 2015, to meet the increased demand for anhydrous calcium nitrate, we launched an investment project to develop the relevant capacities. The amount of project financing will be US$15.6 million.

Over the reporting period we also initiated a project to increase the production of complex fertilizers through upgrade of exhaust gas heaters PVG-1200 of the AK-72/1,2 non-concentrated nitric acid plants and upgrade of evaporation units of the shop No. 58, which will increase production rates. The investment will amount to US$5.3 million.

In 2015, we completed a number of projects aimed at further improving the efficiency and increasing the productivity of the AM-70 ammonia plant: upgraded the syngas compressor turbine, renovated the air compressor and installed a synthesis gas dehydration system. As a result, the plant capacity was expanded to 1,830 tonnes per day in winter exceeding the target figure of 1,760 tonnes per day. The total investment for these projects in 2015 amounted to US$6.9 million.

Over the reporting period we completed the investment project on upgrade of the ammonium nitrate plant No. 2, which will allow to increase its daily capacity and improve operational stability. Total investment in the project amounted to US$3.7 million, including US$1.8 million in 2015.

In 2015, the Company also completed the main phase of the project to renovate trunk gas pipelines to improve reliability of gas supplies to the facility. The investments in this project totalled US$4.4 million, including US$2.9 million in 2015.

Azot Branch • Investments in 2015: US$21.5 million

In 2015, investments at Azot Branch were made primarily in projects to expand product portfolio, develop transport infrastructure, improve energy efficiency and environmental safety.

Over the reporting period we launched a project for the production of granular amines: we developed project documentation and made advance payment for the main process equipment. As a result, Azot Branch will produce 600 tonnes of this product per year. The design capacity shall be reached at the end of 2016. The total project budget is US$1.6 million.

In 2015, Azot Branch continued implementing a project to renovate Beraton biological treatment facilities. We almost completed a range of activities to reduce the quantity and concentrations of pollutants in waste water, treated at biological treatment facilities. We installed the intake conduit from the production site to Beraton, developed project documents and began renovation of the biological treatment facilities. Project financing in 2015 totalled US$5.1 million.

During the year we also made a decision to implement the project on introduction of the synthesis gas dehydration system for the ammonia plant in the shop 1B. This included signing a contract for the development of project documentation and delivery of main process equipment. Implementation of this project will improve the energy efficiency of our production operations through natural gas saving. The project budget is estimated at US$2.5 million.

In 2015, Azot Branch continued building its own shunting yard near Zayachya Gorka railway station and installed the ballast section for the subsequent track laying. Investments in 2015 amounted to US$1.6 million.
Minudobrenia, JSC • Investments in 2015: US$12.7 million

In 2015, PMU continued the ammonia plant upgrade programme, to increase output, reduce raw materials consumption and mitigate the impact of weather conditions on uninterrupted plant operation.

The implementation of the planned initiatives will boost the plant’s capacity to 1,725 tonnes per day and reduce the natural gas consumption rate by 9 m3 per tonne of ammonia. The investments in 2015 amounted to US$2 million. Total investments are estimated at US$3.1 million. Over the reporting period, a decision was taken to upgrade the urea plant to increase its capacity to 2,700 tonnes per day. The project budget will be about US$73.4 million.

Voskresensk Mineral Fertilizers, JSC • Investments in 2015: US$5.3 million

In 2015, VMF launched the production of water-soluble monoammonium phosphate (MAP). The total project budget was US$11.5 million. As a result, MAP output reached 3.34 tonnes per hour (23,000 tonnes per year), while the planned capacity is 4 tonnes per hour (28,000 tonnes per year). A single-stage scheme of continuous crystallization provides us with world-class products. By the content of toxic elements, these products have no analogues in the world.

As part of the project to produce rare earth metals (REM), in 2015 we developed the technology to separate the REM bulk concentrate from phosphogypsum (confirmed by Bayer Technology Services’ audit report); completed group separation of the bulk concentrate and separation of medium and heavy REM groups into individual oxides. Currently, VMF is considering to launch a plant with a capacity of 10-30 tonnes per year for the separation of middle group oxides for further commercialization. The budget for this project amounts to US$2.3 million. The Company is in talks with a number of Russian and foreign companies about possible project financing.

In 2015, under the project to develop the potassium nitrate production technology, we completed a phase related to ensuring the commercial product compliance with customers’ requirements according to key parameters — caking capacity and dissolution rate. Large crystals up to 1 mm in diameter were separated from a saturated solution by crystallization. This corresponds to our customers’ requirements and the quality level of well-known manufacturers. The total project budget is US$0.9 million.

URALCHEM-TRANS, LLC • Investments in 2015: US$5.7 million

Building up the rolling stock remained the main focus of URALCHEM-TRANS’ investments. In 2015, a decision was taken to acquire 300 new ammonia tank cars.

Riga fertilizer terminal • Investments in 2015: US$2.3 million

In 2015, the Company decided to build two additional domes for bulk cargo transhipment. The investments totalling US$12.7 million will help to increase the range of simultaneously transhipped fertilizers, the terminal capacity, as well as provide a more flexible approach to storage space management.
Investments

R&D AND INNOVATIONS

Developing innovative technologies

One of our key competitive advantages is a well-balanced product portfolio, which includes innovative products consistent with the latest trends in the global mineral fertilizer market, and the needs of the Russian agricultural sector.

URALCHEM Group heavily invests in R&D projects, seeking to introduce unique technologies at its enterprises to enhance product quality, increase the output of new products, improve labour productivity, reduce raw materials consumption, and enhance the energy efficiency and environmental safety of its production facilities. Spending on R&D and innovations totalled RUB295.8 million in 2015, a fivefold increase year-on-year. Over the reporting period the Group had more than 100 R&D employees.

As part of a comprehensive programme of scientific and expert support, the development of advanced solutions, monitoring and innovations, URALCHEM actively cooperates with leading Russian and foreign research centres, prominent scientists and key experts from around the world.

URALCHEM Group’s R&D cooperation with leading Russian and foreign research centres, institutes and organizations

- Lomonosov Moscow State University
- Russian State Agricultural University
- Penza State University
- Novosibirsk State University
- Gvozdev Research Institute of Concrete and Reinforced Concrete
- CERIB — Centre d’Études et de Recherches de l’Industrie du Béton (France)
- Geneseeds Recursos Geneticos Ltda (Brazil)
- ADUAI Consultoria Ltda (Brazil)
- INIFAP (Mexico)
- Other R&D institutes and organizations

Particular attention is paid to the development of product quality improvement methods and the introduction of advanced technologies in production. Among our priority areas there are agronomic efficiency research of existing and new fertilizers, experiments on different crops in various soil and climatic conditions.

As part of the quality assurance programme and activities for the development of new brands and modifications of fertilizers, we perform scheduled internal and independent tests. The series of independent tests are carried out with the participation and on the basis of reputable Russian and foreign research organizations.

The most important element in the programme of monitoring and improving the quality of our products is inter-laboratory tests that confirm compliance of the intra-plant requirements with global requirements.
Our research efforts allow us to monitor compliance with the declared properties of our products, as well as to perform planned work on their improvement.

### URALCHEM Group’s key research areas in 2015

<table>
<thead>
<tr>
<th>Research Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of potassium sulphate and phosphate production process based on conversion of potassium chloride, sulphuric and phosphoric acid</td>
<td>The proposed use of an aqueous solution with simultaneous extraction of chlorides into an organic solvent provides mild conditions for conversion, which results in lower energy costs. The developed technology enables production of potassium sulphate and phosphate, as well as PKS fertilizers with a chloride ion content of less than 0.1%.</td>
</tr>
<tr>
<td>Ensuring compliance of produced potassium nitrate with customers’ requirements</td>
<td>Large crystals up to 1 mm in diameter were separated from a saturated solution by crystallization. This corresponds to our customers’ requirements for caking capacity and dissolution rate, and the quality level of well-known manufacturers.</td>
</tr>
<tr>
<td>Development of underground rock phosphate leaching process</td>
<td>During the first phase of laboratory tests for underground acid leaching of rock phosphates from the Vyatka-Kama deposit, basic parameters of the leaching process were specified on a linear model: the degree of extraction of phosphorus and related elements, consumption and concentration of the acid reagent. The developed technology will allow to use cheaper local phosphate raw materials in the manufacture of complex fertilizers instead of apatites from the Kola Peninsula. Underground rock phosphate leaching eliminates a large amount of waste that is generated when using traditional acid technologies for processing low-grade rock phosphate.</td>
</tr>
<tr>
<td>Development of a technology to separate REM concentrate into individual oxides</td>
<td>The development of this technology is a part of the final phase of the major project to create a technology for complex phosphogypsum processing to obtain high-purity gypsum and extract REM, launched in 2012.</td>
</tr>
<tr>
<td>Development of a technology to produce super concentrated liquid nitrogen-sulphur fertilizers</td>
<td>This technology allows simultaneous application of two nutrients, and helps to solve the problem of sulphur plant nutrition using liquid fertilizers.</td>
</tr>
<tr>
<td>Development of a formula to produce high efficiency homogeneous liquid explosive</td>
<td>Developing the formula of a substance intended for special blasting works using a simple mix of two non-explosive components, one of which being concentrated nitric acid produced by URALCHEM. The technology of preparation of a new explosive substance does not require to build industrial complexes; the composition is made onsite without using special pump trucks, by mechanical mixing of the components. The new substance has a low sensitivity to mechanical and thermal effects, and is optimal for use not only in a mild and warm climate, but also in the harsh northern climate.</td>
</tr>
</tbody>
</table>
Despite an increase in commercial output and sales in 2015, URALCHEM Group’s revenue dropped by 14% year-on-year to US$1,746 million. The key factor driving the revenue decrease was a decline in global mineral fertilizer prices. Average annual ammonia and ammonium nitrate prices fell by 22% in 2015, while urea prices dropped by 14%.

Over the reporting period, EBITDA was US$880 million, down 5% year-on-year. EBITDA decline was smaller than the decrease in revenue, due to the devaluation of the rouble during 2015 by almost 30%; the Group’s costs are mostly denominated in roubles. EBITDA margin was 50% in 2015 compared to 46% in 2014.

In 2015, the Group accumulated cash and cash equivalents in the amount of US$389 million, an increase of US$192 million compared to 2014.

The Group’s net loss for the year 2015 amounted to US$554 million, down 71%, or US$1,327 million, year-on-year. The positive dynamics is explained by three main factors. The first is the paper nature of the Group’s loss, connected to the devaluation of the Russian rouble and the accounting standards requirements for the preparation of the Group’s financial statements to revaluate the foreign currency liabilities at the official exchange rate of the Bank of Russia at the end of reporting period. Major currency liabilities of the Group are related to the strategic investment in Uralkali PJSC’s shares, from investments in shares the Company expects to receive dividends in the future. The negative effect from revaluation of the foreign currency debt in 2015 was less than the 2014 figure by US$1,420 million.

The second factor is the transition under finance lease contracts from foreign currency payments to payments in Russian roubles at the end of 2015. Net income from the write-off of previously accounted foreign exchange obligation under finance leases amounted to US$20 million.

The third factor is the share of loss of associate Uralkali, PJSC. In 2015, it amounted to US$63 million, a decrease of US$162 million compared to 2014.

A decrease in revenue during 2015 resulted in a reduction in revenue per employee of the Group to US$172 thousand, down 13% year-on-year. EBITDA per employee amounted to US$87 thousand, down US$3 thousand year-on-year. At the same time, the Group’s performance indicators per employee showed better dynamics than the benchmarks, i.e. revenue and EBITDA, which is explained by our comprehensive work on consistent efficiency improvements across all our businesses.

*This financial review is based on the audited consolidated IFRS financial statements of URALCHEM, JSC for the year ended on 31 December 2015.

### Table 1. Key financial indicators

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial output, '000 tonnes</td>
<td>6,039</td>
<td>5,645</td>
<td>5,894</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>0.3</td>
<td>-6.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Revenue, US$m</td>
<td>2,265</td>
<td>2,028</td>
<td>1,746</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-7</td>
<td>-10</td>
<td>-14</td>
</tr>
<tr>
<td>EBITDA, US$m</td>
<td>632</td>
<td>923</td>
<td>880</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-24</td>
<td>46</td>
<td>-5</td>
</tr>
<tr>
<td>Net profit (loss), US$m</td>
<td>261</td>
<td>-1,881</td>
<td>-554</td>
</tr>
<tr>
<td>Net profit margin, %</td>
<td>12</td>
<td>-93</td>
<td>-32</td>
</tr>
<tr>
<td>Net debt, US$m</td>
<td>4,552</td>
<td>4,434</td>
<td>4,227</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>7.2</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Revenue per employee, US$ '000</td>
<td>197</td>
<td>197</td>
<td>172</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>0</td>
<td>0</td>
<td>-13</td>
</tr>
<tr>
<td>EBITDA per employee, US$ '000</td>
<td>55</td>
<td>90</td>
<td>87</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-19</td>
<td>64</td>
<td>-3</td>
</tr>
<tr>
<td>EBITDA margin, %</td>
<td>28</td>
<td>46</td>
<td>50</td>
</tr>
</tbody>
</table>

Financial review*
As in 2014, mineral fertilizer sales is the major portion of URALCHEM’s revenue during the current period. In 2015, because of dropping global fertilizer prices, there was a reduction in revenue across all types of URALCHEM Group’s products.

Table 2. Revenue by product

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue by product</td>
<td>2,265</td>
<td>2,028</td>
<td>1,746</td>
<td>-7%</td>
<td>-10%</td>
<td>-14%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Fertilizers</td>
<td>2,179</td>
<td>1,959</td>
<td>1,701</td>
<td>-7%</td>
<td>-10%</td>
<td>-13%</td>
<td>97%</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>Mineral fertilizers</td>
<td>1,761</td>
<td>1,520</td>
<td>1,329</td>
<td>-7%</td>
<td>-14%</td>
<td>-13%</td>
<td>78%</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td>Ammonia</td>
<td>334</td>
<td>365</td>
<td>323</td>
<td>-7%</td>
<td>9%</td>
<td>-12%</td>
<td>18%</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Inorganic acids</td>
<td>31</td>
<td>21</td>
<td>16</td>
<td>-6%</td>
<td>-32%</td>
<td>-24%</td>
<td>1%</td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td>Other chemical products</td>
<td>53</td>
<td>53</td>
<td>33</td>
<td>2%</td>
<td>0%</td>
<td>-38%</td>
<td>3%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Other sales</td>
<td>86</td>
<td>69</td>
<td>45</td>
<td>-4%</td>
<td>-20%</td>
<td>-35%</td>
<td>3%</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

The share of revenue from phosphate and complex fertilizer sales in the total revenue from mineral fertilizer sales increased from 13 to 16% and from 2 to 3% respectively due to the resumption of production at VMF. The share of revenue from nitrogen fertilizer sales decreased from 85 to 81%.

Table 3. Revenue from mineral fertilizer sales

<table>
<thead>
<tr>
<th>US$m</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue: mineral fertilizers</td>
<td>1,761</td>
<td>1,520</td>
<td>1,329</td>
</tr>
<tr>
<td>Nitrogen based fertilizers</td>
<td>1,293</td>
<td>1,289</td>
<td>1,070</td>
</tr>
<tr>
<td>Share of nitrogen based fertilizers, %</td>
<td>73</td>
<td>85</td>
<td>81</td>
</tr>
<tr>
<td>Phosphate based fertilizers</td>
<td>213</td>
<td>35</td>
<td>41</td>
</tr>
<tr>
<td>Share of phosphate based fertilizers, %</td>
<td>12</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Complex fertilizers</td>
<td>255</td>
<td>196</td>
<td>218</td>
</tr>
<tr>
<td>Share of complex fertilizers, %</td>
<td>15</td>
<td>13</td>
<td>16</td>
</tr>
</tbody>
</table>
The weakening of the Russian rouble was the main factor that affected the Group’s costs of sales in 2015. Most of the Company’s expenses are denominated in roubles, therefore, the devaluation of the Russian national currency led to a reduction of 25% in the US$ equivalent costs. In roubles raw material costs increased by 29%. The Group’s cost structure in 2015 has minor changes: the share of raw materials in the costs of sales increased by 5 p.p. to 66%, while the share of energy and utilities and staff costs decreased by 2 and 1 p.p., respectively. Raising costs of raw materials are explained by an increase in the production of phosphate fertilizers, as well as the costs of a technological experiment for the production of potassium granulate.

### Table 4. Cost of production

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>1,052</td>
<td>780</td>
<td>583</td>
<td>-26%</td>
<td>-25%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Raw materials</td>
<td>667</td>
<td>477</td>
<td>386</td>
<td>-28%</td>
<td>-19%</td>
<td>63%</td>
<td>61%</td>
<td>66%</td>
</tr>
<tr>
<td>Energy and utilities</td>
<td>157</td>
<td>128</td>
<td>82</td>
<td>-18%</td>
<td>-36%</td>
<td>15%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Staff costs</td>
<td>121</td>
<td>92</td>
<td>65</td>
<td>-24%</td>
<td>-29%</td>
<td>12%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>81</td>
<td>70</td>
<td>45</td>
<td>-14%</td>
<td>-36%</td>
<td>8%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>14</td>
<td>9</td>
<td>8</td>
<td>-36%</td>
<td>-11%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>4</td>
<td>-3</td>
<td>-67%</td>
<td>-175%</td>
<td>1%</td>
<td>1%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

The US$ equivalent of the Group’s selling and administrative expenses went down in 2015 due to the Russian rouble devaluation. Most of the selling expenses, except for freight and transhipment costs, are denominated in roubles. In roubles, the Group’s administrative and selling expenses were up by 22 and 20%, respectively, vs 2014. The costs of rail transportation over the reporting period amounted to 50% of the Group’s total selling expenses. The global crisis trends in 2015 led to a reduction in freight tariffs, but railway tariffs for domestic and export transportation increased by 10 and 23.4%, respectively, which increased the Company’s rail transportation costs.

### Table 5. Cost of raw materials

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of raw materials</td>
<td>667</td>
<td>477</td>
<td>386</td>
<td>-28%</td>
<td>-19%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Natural gas</td>
<td>403</td>
<td>362</td>
<td>241</td>
<td>-10%</td>
<td>-33%</td>
<td>60%</td>
<td>76%</td>
<td>62%</td>
</tr>
<tr>
<td>Phosphate rock</td>
<td>129</td>
<td>37</td>
<td>64</td>
<td>-71%</td>
<td>73%</td>
<td>19%</td>
<td>8%</td>
<td>17%</td>
</tr>
<tr>
<td>Potassium chloride</td>
<td>32</td>
<td>17</td>
<td>27</td>
<td>-47%</td>
<td>59%</td>
<td>5%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Sulphur</td>
<td>20</td>
<td>3</td>
<td>8</td>
<td>-85%</td>
<td>167%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Other raw materials</td>
<td>83</td>
<td>58</td>
<td>46</td>
<td>-30%</td>
<td>-21%</td>
<td>13%</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>
In fact, the growth of transportation tariffs in US$ equivalent offset the effect of the Russian rouble devaluation, making the export transportation tariff in the US$ equivalent unchanged compared to 2014.

Rail cars rent expenses in 2015 decreased to US$7 million, compared to US$36 million a year earlier. Such a significant reduction in expenses happened due to a more intensive use of the Group’s own rolling stock, rail cars rent tariff reduction caused by traffic decline, and the Russian currency devaluation.

Table 6. Selling and administrative expenses

<table>
<thead>
<tr>
<th></th>
<th>US$m</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Growth rate '14/'13</th>
<th>Growth rate '15/'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling and administrative expenses</td>
<td>678</td>
<td>562</td>
<td>427</td>
<td></td>
<td>-17%</td>
<td>-24%</td>
</tr>
<tr>
<td>• Selling expenses</td>
<td>524</td>
<td>426</td>
<td>323</td>
<td></td>
<td>-19%</td>
<td>-24%</td>
</tr>
<tr>
<td>• Administrative expenses</td>
<td>154</td>
<td>136</td>
<td>104</td>
<td></td>
<td>-12%</td>
<td>-24%</td>
</tr>
</tbody>
</table>

Table 7. Selling expenses

<table>
<thead>
<tr>
<th></th>
<th>US$m</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Growth rate '14/'13</th>
<th>Growth rate '15/'14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling expenses</td>
<td>524</td>
<td>426</td>
<td>323</td>
<td></td>
<td>-19%</td>
<td>-24%</td>
</tr>
<tr>
<td>Transportation</td>
<td>429</td>
<td>339</td>
<td>255</td>
<td></td>
<td>-21%</td>
<td>-25%</td>
</tr>
<tr>
<td>• Railway tariff</td>
<td>217</td>
<td>180</td>
<td>162</td>
<td></td>
<td>-17%</td>
<td>-10%</td>
</tr>
<tr>
<td>• Freight and transshipment</td>
<td>153</td>
<td>113</td>
<td>78</td>
<td></td>
<td>-26%</td>
<td>-31%</td>
</tr>
<tr>
<td>• Rail car rent</td>
<td>37</td>
<td>36</td>
<td>7</td>
<td></td>
<td>-3%</td>
<td>-81%</td>
</tr>
<tr>
<td>• Other transportation expenses</td>
<td>22</td>
<td>10</td>
<td>8</td>
<td></td>
<td>-55%</td>
<td>-20%</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>35</td>
<td>30</td>
<td>21</td>
<td></td>
<td>-14%</td>
<td>-30%</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>18</td>
<td>22</td>
<td>18</td>
<td></td>
<td>22%</td>
<td>-18%</td>
</tr>
<tr>
<td>Advertising and marketing</td>
<td>9</td>
<td>1</td>
<td>1</td>
<td></td>
<td>-89%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>33</td>
<td>34</td>
<td>28</td>
<td></td>
<td>3%</td>
<td>-18%</td>
</tr>
</tbody>
</table>
The Group’s operating cash flow fell by 7% in 2015 and amounted to US$725 million compared to US$780 million in 2014. This fall was influenced by a decrease in revenue. Cash generated from operations before income tax and interest paid decreased by US$55 million. In addition, the Group paid US$27 million in extra income tax compared to 2014. The US dollar exchange rate had a positive impact on the Group’s operating cash flow: in US dollar equivalent, interest expenses paid decreased by US$35 million, while in rouble equivalent they increased due to an increase in the interest rate on the Group’s foreign currency loan from 4.6 to 6.2% per annum.

Net cash flow used in investing activities decreased by US$25 million in the reporting period. The Company continued to implement its capital expenditure programme and heavily invested in production development. The Groups’ investment cash flow was negatively affected by the fact that the Group did not receive any dividends from Uralkali, PJSC in 2015, although in 2014 the dividends amounted to US$27 million.

In 2015, URALCHEM, JSC did not pay dividends, which helped the Group to reduce net cash outflow. Net cash flow of the Company increased to US$192 million, up US$121 million compared to 2014.

Table 8. Cash flow indicators

<table>
<thead>
<tr>
<th>US$m</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated from operations (before income tax paid and interest paid)</td>
<td>643</td>
<td>780</td>
<td>725</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-24</td>
<td>21</td>
<td>-7</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>473</td>
<td>460</td>
<td>413</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-29</td>
<td>-3</td>
<td>-10</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-3,916</td>
<td>-210</td>
<td>-185</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>904</td>
<td>-95</td>
<td>-12</td>
</tr>
<tr>
<td>Net cash generated from/(used in) financing activities</td>
<td>3,397</td>
<td>-179</td>
<td>-36</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-1,026</td>
<td>-105</td>
<td>-80</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash and cash equivalents</td>
<td>-46</td>
<td>71</td>
<td>192</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-51</td>
<td>-254</td>
<td>170</td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td>178</td>
<td>116</td>
<td>197</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-29</td>
<td>-35</td>
<td>70</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>-16</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-184</td>
<td>-163</td>
<td>-100</td>
</tr>
<tr>
<td>Cash at the end of the year</td>
<td>116</td>
<td>197</td>
<td>389</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>-35</td>
<td>70</td>
<td>97</td>
</tr>
</tbody>
</table>
Table 9. Key balance sheet indicators

<table>
<thead>
<tr>
<th>US$m</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets, including</td>
<td>5,807</td>
<td>3,816</td>
<td>3,448</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>5,294</td>
<td>3,330</td>
<td>2,734</td>
</tr>
<tr>
<td>Current assets</td>
<td>513</td>
<td>486</td>
<td>714</td>
</tr>
<tr>
<td>Equity, including</td>
<td>827</td>
<td>-941</td>
<td>-1,258</td>
</tr>
<tr>
<td>Retained earnings/ (accumulated deficit)</td>
<td>763</td>
<td>-1,103</td>
<td>-1,661</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>73</td>
<td>75</td>
<td>78</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>4,980</td>
<td>4,757</td>
<td>4,706</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>4,044</td>
<td>4,573</td>
<td>4,465</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>936</td>
<td>184</td>
<td>241</td>
</tr>
<tr>
<td>Equity and liabilities</td>
<td>5,807</td>
<td>3,816</td>
<td>3,448</td>
</tr>
<tr>
<td>Total debt</td>
<td>4,668</td>
<td>4,631</td>
<td>4,616</td>
</tr>
<tr>
<td>Growth rate, %</td>
<td>356</td>
<td>-1</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

The Group’s statement of financial position shows a decrease in equity due to the negative financial result of the Group in 2015 caused by the negative impact of macroeconomic factors. With the effect of the Russian rouble devaluation excluded from debt calculations, the Group’s equity would have amounted to US$2,314 million.

The existing balance sheet structure is explained, above all, by the inclusion of investments in Uralkali, PJSC in non-current assets of the Group. These investments are set in roubles at the US dollar exchange rate as of the date of share purchase (2013). The requirement to revalue the Group’s target foreign exchange debt incurred in connection with the acquisition of Uralkali’s shares. However, the Company appreciates the investment potential of Uralkali, PJSC and expects the investment to generate a stable income.

The decline in total debt was caused by scheduled repayment of the Group’s foreign currency loan in 2015. Despite the difficult macroeconomic environment, the main lender VTB Bank (PJSC), as well as other commercial banks, highly value credit-worthiness and investment potential of the Group. Early claims for repayment of credit obligations are not expected.
URALCHEM is one of the largest and most attractive employers in the Russian mineral fertilizer market. Its average headcount in 2015 was 10,127 employees.

In 2015, the Group allocated 531 million roubles for charitable and sponsorship activities, which is more than twice bigger than in 2014. When choosing projects to support, we prefer the ones that matter most for the regions where we operate.

The Group’s systematic work in the occupational health and safety has contributed to more than twofold decrease of injury rate: in the reporting period, the Lost Time Injury Frequency Rate (LTIFR) was 0.3 compared to 0.7 in 2013.
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The Group’s systematic work in the occupational health and safety has contributed to more than twofold decrease of injury rate: in the reporting period, the Lost Time Injury Frequency Rate (LTIFR) was 0.3 compared to 0.7 in 2013.
The effectiveness of URALCHEM’s HR strategy

The correctness of our HR strategy is confirmed by the data of the independent nationwide survey by AON Hewitt. During 2015, URALCHEM Group’s employees engagement index rose by 9 p.p. or 18% compared to 2014 and totalled 58%. Over the reporting period, 8,674 employees of the Company, or 88% of the total headcount, participated in the engagement survey, which is 12% higher than in 2014.

Our employees, compared to the average values of industrial companies operating in Russia, evaluate the following factors characterizing their work in URALCHEM a few points higher:

- Salary by 5 p.p. higher
- Top Management, Line Managers, Benefits Package, Non-Financial Recognition, Career Opportunities and Employer’s Reputation by 2 p.p. higher
- In comparison with 2014, the largest increase was in the Processes (up 11 points) and Top Management (up 10 points) factors.
Creating foundation for sustainable growth

URALCHEM's success is mainly driven by our employees, whose daily hard work contributes to the Group's leading positions in domestic mineral fertilizer production. We develop advanced HR-practices and do whatever it takes to stay a good employer. Particular attention is paid to talent development — we design effective talent management processes, and automate these processes using cloud technologies on Russian servers. Investing in employees today, we ensure the Company’s sustainable growth in the future.

URALCHEM is currently one of the largest employers in the Russian mineral fertilizer market. In 2015, the Group’s average headcount was 10,127 employees, down 1.7% year-on-year. The decreased headcount is associated with the increased efficiency of our business processes, improvements in the labour time management system and outsourcing support functions. Total labour turnover in 2015 amounted to 12.6% compared to 22.2% in 2014. The voluntary turnover index in the Group fell from 5.1% in 2014 to 4.4% in 2015, while for pivotal positions it was down to 0.6-0.7%. The above reduction of labour turnover can be explained by the Group’s long-term corporate programmes of maintaining a competitive remuneration level, production and management training, leadership development, young people recruitment, creating conditions for professional growth, as well as employees’ involvement in the Company’s management processes.

Our employees are offered not only mandatory, but also additional social guarantees; they work in a safe environment and build a successful career in one of the leading Russian companies.

Breakdown of URALCHEM Group’s* employees by company in 2015

10,127 employees
URALCHEM Group’s total average headcount

- KCCW Group 34%
- Azot Group 26%
- VMF Group 14%
- URALCHEM-TRANS, LLC 10%
- PMU Group 8%
- Other 8%

* Hereinafter in the Our People section, reference is made to the following URALCHEM Group’s companies (unless otherwise stated): KCCW Group includes: KCCW Branch, KCCW OJSC (until 30.09.2015), KCCW ESO, LLC, PMZ KCCW, LLC, PKNC, LLC, Azot Group includes: Azot Branch, Azot Clinic, LLC, AZOTPROJEKT, LLC, VMF Group includes: VMF, Health Resort Dubki, LLC, Recreation Centre Berezovka, LLC, PMU Group includes: PMU, PMU Branch, Others: URALCHEM, JSC, USC Branch, URALCHEM, JSC’s office in Kirov, URALCHEM, JSC’s office in the Republic of Belarus, URALCHEM Trading House, LLC, Sergach MTS - Agrochem, LLC, SIA URIALCHEM Trading, URALCHEM FREIGHT LIMITED, URALCHEM Assist GmbH, URALCHEM TRADING DO BRAZIL LTDA., SIA Riga fertilizer terminal, ChemProekt, LLC, Karbin, LLC, SPK Bogorodsky, LLC, URALCHEM Consult, LLC.
Uniform remuneration system has been calculated individually for each category of URALCHEM Group’s employees.
Sustainability

Additional pays guaranteed by law

Fixed salary

Qualification allowance

Foremanship and employee training additional pays

Categorisation

Manager pool bonus

Overhaul repair bonus

Performance bonus and MBO system

Project bonus
URALCHEM Group is strongly committed to maintaining a fair and equitable remuneration framework for its employees. We employ a differentiated remuneration approach, with compensation levels tied to employees’ experience, qualifications and individual performance.

**Development of a uniform remuneration system**

One of the most important events in 2015 was the establishment of a uniform remuneration system that guaranteed a fixed part in the wage structure, integrates the majority of allowances into fixed salaries and bonuses, establishes a clearer link between the performance and remuneration, sets common rules for daily performance record, introduces a new bonus for overhauls and adds bonuses for successful implementation of projects. Implementation of and transition to a new remuneration system for all URALCHEM’s enterprises will be completed in 2016.

The new remuneration system helps employees to understand their tasks better, the extent to which their work impacts the overall business performance, and better motivates them to achieve good results. The uniform remuneration system has been developed to meet the interests of the Company’s subdivisions and is based on the results of an open discussion with the employees of all companies and trade unions. When adopting the new remuneration system, the wage pool increases significantly, as more funds are allocated in order to increase the fixed part of salaries and bonuses according to performance results.

**Review of salaries and payment of bonuses**

As part of the employee remuneration strategy in 2015, it was decided to increase the annual wage pool at the Group’s production enterprises by 12.8%. At the first stage of salary increase in December 2015, all salaries were indexed by 8%. At the second stage, in connection with the transition to a unified methodology, the wage pool across the Group increased by 4.8% year-on-year.

Over the reporting period we continued to develop the Performance Management Programme based on Key Performance Indicators (KPIs) that are linked to the implementation of URALCHEM Group’s strategy. In 2015, the number of participants in the programme increased to almost 900 employees, 350 employees more than in 2014. The Performance Management Programme, is linked to the annual bonuses payment.

To remunerate employees for their performance in excess of industry norms and the achievement of impressive results, the Group companies apply a system of additional bonuses. In 2015, such payments more than doubled compared to 2014.

URALCHEM increases the wage pool on an ongoing basis and encourages employees to maximize their engagement in order to achieve consistent and long-term results. According to employee engagement surveys, the pay satisfaction index in 2015 increased by 5 points compared to 2014. They also show that our employees have a better understanding of the salary calculation system and a link between their performance and an increase in remuneration.

**Changes in the average salary across URALCHEM Group, ‘000 RUB**

![Graph showing changes in average salary across URALCHEM Group]

- 2013: 33.0
- 2014: 40.0 (increase: +21.2)
- 2015: 43.5 (increase: +8.8)
In addition to competitive remuneration, URALCHEM provides its employees with a high level of social security guarantees and benefits, in compliance with all laws and regulations and the provisions of the sectorial tariff agreement. We build partnerships with trade unions, involving them in real work with employees and state authorities, develop additional programmes for young employees and retirees.

In 2015, expenditures on social benefits across the Group exceeded the 2014 figures by 18.3%. Our production facilities run a mortgage co-financing programme, which at the end of the reporting year covered 177 young employees, as well as a programme of additional support for retirees, for which 60 million roubles were allocated in 2015.

URALCHEM promptly informs its employees on legislative changes in state pension provision, on the future of pension savings and the opportunities to influence them. In 2015, we organized a number of meetings between our employees and representatives of one of the largest non-state pension funds in Russia, which included questions about the changes in pension legislation, the pros and cons of the new pension system and its opportunities.

Optional health insurance
URALCHEM makes consistent efforts to improve its optional health insurance programmes. In 2015, a significant project for the town of Berezniki was implemented. It consisted in improving the health care system of the clinic for Azot Branch’s employees and other residents. Under the project, all management tasks were transferred to a professional health care provider, which improved the quality and level of service. All employees of the enterprise were insured according to an optional health insurance programme.

Over the reporting period, URALCHEM’s enterprises in the Perm region reformed their system of mandatory medical examinations by transferring them to a health care provider, which significantly reduced the time of such examinations, and improved the quality of medical services.

Collective bargaining agreements and relations with trade unions
Over 80% of the Group’s employees are covered by collective bargaining agreements. Labour regulation at the level of collective bargaining agreements is performed by HR departments of the Group, in partnership with trade unions. In 2015, the Company renewed a collective bargaining agreement at Voskresensk Mineral Fertilizers, JSC. The collective bargaining agreement in force at KCCW, OJSC, after the company joined the Group, was expanded to KCCW Branch with the extension of its validity. The collective bargaining agreement with Minudobrenia, JSC was amended, according to the relevant legislative changes and the Group’s transition to a uniform remuneration system.

Age breakdown of URALCHEM Group’s* employees in 2015

* In this context, URALCHEM Group includes KCCW Group (KCCW Branch, KCCW, OJSC (until 30.09.2015), KCCW ESO, LLC, RMZ KCCW, LLC, PKNC, LLC), Azot Branch, PMU Group (PMU, PMU Branch), Voskresensk Mineral Fertilizers, JSC and URALCHEM-TRANS.
URALCHEM develops transparent and lean processes for selecting, training, assessing and developing corporate competences of our employees. We implement a whole range of long-term corporate programmes, especially in production which is a core competence of our company and management skills development, leadership, hiring young talents, creating conditions for professional advancement, career development and succession planning. The Company’s activities are focused on three main areas: mandatory, functional and management training.

In 2015, over 8,000 employees, or about 80% of the total headcount of URALCHEM Group, participated in education and training. The actual amount of financing allocated for staff training in 2015 totalled about 90 million roubles.

**Hiring young talents**

The Group’s human resources policy is focused, among other things, on attracting talented young technicians. This is partly done through integrated young talent recruitment programmes, including proactive cooperation with industry-specific educational establishments.

The terms of such programmes provide for the selection and support of young talents at the training stage by forming dedicated study groups in industry-specific educational institutions, concluding agreements with educational establishments to train specialists who must commit to join the Company upon completion of their training, setting up individual scholarships financed by relevant enterprises, and paying interns during their on-the-job training, as well as managing graduation projects.

In 2015, 472 students of higher and specialized educational institutions held on-the-job training at our production facilities, 170 graduates of technical educational institutions were given regular jobs, which is 7.6% more than in 2014.

URALCHEM offers young professionals attractive employment terms to embark on their careers and creates an attractive environment. Young specialists are assigned to experienced mentors for smooth onboarding. An individual onboarding programme is prepared for each young employee. The Company also pays young non-resident professionals an onboarding allowance for the first month of their employment and reimburses them for housing rent for two years.

As part of the Formula of Youth programmes, created to engage youth activists in retaining and recruiting young talents, 102 activities of various kinds were held in 2015, including social, recreational, occupational, intellectual, creative and sports activities, which were attended by about 6.5 thousand employees of URALCHEM Group.

**IMPULSE — URALCHEM’s management potential development programme**

IMPULSE is management potential development programme targeted at middle and senior managers of URALCHEM Group. The programme’s goals are the training and development of all managers directly subordinate to the heads of enterprises and directorates, and individual development and training of potential young leaders to ensure sustainable business growth. Currently, the programme covers 118 managers and includes a regular corporate module programme. With the direct participation of internal experts in functional areas, two new training modules were developed in 2015: Financial and Operating Efficiency, and People Management and Present-Day Leadership. During the year, the training comprised 9 training modules in Project Management, Financial and Operating Efficiency, and People Management and Present-Day Leadership.

On average, employees rated their satisfaction with the content and quality of corporate management development programmes at 4.7 out of 5.

The programme was launched in December 2014 and was further developed in the reporting year. This development included a range of diagnostic and assessment activities, particularly focus groups with the programme participants and individual interviews with the directors, a 360° assessment, online skill tests and ranking of the participants according to assessment results, peer discussion of the results for the last three years, as well as recommendations by key executives.
As a result of these activities, about 50% of the participants in the IMPULSE programme were invited to participate in assessment centres in view of further development and career planning. The activities included five group assessment and development centres. Each participant received individual feedback from independent experts with development recommendations, while the managers received summary group reports concerning their direct subordinates. Young managers with the greatest potential will be provided with individual developmental activities, including coaching sessions with their supervisors.

Appreciation of URALCHEM’s human resources
URALCHEM won the All-Russia competition Russian Business Leaders: the Dynamics and Responsibility 2015, organized by the Russian Union of Industrialists and Entrepreneurs. The Company was awarded a diploma in the Development of Human Resources category

Coaching training for senior executives
URALCHEM is actively developing a culture of open dialogue between leaders and team members, introducing coaching tools for senior executives and their direct reports. In 2015, as part of this initiative, the Company held a group introductory training session dedicated to coaching, which was attended by the CEO, heads of URALCHEM, JSC directorates and directors of URALCHEM Group’s companies. This session was led by Russia’s best coaches, who then started individual work with the managers. In 2015, 33 individual coaching sessions with 18 URALCHEM’s key managers were held. Coaching tools were also used in the work with potential young leaders in the key management positions.

Succession planning
Since 2013, URALCHEM has run a group-wide Succession Planning programme, designed to identify and prepare high-potential candidates from within the Group capable of taking on future key management roles. The programme consists of four stages: assessment of the needs in successor candidates, identification of suitable candidates, development of their management skills, and appointment. Successor candidates can be either nominated by a unit manager or self-nominated. All prospective successors are required to undergo an assessment, differentiated for each level of positions. Successful candidates then complete a special training course. On completion of the succession programme in 2015, 49 successors were appointed to key management and specialist positions, and 101 successors to worker positions. The degree of filing the key positions under the risk of vacancy was 85%.

Professional training
Mandatory professional training of URALCHEM’s workers and specialists is systematically carried out both in external educational institutions, and licensed corporate training centres. Educational sites provide opportunities for mandatory systematic training of URALCHEM’s workers and specialists. Corporate training centres are established at PMU and VMF, and in March 2015 such a centre was established at Azot Branch with obtaining a license for educational activities. In 2015, we continued to work on the establishment of a training centre at KCCW Branch.
Automation of HR processes
Since 2013, URALCHEM has successfully implemented the Success Factor platform (SAP product) to automate its HR processes, which resulted in:

- A 25% increase in the number of employees engaged in the Management by Objectives process
- 100% transparency of the succession system for key positions
- 100% of recruitment requests are processed within the system
- A 10% increase in satisfaction with the processes among employees

URALCHEM’s Success Factor system won the Silver award in the SAP Quality Awards 2015 in CIS region in the Advanced Technology category. URALCHEM, JSC’s HR Director Svetlana Chekalova spoke about transformation and automation of the Talent Management processes using cloud technologies at the SAP international conference in Rome in September 2015.

Strategic session
In October 2015, Moscow hosted the traditional strategic session with the participation of senior and mid-level managers of URALCHEM, JSC and representatives of the Group companies. The updated strategy of the Company's development for 2016–2020 was presented at the event. URALCHEM, JSC’s Chairman of the Board Dmitry Mazepin summarized the work done in recent years and outlined future goals. CEO of URALCHEM, JSC Dmitry Konyaev spoke about major changes in the strategy, whereas functional directors presented strategies in their areas.

Such strategic sessions help URALCHEM’s management to efficiently move towards achieving the goals, timely track progress in strategic areas and adjust their actions. These events also increase the level of engagement of each employee.

Employee of the Year acknowledgement programme
In late 2015, the Group held a New Year party that included a traditional award ceremony where our best employees received the Employee of the Year corporate award. The 16 winners were awarded with commemorative presents and travel or training certificates. 65 URALCHEM Group’s employees and 18 URALCHEM, JSC’s employees won the programme awards in various categories. They were awarded with diplomas and high-tech presents.

Engagement
All staff management programmes affect employees’ attitudes to their work and the Group. For URALCHEM, an engaged employee is a person who is committed to perform to the highest standards and do his best to drive self-development and corporate growth. During the engagement survey conducted in 2014, our employees highlighted the importance of fair remuneration, care of employees by their managers and career opportunities.

When improving corporate programmes related to our staff, we took into account the results of the survey, and in 2015 we made a link between employees’ performance and remuneration even clearer, developed management skills of line managers, as well as extended a number of our programmes: a preferential mortgage programme for young people, a programme of additional retirement benefits and a succession programme. All this ensured positive dynamics of engagement index, which increased by 9 p.p. over the reporting period compared to 2014.
80% employees participated in education and training in 2015

472 students passed on-the-job training at our production facilities

12.8% wage pool increase average for URALCHEM Group in 2015

170 graduates of technical educational were given regular jobs
Providing safe working conditions

Occupational health and safety is a major priority for URALCHEM Group. We are fully aware of our responsibility for the Group’s employees and the population living in the regions where the Company operates, which is why we implement a range of activities in the field of occupational health and safety. We are convinced that sustainable progress in this area can only be achieved subject to improvement of the safety culture of all employees.

URALCHEM has implemented The Occupational Health and Safety Management System based on the ongoing prevention of incidents. Thanks to the efficient work in the field of occupational health and safety, in 2015 we achieved a significant reduction in workplace injuries and improved the safety of working conditions at all our facilities.

Uniform safety standards for all URALCHEM Group’s companies

All URALCHEM Group’s companies apply a common Policy of Occupational Health and Safety, as well the Key Safety Rules.

To ensure the health and safety of all employees, URALCHEM implements a range of activities to prevent occupational injuries and diseases. All Group companies comply with legal requirements and industry standards concerning occupational safety, harmonise the requirements for personal protective equipment and procedures for warning and investigation of accidents and incidents.

We run mandatory medical check-ups for employees engaged in hazardous or transport-related activities those who are exposed to potentially harmful elements. Employees are not allowed to do their work unless they have passed such an examination and proven that they have no health restrictions.

OHS costs across the Group in 2015, broken down by enterprise, RUB m

URALCHEM Group’s occupational health and safety costs at in 2015 amounted to 683 million roubles

Lost Time Injury Frequency Rate (LTIFR)* in 2013–2015 across URALCHEM Group

* The Lost Time Injury Frequency Rate is a key measure of a company’s OHS performance. LTIFR is calculated as follows: 1 million man-hours/total time worked.
Efficiency indicators

Our systematic work in the field of occupational health and safety in the past two years helped us to reduce the injury rate more than twofold. The Lost Time Injury Frequency Rate (LTIFR) over the reporting period amounted to 0.3 compared to 0.7 in 2013.

This injury rate reduction could be attributed to the Company’s activities based on the results of the accident follow-up investigations, stronger control by the management of URALCHEM, JSC, and harmonised safety standards developed and implemented by the Group.

Following each accident URALCHEM initiates thorough internal investigations, and then develops and implements actions necessary to prevent similar accidents in the future.

Each year URALCHEM increases financing for measures aimed at improving occupational health and safety. In 2015, the Company allocated for this purpose RUB682.6 million, up 8.2% year-on-year.

Administrative and technical measures

In 2015, we continued to develop and implement uniform standards in the field of occupational health and safety at all production facilities of the Group, as well as standardized management processes in this area.

Over the reporting period we unified our range of personal protective equipment, which enabled centralised procurement of this equipment for the first time in our history. In connection with the entry into force of new regulations on occupational safety when working at height, all companies conducted employee trainings in safe methods and techniques of work, in addition to other activities for developing practical skills of safe work directly at the workplace.

In 2015, as part of the programme IT: Occupational Safety Management, the Company launched a service for accounting of personal protective equipment developed to improve the process of its purchasing, issuing and receiving. In 2016, we plan to extend the programme to Azot Branch in the town of Berezniki, and expand it.

We also automated the process of training and assessing knowledge of occupational safety, industrial and fire safety, which makes possible workplace training. In 2016, we plan to continue the implementation and development of our training and assessment programme, and to fill it with local documents.
Occupational health and safety (OHS)

682.6 million roubles
financing for measures aimed at improving occupational health and safety
In 2015, a large-scale campaign for the re-issuance of permits required for production activities of URALCHEM, JSC, Minudobrenia, JSC and Voskresensk Mineral Fertilizers, JSC was held. Minudobrenia, JSC also passed inspection by Rostekhnadzor’s central office. All inspection results were carefully analysed by our experts and would be taken into account in the development of a system of occupational health and safety in all Group companies.

100% of employees of URALCHEM, JSC are certified in the field of industrial safety in accordance with their official duties. We developed a certification schedule for the Company’s employees and certification committees’ members in the area of industrial safety for 2016.
Social investments as an integral part of a successful business

Charitable activities

URALCHEM Group runs charitable and sponsorships projects in areas that are most relevant for the regions where we operate. We are particularly committed to promoting children’s and youth sports, while we also support socially vulnerable groups, veterans and patriotic organisations, run educational and cultural initiatives, and actively engage with young people.

The Group’s charitable activities are grounded in the internal Policy on Charitable and Sponsorship Activities and are carried out in accordance with Russia’s Federal Laws On Charitable Activities and Charitable Organisations and On Advertising.

Charity and sponsorship expenses are evaluated for efficiency against the areas and principles set out in the Policy on Charitable and Sponsorship Activities and relevant budgets. When choosing projects, priority is given to the most significant ones.

In 2015, URALCHEM spent RUB531 million on charitable projects, up 126% year-on-year.

URALCHEM Group’s expenses for charitable and sponsorship activities in 2015, RUB m

URALCHEM Group’s expenses for charitable and sponsorship activities in 2015 amounted to 531 million roubles

- URALCHEM, JSC 350
- KCCW Branch 110
- Azot Branch 38
- Projects in Latvia 18
- PMU 10
- VMU 5

Charity leaders

In 2015, KCCW Branch was among the leaders of corporate charity in Russia according to the results of a competition organized by the newspaper Vedomosti, PricewaterhouseCoopers and the Donors Forum. The URALCHEM for Children programme, presented in the Best Programme Reflecting the Policy of Corporate Charity and Social Investment Principles of the Company category, was highly appreciated by the jury and entered the top three. Every year, the jury identifies the best practices of socially responsible companies in the field of charity.

In May 2015, URALCHEM and the Government of the Kirov region signed an agreement on social partnership, under which the Company reaffirms its social responsibility and ensures participation in solving priority social issues in the region. Particular attention will be paid to the development of children’s sports, support for gifted children, corporate assistance to schools, improvement of the efficiency of public institutions, promotion of healthy lifestyles among young people.

At the end of 2015, the Company received a commendation from the Governor of the Kirov region Nikita Belykh for its high level of social responsibility and a significant contribution to the development of charity movement in the Kirov region.
Supporting sports

In 2015, URALCHEM continued to support charitable projects to promote healthy lifestyles and ensure better entertainment opportunities for young people. We provide strong support to federal and regional sports groups, local sports teams, and various children’s and youth sports events.

URALCHEM, JSC, Moscow

The Company sponsors the Russian Swimming Federation, the Perm Territory Swimming Federation, the Perm Territory Boxing Federation, as well as various sports programmes and events.

KCCW Branch, Kirovo-Chepetsk

Each year, as part of The URALCHEM for Children programme, we allocate funds for the development of children’s sports — classes in figure skating and hockey.

The Branch sponsors the Yana Shamarova All-Russia Swimming Competition, Denis Pletnev judo tournaments, competitions in Greco-Roman wrestling, street football and other sports.

KCCW Branch has traditionally supported the Kirov region Swimming Federation.

Azot Branch, Berezniki

The Branch maintains the local Azot cultural and sports complex, comprising cultural, sports, and skiing centres, supports the Perm Territory Swimming Federation and other projects.

In 2015, Azot Branch held various sports activities in Berezniki targeted at both the Company’s employees and the town residents. The traditional summer corporate Olympics in 2015 was attended by more than 1,100 employees of the Group.

Minudobrenia, JSC, Perm

The company regularly supports youth sports organizations of the industrial area of Perm — Sports School Start and Children’s and Youth Centre Health. In 2015, Minudobrenia, JSC allocated funds for the children to participate in competitions of various levels and for infrastructure improvement of sports institutions.

Voskresensk Mineral Fertilizers, JSC, Voskresensk

Voskresensk Mineral Fertilizers, JSC supports municipal sporting events, actively engaging with young workers. In April 2015, the company’s employee won the municipal competition Voskresensk Mile in the Population and Enterprise category.

VMF was the general sponsor of the town competition Athletes of the Voskresensk Land among students of secondary and specialised secondary educational establishments.

Projects in Latvia

In April 2015, URALCHEM and Ventspils basketball club signed an agreement to support Ventspils children’s basketball school as part of a charitable project. The funds were used in the support of the training process, purchase of equipment, organization of competitions, as well as the support of school programmes and activities for the development of children’s and youth basketball in Ventspils.

Engagement with young people and educational programmes

We are strongly committed to collaboration with educational establishments aimed at implementing joint projects that seek to raise the quality of education and provide career guidance to younger generations. The Group regularly finances chemistry competitions and environmental and chemistry summer camps. Through its youth projects, the Group seeks to provide the young with better and more compelling pastimes and personal growth opportunities, while fostering their love for their own country, encouraging involvement in social causes and engaging them in volunteering activities.
URALCHEM, JSC, Moscow

The Company collaborates with the Chemistry Department of Lomonosov Moscow State University. In December 2015, we supported the chemistry competition for schoolchildren from all over Russia.

We continued with the CaDetstvo project run together with the Civil Society Development Foundation in the Volga Federal District. The project provides for cadet schools to be set up in the region where children, mainly those who have found themselves in difficult life situations, are offered a healthy environment for living, education and personal growth.

In the summer of 2015, URALCHEM took part in a charity event to upgrade the medical vehicle fleet ensuring a high quality healthcare in the International Children’s Centre Artek in the Crimea, organized by the Russian Association of Fertilizer Producers.

KCCW Branch, Kirovo-Chepetsk

The Branch implements a policy of vocational guidance and corporate assistance to schools in the towns of Kirov and Kirovo-Chepetsk. The enterprise works closely with Lyceum No. 21 of Kirov, the Nekrasov Education Centre, Multidisciplinary Lyceum, School No. 6 of Kirovo-Chepetsk, Prosnitsa Lyceum. The Company helps with purchasing the necessary equipment and improving the educational process.

On a regular basis KCCW Branch provides financing to the Chemistry Department of Vyatka State University and Vyatka Automobile and Industrial College.

A unique project, the Multidisciplinary Lyceum MSU-Enterprise, has been run for the third academic year. The programme cooperates with Moscow State University for schoolchildren of 10-11 grades, and Vyatka State Humanities University for schoolchildren of 8-9 grades.

In 2015, as part of corporate assistance, KCCW Branch supported a number of educational institutions implementing the Ecological Path project.

The Branch is a traditional sponsor of the projects under The City of the Young programme and allocates funds for the youth creativity festival Open Stage, the Forum of Young Workers and the Youth Day.

Azot Branch, Berezniki

Azot Branch is a long-standing sponsor of the Leaders’ League, a Perm Territory youth association that promotes socially significant initiatives, including environmental campaigns, volunteering activities to support senior citizens and disabled people, and other municipal and regional activities.

The Branch traditionally cooperates with Berezniki Polytechnic College (BPC), Perm National Research Polytechnic University (PNRPU), Ivanovo State University of Chemistry and Technology (ISUCT) and other educational institutions. Collaboration is carried out under several programmes. The best students according to academic performance are provided with individual scholarships. URALCHEM concludes trilateral agreements with students and their educational establishments that guarantee industrial placement and employment opportunities. Each year, Azot Branch arranges orientation training, production placement and internship for about 200 students in various specialties.

In 2015, the enterprise obtained a license for educational activity, which allowed not only to train workers, but also issue certificates confirming the occupation and category received.

As part of charitable activities, E.A. Vagner Perm State Medical University was provided with the necessary medical equipment.

Five young employees of Azot Branch joined the youth talent pool of the Perm Territory.
Enhancing the prestige of blue-collar jobs

Zavod Multimedia project

• A unique multimedia project aimed at enhancing the prestige of blue-collar jobs among young people was implemented in the Perm Territory.
• The project was an industrial style reality show. For five weeks, 16 participants competed for the right to get a job at a chemical enterprise in the positions of remote control operator, C&I mechanic and shiftsman in one of the shops.
• The reality show took place at the existing chemical production site. The project involved about fifty employees of State Broadcasting Company Perm and the enterprise.
• The official website www.zavod.tv and an opportunity to visit Brazil ensured maximum involvement of the target audience. For a month and a half before the New Year, the project audience in Vkontakte social network alone surpassed 80,000 people.
• The results of annual opinion surveys following completion of the project showed that the number of people wishing to work at a chemical enterprise more than doubled.
• Zavod project was the winner of the most prestigious regional award in the field of public relations - The Silver Archer in the Volga Region, and entered the top three projects of the national Silver Archer award.

Minudobrenia, JSC, Perm

Minudobrenia, JSC, Territorial Industrial Technical School and Secondary School No. 132 signed a trilateral agreement on the implementation of a project to establish a system for effective interaction School — Specialised Educational Establishment — Employer. Its main objectives include improving the level of professional training of students and teachers of educational institutions, familiarising with advanced technology and production experience, reducing the occupational adaptation and promoting engagement among the graduates.

PMU Youth Council’s activists, supported by the company, in 2015 helped to decorate the city of Perm with flowers to celebrate the 70th anniversary of Victory in the Great Patriotic War.

In July 2015, the youth summer camp was traditionally organized for the employees’ children.

The students and schoolchildren supported by the company are regular participants of corporate sports events, charity and environmental campaigns.

The UralCheMists TV quiz for high school students, a joint project by URALCHEM, Minudobrenia, JSC (Perm), the Perm Territory Ministry of Education, and State Broadcasting Company Perm, was held for a fourth consecutive year in 2015.

Voskresensk Mineral Fertilizers, JSC, Voskresensk

VMF provided support to the Aquarium Patriotic Uprising Centre, which runs various patriotic projects.

In 2015, the company sponsored a patriotic youth gathering I am Honoured! and provided the employees’ children with an opportunity to visit a camp, situated close to the former regiment command post of the second ring of Moscow antiaircraft defence.

The educational project Turnkey Staff, including the development of a system for interaction of educational institutions with enterprises under School — Specialised Educational Establishment — Employer model, was awarded the Moscow region Governor’s Our Moscow Region prize in the Public Dialogue category.
Social investments

Enhancing the prestige of blue-collar jobs

Our People project

- The project implemented by VMF Youth Council includes a series of video features about employees of Voskresensk Mineral Fertilizers, JSC. Its main task is to tell about the company’s employees, their work, life and enthusiasm, as well as to emphasize the prestige of blue-collar jobs and answer the main question: Who is the present-day worker?
- The project has an important informative role. By the example of video characters, spectators learn about the activities and history of the chemical plant, production processes, work of the main and auxiliary departments, public and charitable activities of VMF.
- These video features are shown to new employees as part of the adaptation programme, as well as during introductory tours for schoolchildren and students in the town museum, creating an incentive for their subsequent employment with VMF.
- The video features are broadcast on local television and posted on the websites of the town and Voskresensk district. One of the features was sent to the first Russian Festival of Film and Internet Projects The Working Man, which took place at the Sverdlovsk Film Studio. In November 2015, the project authors were awarded the Moscow region Governor’s Our Moscow Region prize in the Not Just Occupation category.

Support to war veterans and retirees

Apart from being an essential part of URALCHEM’s charitable programme, support to veterans, senior citizens, and people in difficult life situations is an area that offers volunteer opportunities to our employees.

KCCW Branch, Kirovo-Chepetsk
The veterans’ organisation at KCCW Branch is the largest of its kind in the Kirov region. It takes an active part in the public life of Kirovo-Chepetsk and the region.
In 2015, the Branch implemented the Twelve Steps to Victory programme, which included concerts of patriotic songs, meetings with students, watching movies about the war and other events, targeted assistance to all veterans of the Great Patriotic War, their widows and home front workers, registered with the enterprise’s Veterans’ Council.
During the year, KCCW Branch also helped the municipal Veterans’ Council with the purchase of computer equipment.

Azot Branch, Berezniki
The local organization of war and labour veterans Azot in the town of Berezniki has more than 2,200 members, and is recognized as one of the most active in Berezniki. On the eve of anniversary of Victory in the Great Patriotic War it arranged concerts and meetings between veterans and young employees of the company.
The Branch sponsors cultural events for retirees and reimburses them for health resort costs.

Minudobrenia, JSC, Perm
The company provides quarterly financial assistance to veterans who also have free access to massage courses and the swimming pool.
PMU invites veterans to participate in the corporate, municipal and regional competitions. The company organizes for them cultural events, including gala concerts on 23 February, 8 March and Victory Day.

Voskresensk Mineral Fertilizers, JSC, Voskresensk
The company took part in raising funds for the erection of a memorial to those who died during the Great Patriotic War and financing of renovation of the obelisk to the Heroes of the Soviet Union Major-General Ivan Panfilov and Private of the Guards Pavel Streltsov.
In April, the Branch arranged thematic meetings War and Plant for schoolchildren of Voskresensk schools dedicated to the role of the company and its employees in the victory over fascism.
On the eve of 9 May, representatives of VMF Youth Council held the Victory Ribbon campaign and participated in the honourable mission of delivering the Eternal Flame from the Brest fortress. With the support of the company, Voskresensk branch of police veterans assists veterans of local wars and bereaved families.

 Supporting NGOs and other charitable projects

**KCCW Branch, Kirovo-Chepetsk**
The Branch supports NGOs that promote healthy lifestyles, patriotism and environmental protection. Each year, KCCW Branch provides financial support to the local organization of the Russian Union of Afghan Veterans. The Branch sponsors the Our Town of Kirovo-Chepetsk social movement, organizing public lectures on ecology, contests for the best building surrounding grounds, voluntary Saturday work, and participating in the implementation of local initiatives. KCCW Branch is actively involved in the support of local initiatives. It sponsors projects of urban development, initiated by active citizens and financed from regional and municipal budgets and by the citizens themselves. The enterprise traditionally allocates funds for the Safe Town programme and for the activities of vigilante groups. In 2015, it also assisted in the installation of stationary police stations in two residential districts of Kirovo-Chepetsk. The Branch provides support to socially disadvantaged groups of population. Over the reporting period, the company assisted in the purchase of New Year’s gifts for children left without parental care, and for orphans of the Kirovo-Chepetsk district. KCCW Branch provided charitable assistance to the Trifon of Vyatka Fund in the manufacture and installation of the monument to the saint. In the year of the 70th anniversary of the Great Victory, the Branch provided financial support to the Kirov branch of the Military Historical Society. The funds were used for the renovation of the Victory Park in Kirov. The work included the installation of busts of local Marshals, a monument to Gregory Bulatov who hoisted the red flag on the Reichstag, and arrangement of the Walk of Fame.

**Azot Branch, Berezniki**
Azot Branch provided financial assistance to the Theotokos Praise Church in the village of Orel, Usoye district of the Perm Territory, for the construction of the parish school. The local organization of the All-Russian Blind Association, All-Russian Society of the Disabled, a rehabilitation centre for children and adolescents with disabilities in Berezniki and other organizations were given traditional financial assistance.

**Minudobrenia, JSC, Perm**
In 2015, the company provided financial assistance to charitable organizations for the treatment and rehabilitation of children with disabilities: the money was transferred to the charity Children’s World fund for the purchase of equipment for remedial exercises at the Perm Children’s Clinical Hospital. The company also supported Perm territorial organization of the All-Russian Blind Association to send a team of athletes to Sochi-2015 competitions.

On the New Year’s eve, the company’s employees with the organizational support of Dedmorozim Fund participated in a charity event. They bought presents for the boys and girls from the children’s home situated in Pirozhkova Street in Perm and arranged New Year’s celebrations for them.
**Social investments**

*Voskresensk Mineral Fertilizers, JSC, Voskresensk*

The company participates in charity events and projects of Voskresensk Red Cross branch: together they support orphanages, disabled people, children from disadvantaged families, organize the Donor Days.

In the summer of 2015, the Youth Council took an active part in the charity event Get a Child Ready for School, and in December the young activists acted as Santa Claus and the Snow Maiden for the children from disadvantaged families, offering them gifts purchased by the company’s employees.

VMF supports people from Voskresensk orphanage for the elderly and disabled, located in the village of Tsurupy.

As part of collaboration with the sponsored Khorlovo Special Corrective Boarding School, the enterprise prepared for its residents entertaining and informative chemical transformation shows for the Knowledge Day and the New Year.

On the eve of International Children’s Day, the company assisted in the arrangement of celebrations on the town square of Voskresensk for children from large families. The events included exciting competitions, sports and dancing activities.

*Projects in Latvia*

In early 2015, URALCHEM and Latvian foundation «Faith, Hope, Love» signed an agreement on joint charity projects. In accordance with the agreement, the Company allocates funds for medical care to seriously ill children in Latvia who are treated in the leading Russian clinics, as well as two schools in the Vecmilgravis district of Riga.
531 million roubles spent on charitable projects
Cultural projects

URALCHEM supports important cultural and historical projects as part of our social policy implemented across all regions where we operate. Our projects enable people to engage in the cultural life of their communities, get acquainted with the best theatrical and musical pieces, and learn more about the history of Russia.

Azot Branch, Berezniki

For the third consecutive year, Azot Branch held the town’s Chemfest Festival. In 2015, it was accompanied by spectacular sound and lighting shows. For the first time, it included the Paint Festival for children, the car audio festival and the bikers’ marathon. As part of the traditional Bratina ethnohistorical festival, historical reconstruction clubs organized a medieval-like tournament. For all citizens a concert of Russian pop stars was given.

The branch traditionally supports the Town Day.

Projects in Latvia

URALCHEM introduces Latvians to the best examples of Russian culture and art. On 12 June 2015, on the Day of Russia, a concert of People’s Artist of Russia Nadezhda Babkina and ensemble Russian Song took place in Jurmala, organized with the support of the Russian Embassy in Latvia and URALCHEM. In December, with the support of URALCHEM, Igor Moiseyev’s Ballet gave a concert in Riga.
Environmental policy

All our companies have in place internal environmental policies that set out the Group’s main priorities: to comply with environmental laws, implement ongoing environmental monitoring of our operations and consistently reduce our environmental footprint.

Proceeding from key provisions of environmental regulations, our companies introduce state-of-the-art production technologies, upgrade emission and discharge treatment solutions, ensure proper waste disposal, reclaim their waste disposal sites, and enhance in-process environmental controls.

Environmental management

The Group has an environmental service that mainly focuses on managing the environmental activities of URALCHEM companies. It operates under Russian laws, URALCHEM’s internal procedures and advanced environmental management systems such as ISO 14001.

Additionally, special units operating directly within the Group companies are responsible for developing and updating environmental documents and procedures, the Group’s mandatory environmental reporting, and internal environmental audits.

Reduction of emissions

URALCHEM’s facilities comply with applicable emissions limits. Despite production growth, we are still below statutory limits. We are continuously improving our production processes, upgrading and renovating emission treatment facilities and running in-process analysis of emissions.
In 2015, Azot Branch upgraded turbine combustion chambers in the weak nitric acid shop and replaced filtering elements in the ammonium nitrate shop. KCCW Branch, to ensure safer operation of gas treatment equipment, carries out a range of activities on reconstruction of gas treatment systems, replacement of smoke exhausts, fans and gas flues, installation of automation systems. Minudobrenia, JSC repaired its gas treatment equipment and replaced filtering elements.

VMF implemented a set of measures aimed at the protection of water resources: cleaned up the bank lines of water intakes No. 1 and No. 2 of household waste disposed by citizens, repaired the fish protection system at the water intake No. 1 and spillways. For the purpose of post-treatment of biologically treated wastewater, the enterprise renovated bioreacting filters, and to improve the efficiency of treated waste water disinfection, a new rectifier to obtain a sodium hypochlorite solution was installed.

We actively seek to minimise our industrial wastewater discharge and ensure the best possible water treatment with state-of-the-art, multi-level water treatment and re-use systems.

To reduce entrainment of suspended solids and to ensure stable operation, KCCW Branch upgraded septic tanks, cleared the gutters, analysed sludge beds in the shop No. 64 and replaced individual devices. In 2015, the Branch continued biological treatment of ground waters and floodplain reservoir clean-ups in the area of chalk tailings storage facility, including Bobrovoe and Berezovo flood plain lakes, and also fully commissioned water treatment facilities to improve the wastewater quality and minimise its discharge.

To reduce its negative impact on water resources, Azot Branch upgraded the water circulation facilities Nos. 6 and 7; developed and implemented schemes for water return from the water seal to the stripping column, as well as a scheme for collecting water from the vacuum evaporator reflux system with a return to the system; upgraded the plant for wastewater evaporation and removal of organically polluted wastewater to the treatment plant.

PMU completed works on repair of the cooling tower.

Initiatives implemented in 2015 led to a 8% year-on-year cutback in emissions.

**Environmental protection**

**Air emissions by URALCHEM Group in 2013-2015, '000 tonnes**

![Air emissions chart](chart)

**Waste disposal**

URALCHEM Group implements a consistent programme to reduce the negative impact on the environment of its production and consumer waste. In 2015, the Group’s environmental policy was focused on two key waste reduction areas:

- Maximising waste recycling within our companies and waste transfer for use by third parties
- Waste processing and neutralisation by waste treatment companies
Over the reporting period, the Group companies brought their temporary industrial waste storage sites into compliance with statutory requirements, arranged for collection and transfer of waste for neutralisation and recycling. In 2015, total waste recycling across the Group, due to the resumption of production activities at VMF, increased to 50.3 thousand tonnes compared to 15.9 thousand tonnes in 2014. However, this figure is almost 2 times less than in 2013 when VMF operation was smooth, which proves the efficiency of waste disposal measures adopted by the Group.

In 2016, we will continue to implement environmental measures, including the upgrade of gas treatment and ventilation systems, water circulation systems and cycles, optimization of water treatment, production and consumption waste management.

*The sharp decline in waste disposal in 2014 was mainly due to partial suspension of production at VMF.*

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**Energy and resource conservation**

Energy and resource conservation contributes to more efficient consumption of resources used as feedstock for production.

High energy intensity of production operations entails the task of improving the efficiency of energy resource use. To meet this challenge, the Group companies implement an energy and resource conservation programme until 2020 (hereinafter — the Programme).

The Group’s energy and resource conservation activities are aimed at:

- Cuts in expenses for energy resources — power energy, heat energy and industrial water
- Cuts in consumption and purchase of resources
- Cuts in costs of auxiliary energy resources
- Improving technological procedures
- Equipment renovation
- Reducing losses of fuel and energy resources
- Improving the quality of fuel and energy
- Reducing the negative impact on the environment.

We have identified the following main activities in the field of energy saving:

- Improving technological procedures
- Equipment renovation
- Reducing losses of fuel and energy resources
- Improving the quality of fuel and energy

Thanks to a range of activities, we achieved a significant reduction in energy consumption per tonne of products. The most important achievement in 2015 was a decrease in natural gas consumption for the production of ammonia to 1,093 Nm³ per tonne.

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*Changes in URALCHEM Group’s natural gas consumption per tonne of ammonia, Nm³/tonne*

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In 2015, the following most energy-intensive production units were subject to upgrade and renovation:

- electrical equipment (introduction of frequency control systems)
- lighting equipment (shift to LED lamps)
- pipelines of water supply and water disposal systems (the most extensive network sections were brought to the surface)
- thermal equipment (replacement of worn insulation)
- heating systems (modern condensate removal devices and secondary energy resources with low-grade heat)
- energy resource metering stations for main flows.

The Group will continue to carry out activities aimed at improving the reliability of the equipment, reducing the negative impact on the environment and improving the production efficiency of the Group entities in accordance with the Programme.

**Energy surveys**

Measures for energy and resource saving require constant adjustments during their implementation, and in line with the current production objectives. We are conducting regular energy surveys and audits, and then developing measures for energy conservation and energy efficiency improvements. Over the reporting period, we ran ten surveys, which resulted in the implementation of technical measures and adjustments to the Programme.

**Consumption of key energy resources**

The table below contains details on URALCHEM Group’s natural gas and power consumption in 2014–2015.

**URALCHEM Group’s natural gas and power consumption in 2014–2015**

<table>
<thead>
<tr>
<th></th>
<th>Volume, physical value</th>
<th>Volume, monetary value, '000 roubles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>URALCHEM Group</strong></td>
<td></td>
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<tr>
<td>Natural gas: '000 m³</td>
<td>3,898,923</td>
<td>4,001,713</td>
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<tr>
<td>Power, '000 kWh</td>
<td>1,206,736</td>
<td>1,277,066</td>
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<tr>
<td><strong>Azot Branch</strong></td>
<td></td>
<td></td>
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<tr>
<td>Natural gas: '000 m³</td>
<td>1,557,061</td>
<td>1,663,946</td>
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<tr>
<td>Power, '000 kWh</td>
<td>425,309</td>
<td>441,205</td>
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<tr>
<td><strong>KCCW Branch</strong></td>
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<td></td>
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<tr>
<td>Natural gas: '000 m³</td>
<td>1,502,176</td>
<td>1,499,691</td>
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<tr>
<td>Power, '000 kWh</td>
<td>553,762</td>
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<tr>
<td><strong>PMU</strong></td>
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<td>Natural gas: '000 m³</td>
<td>760,900</td>
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<tr>
<td>Power, '000 kWh</td>
<td>109,010</td>
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<tr>
<td><strong>VMF</strong></td>
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<td></td>
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<tr>
<td>Natural gas: '000 m³</td>
<td>78,786</td>
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<tr>
<td>Power, '000 kWh</td>
<td>118,654</td>
<td>152,466</td>
</tr>
</tbody>
</table>

**URALCHEM, JSC • Annual report 2015**
Meeting international standards

All production facilities of URALCHEM Group have in place integrated management systems certified according to Russian and international standards.

Management systems and their certification by the leading organizations — Bureau Veritas Certification and TÜV NORD — help the Group companies to ensure:

- Transparency of production and management processes
- High quality of products
- Environmental protection
- Occupational safety
- Improving the efficiency of business and management processes
- Strengthening the positive reputation and trust among the customers, regulatory authorities, shareholders and investors

<table>
<thead>
<tr>
<th>Standards</th>
<th>Russian and international standards</th>
<th>Azot Branch</th>
<th>KCCW Branch</th>
<th>PMU</th>
<th>VMF</th>
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<tr>
<td>Quality management system</td>
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<td>Environmental management system</td>
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<tr>
<td></td>
<td>GOST R ISO 14001-2007</td>
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<tr>
<td>Occupational health and safety management system</td>
<td>OHSAS 18001:2007</td>
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<tr>
<td></td>
<td>GOST R 54934-2012 / GOST R 12.0.230-2007</td>
<td>•</td>
<td>•</td>
<td>-</td>
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</tr>
</tbody>
</table>

Activities in 2015

In April 2015, MFP KCCW, JSC successfully passed recertification according to all three international standards and their Russian analogues. After the company was reorganized and joined URALCHEM, JSC, KCCW Branch was subject to unscheduled recertification and obtained the relevant certificates.

Over the reporting period, Azot Branch, Minudobrenia, JSC and Voskresensk Mineral Fertilizers, JSC successfully passed scheduled compliance audits that confirmed compliance of their management systems with international and Russian standards.

An integrated management system is subject to regular adjustments. Not only certificates need to be confirmed, but the standards are also modified on an annual basis. In 2015, the International Organization for Standardization released new versions of ISO 9001 and ISO 14001. In these standards, special attention is paid to a new approach — decision-making and thinking based on risk assessment. In 2016, a new standard — ISO 45001 — shall be issued to replace OHSAS 18001.

Plans for 2016

Employees of URALCHEM Group’s production plants will have to study the requirements outlined in the new versions of ISO 9001:2015 and ISO 14001:2015, as well as implement them in day-to-day operations.


PMU will undergo re-certification for compliance with the new versions of ISO 9001:2015, ISO 14001:2015, as well as a compliance audit for compliance with the requirements of OHSAS 18001:2007.

KCCW and Azot Branches will be subject to compliance audits for compliance with the international standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, as well as their Russian analogues.
In 2015, we continued to improve our corporate governance system. In particular, we enhanced the quality of corporate procedures and managerial decisions, while exercising efficient control over their implementation; optimized URALCHEM Group’s structure and improved the control mechanisms related to our subsidiaries; updated incorporation and internal documents of the Group companies.

In 2015, the Board of Directors held 73 meetings and discussed various matters important for the Group’s activities, including the approval of major related-party transactions, other material transactions, approval of significant internal documents and use of the reserve fund.

In 2015, we continued with the improvement of our risk management process and formalisation of our approaches to defining, implementing and monitoring the initiatives to mitigate the key risks’ negative impact on our business. The Group has optimised its regular risk review process. Now, the entire risk matrix and risk mitigation plans are reviewed twice a year. The process includes in-depth interviews with the risk owners and functional teams responsible for risk minimisation plans. In 2015, we also identified new risks related to developments in the political situation and regulatory changes.
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In order to achieve the strategic objectives, URALCHEM Group is consistently improving its corporate governance system. We implement up-to-date standards, optimizing all our business processes and improving the practice of management decision-making to serve the interests of shareholders and meet the Group’s business needs.

URALCHEM’s corporate governance principles

- Treating shareholders equally and observing their rights and interests
- Strategic management of activities of URALCHEM, JSC and the controlled business entities by the Board of Directors
- Maintaining an effective internal control and audit system
- Maintaining information and financial transparency
- Acting responsibly and complying with business conduct standards

The activities of URALCHEM Group’s governing and control bodies, as well as other issues related to corporate governance, are regulated by its incorporation and internal documents, available on our website at www.uralchem.ru, Governance and Reporting. The Articles of Association and internal documents of the Group companies are updated and amended to reflect changes in applicable laws and improve corporate procedures.

Statement of the Board of Directors on compliance with corporate governance principles*

In its activities, the Company strictly complies with the requirements of the current legislation, adheres to the principles and norms stipulated in the Code of Corporate Conduct approved by the Board of Directors of URALCHEM, JSC. We also comply with most of the principles and recommendations of the Russian Corporate Governance Code recommended by the Bank of Russia.

Enhancing our corporate governance system

In 2015, we continued to work on enhancing our corporate governance system. Our activities in this field cover the following priority areas:

- Enhancing the quality of corporate procedures and management decisions and effective control over their implementation
- URALCHEM Group’s structure optimisation and improving mechanisms for subsidiaries management
- Actualization of incorporation and internal documents of the Group

In particular, in 2015, we approved new revisions of the Articles of Association, Regulation on the General Meeting of Shareholders, Regulations on Branches and Representative Offices of URALCHEM, JSC.

In 2016, we plan to:

- Make amendments to the Articles of Association and internal documents of URALCHEM, JSC in connection with the expected changes in the corporate legislation
- Bring documents of our controlled entities to uniform corporate governance standards
- Make changes in the internal documents in order to enhance the quality of management decisions and exercise a more efficient control over their implementation.

*See Appendix III for details on the Company’s compliance with the principles and recommendations of the Corporate Governance Code.
URALCHEM, JSC’s governing and control bodies and interactions with the External Auditor

General Meeting of Shareholders

Revision Commission

Board of Directors

Chief Executive Officer

External Auditor

Board Committees
Subsidiaries management
URALCHEM, JSC’s system of subsidiaries management relies on a single decision-making and implementation framework, while specific control mechanisms depend on the ownership ratio for each of the subsidiaries:

- URALCHEM, JSC acts as the sole executive body of Minudobrenia, JSC.
- Companies that are strategically important to URALCHEM, JSC, have the status of ‘priority controlled entities’. The most important management decisions related to these entities are made by the Board of Directors of URALCHEM, JSC, and then cascaded to the appropriate implementation level in accordance with corporate procedures.
- In the entities not included in the priority list, management activities are based on regional and/or functional principles, followed by a report on the results of these activities submitted to URALCHEM, JSC’s Chief Executive Officer.

The Articles of Association and internal documents of URALCHEM, JSC and its subsidiaries are well-coordinated, which allows to quickly cascade management decisions, as well as to improve the management efficiency. URALCHEM Group applies uniform approaches to the implementation of key business processes, therefore, changes to the Group’s goals and objectives are reflected in the internal documents of its subsidiaries.

The work on optimization of the Group’s structure and improvement of subsidiaries management was continued during 2015. On 1 October 2015, we completed the process of reorganization of KCCW, OJSC through consolidation with URALCHEM, JSC. The property, rights and responsibilities of KCCW, OJSC were transferred to KCCW Branch of URALCHEM, JSC in Kirovo-Chepetsk. All employees of the reorganized entity continue their work at KCCW Branch.
General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of URALCHEM, JSC. Its responsibilities include the decision-making on the most important issues of the Company’s activities, such as election of the Board of Directors and the Revision Commission, approval of the Auditor, approval of the annual report and annual accounting statements, profit and loss distribution, dividend declaration.

The procedures for the preparation and holding of the annual and extraordinary general meetings approved by URALCHEM, JSC provide all shareholders with an opportunity to freely exercise their rights to participate in the Company’s management.

Shareholders owning at least 2% of URALCHEM, JSC’s voting shares have the right to make proposals to the agenda of the General Meeting of Shareholders, as well as to nominate candidates for the governing and control bodies.

The General Meeting of Shareholders may be held in the form of joint attendance or absentee voting. Joint attendance is required for the annual general meeting, during which shareholders can meet members of governing and control bodies and ask questions in-person.
General Meetings of Shareholders in 2015

Extraordinary General Meeting of Shareholders

April 24, 2015 // Minutes No. 38 dated 27.04.15
(joint attendance)
• Approval of major transactions

Extraordinary General Meeting of Shareholders

May 15, 2015 // Minutes No. 39 dated 15.05.15
(joint attendance)
• Approval of the decision to reorganize URALCHEM, OJSC by consolidating MFP KCCW, OJSC, as well as to approve the Consolidation Agreement
• Approval of a decision to amend and update the Articles of Association of URALCHEM, OJSC

Annual General Meeting of Shareholders

June 30, 2015 // Minutes No. 39 dated 01.07.15
(joint attendance)
• Approval of the 2014 Annual Report and accounting statements, including the profit and loss statement for 2014
• Approval of the Company’s profit and loss distribution based on the results of the 2014 financial year
• Deciding not to declare dividends for the 2014 financial year on ordinary registered uncertified shares of URALCHEM, OJSC
• Deciding on the size of the Board of Directors, electing members of the Board of Directors and the Audit Committee
• Approval of the Company’s Auditor
• Approval of URALCHEM, OJSC’s revised Articles of Association
• Approval of amendments and additions to the pre-approved major transaction (a set of interrelated transactions)

Extraordinary General Meeting of Shareholders

December 7, 2015 // Minutes No. 40 dated 07.12.15
(joint attendance)
• Approval of the Regulation on the General Meeting of Shareholders of URALCHEM, JSC
BOARD OF DIRECTORS

Organizing the governing bodies’ activities based on the best industrial standards

The Board of Directors is a collegial management body responsible for the general management of URALCHEM, JSC in view of the authority, stipulated by applicable laws and the Company’s Articles of Association.

The authority of URALCHEM, JSC’s Board of Directors as set out in the Articles of Association is much broader than set out in applicable laws and includes matters, related to the authority excessively assigned to the Board of Directors in accordance with the Federal Law On Joint Stock Companies, as well as a number of additional matters in the most important areas of activity.

Members of the Board of Directors are elected by a cumulative vote of the General Meeting of Shareholders for the period until the next annual General Meeting of Shareholders.

Members of the Board of Directors are elected through a transparent procedure. The Company assumes that all nominees shall enjoy the trust of shareholders and have the professional knowledge, skills and experience required to make decisions on matters within the competence of the Board.

<table>
<thead>
<tr>
<th>Members of the Board of Directors as of 31.12.2015, elected at the General Meeting of Shareholders dated 30.06.2015</th>
<th>Members of the Board of Directors from the beginning of 2015 until the General Meeting of Shareholders dated 30.06.2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dmitry A. Mazepin</td>
<td>• Dmitry A. Mazepin</td>
</tr>
<tr>
<td>• Yulia E. Orlovskaya</td>
<td>• Yulia E. Orlovskaya</td>
</tr>
<tr>
<td>• Dmitry V. Konyaev</td>
<td>• Dmitry V. Konyaev</td>
</tr>
<tr>
<td>• Mikhail V. Genkin</td>
<td>• Mikhail V. Genkin</td>
</tr>
<tr>
<td>• Dimitry V. Tatyanin</td>
<td>• Dimitry V. Tatyanin</td>
</tr>
<tr>
<td>• Andrey S. Pakhomenkov</td>
<td>• Andrey S. Pakhomenkov</td>
</tr>
<tr>
<td>• Elena S. Papsheva</td>
<td>• Petr V. Krupnov</td>
</tr>
</tbody>
</table>

As of 31.12.2015, none of the Board members had an ownership interest or ordinary shares in URALCHEM, JSC. No transactions with shares of URALCHEM, JSC were completed by the Board members in 2015.
Governance

**Dmitry A. Mazepin**
Chairman of the Board of Directors
Non-Executive Director

**Dmitry V. Konyaev**
Chief Executive Officer. Member of the Strategy Committee, Investment Committee, Nomination and Remuneration Committee

**Dimitry V. Tatyanin**
Deputy Chairman of the Board of Directors
Executive Director. Member of the Nomination and Remuneration Committee

**Professional experience:**
Mr. Mazepin has been the Chairman of the Board of Directors of URALCHEM HOLDING P.L.C., Director of CI-CHEMICAL INVEST LIMITED, as well as the Deputy Chairman of the Board of Directors of Uralkali, PJSC since 2007. Since March 2015, he has been a member of the Management Board of the Public Association of Employers The Russian Union of Industrialists and Entrepreneurs. From 2008 to October 2014, Mr. Mazepin was the Chairman of the Board of Directors of HaloPolymer, OJSC, since 2005 to 2007 he served as CEO of Constructive Bureau, LLC. Prior to that, in 2002-2003, he was President of AK Sibur, OJSC. Beginning from the mid-1990s, Mr. Mazepin held senior management positions in a number of government agencies and large companies, such as Tyumen Oil Company, Nizhnevartovskneftegaz, Kuzbassugol Coal Company and the Russian Federal Property Fund.

**Education:**
Mr. Mazepin graduated from Minsk Suvorov Military School and MGIMO (Moscow State Institute of International Relations) with a degree in international relations of Oriental countries. He later graduated from the Saint Petersburg Institute of Economics and Administration with a degree in company management. He has taken postgraduate courses with the VNIIneft oil industry research institute. Mr. Mazepin holds a PhD in Economics.

- Member of the Board of Directors since 2007.

**Professional experience:**
Mr. Konyaev has been the Chief Executive Officer of URALCHEM, JSC since 2011. He is a member of the Board of Directors of Voskresensk Mineral Fertilizers, JSC, Minudobrenia, JSC, and Uralkali, PJSC, and acts as the Chairman of the Board at SIA Riga fertilizer terminal. In 2010-2011, he acted as the Commercial Director of URALCHEM, OJSC, and earlier, in 2007-2010, he held a similar position with HC URALCHEM, LLC. Prior to that, starting in 1998, Mr. Konyaev held a number of senior executive positions with major production and trading companies, such as Sederrot International AB, Mineral Trading, and Uralkali Trading SA (Singapore).

**Education:**
Mr. Konyaev graduated from Lomonosov Moscow State University, and holds an MBA in Marketing from California State University Hayward.

- Member of the Board of Directors since 2007.

**Professional experience:**
Since 2007, Mr. Tatyanin has served as the Chief Legal Officer of URALCHEM, JSC. He is also the Chairman of the Board of Directors of Minudobrenia, JSC, and a member of the Board of Directors of Voskresensk Mineral Fertilizers, JSC and HaloPolymer, JSC. Before joining URALCHEM, OJSC, he held senior executive positions with the legal departments of major companies, such as Infistrakh, KredoBank, Alfa-Eco Group and AK Sibur.

**Education:**
Mr. Tatyanin graduated from the Department of Law at Voronezh State University. He holds an EMBA from the Institute of Business Studies (IBS-Moscow) at the Russian Presidential Academy of National Economy and Public Administration.

- Member of the Board of Directors since 2007.
Professional experience:
Since 2007, Mr. Genkin has been the Director for Business Development of URALCHEM, JSC. He is the Chairman of the Board of Directors of HaloPolymer, JSC and Voskresensk Mineral Fertilizers, JSC, and a member of the Board of Directors of Minudobrenia, JSC. Starting from the mid-1990s, Mr. Genkin held a number of executive positions with chemical companies, such as National Gas Company and AK Sibur.

Education:
Mr. Genkin graduated from the Radiophysics Department at Gorky State University named after N.I. Lobachevsky.

- Member of the Board of Directors since 2007.

Mikhail V. Genkin
Executive Director. Member of the Strategy Committee and Investment Committee

Professional experience:
Ms. Orlovskaya has served as Adviser to the Chairman of the Board of Directors of URALCHEM, JSC since 2009. She is also a member of the Board of Director and Adviser of the Chief Executive Officer of HaloPolymer, JSC. In 2008-2009, she served as marketing director with GE Money Bank. In 2005-2008, Ms. Orlovskaya acted as the marketing director of Sladko Confectionery Association, OJSC. Before that, she held executive positions with the marketing units of the Coca-Cola Company and Kraft Foods.

Education:
Ms. Orlovskaya graduated from the International Economic Relations Department at MGIMO (Moscow State Institute of International Relations).

- Member of the Board of Directors since 2009.

Yulia E. Orlovskaya
Non-Executive Director. Chairwoman of the Audit Committee and Strategy Committee. Member of the Investment Committee and Nomination and Remuneration Committee

Professional experience:
Mr. Pakhomenkov has served as the Chief Financial Officer of URALCHEM, JSC since February 2012. He has acted as the Chairman of the Board at SIA Ventamonjaks since September 2014. He is also a member of the Board of Directors of Minudobrenia, JSC and Voskresensk Mineral Fertilizers, JSC. In 2015, Mr. Pakhomenkov was appointed the Board Chairman of HaloPolymer Perm, OJSC. In 2008-2012, he held executive positions with the financial directorate of URALCHEM, OJSC. In 2007-2008, he was head of the Treasury and Currency Control Department with Wimm-Bill-Dann Beverages, OJSC.

Education:
Mr. Pakhomenkov graduated from the Moscow State Academy of Water Transport.

- Member of the Board of Directors since 2013.

Andrey S. Pakhomenkov
Executive Director. Chairman of the Investment Committee. Member of the Strategy Committee

Professional experience:
Since November 2014, Ms. Papsheva has been Advisor to the Chairman of the Board of Directors of URALCHEM, JSC. In 2011-2014, she hold executive positions with the financial directorate of URALCHEM, OJSC.

Education:
Ms. Papsheva graduated from the Department of Law at Gubkin Russian State University of Oil and Gas. In 2006, she graduated from MIRBIS and holds an MBA in company management.

- Member of the Board of Directors since 2015.

Elena S. Papsheva
Non-Executive Director. Chairwoman of the Nomination and Remuneration Committee. Member of the Strategy Committee, Investment Committee and Audit Committee
Chairperson of the Board of Directors

The Chairperson of the Board of Directors is central to ensuring the efficient performance of the Board. The Chairperson of the Board of Directors is elected from the Directors by a majority vote of the Board members as soon as practicable after the annual General Meeting of Shareholders elects the Board of Directors.

The Board Chairperson is responsible for organising the activities of the Board of Directors. In this role, he/she relies on the principles of constructive, open business communication and professionalism. The Board Chairperson takes decisions to convene meetings of the Board of Directors and decides on their formats, chairing such meetings and arranging for minutes to be kept. The Chairperson ensures a constructive environment at the Board meetings, free discussion of the agenda items, and oversees implementation of the Board’s resolutions.

The Chairperson ensures efficient operation of the Board Committees and the Board’s interaction with other management bodies of the Company.

Since 2007, Dmitry A. Mazepin has been the Chairman of URALCHEM, JSC’s Board of Directors (for his brief biography, see page 108).

Activities of the Board of Directors

The Board of Directors is an effective and competent management body of the Company, capable of making unbiased decisions for the benefit of the Company and its shareholders. The Board of Directors is actively involved in addressing the more important tasks facing URALCHEM, JSC, primarily those related to its development strategy and investment activity, risk management, internal control and audit, and the corporate management of its priority controlled companies.

The procedure for preparing and holding Board meetings as set out in the Regulation on the Board of Directors enables its members to properly prepare for the meeting. All meetings are scheduled, the members are notified in advance and provided with an opportunity to study the meeting materials before it begins. They are also entitled to request additional information they need to make unbiased and professional decisions on the agenda items.

Most of the agenda items are provisionally discussed by specialized Board Committees that develop appropriate recommendations for the Board of Directors.

The format of the Board of Directors meeting (joint attendance or voting in absentia) depends on the importance of items on the agenda. All key matters related to the Company’s activities are considered at physical meetings. For the Board of Directors, physical meeting, the quorum and the voting results are determined and considered taking into account written opinions of the Board members absent from the meeting.

In 2015, the Board of Directors held 73 meetings, including 63 in absentia and 10 by way of joint attendance.

The key matters considered by the Board of Directors were to:

- approve and oversee the fulfilment of the Group’s Business Plan;
- approve major transactions, related-party transactions and other material transactions, where required by the Articles of Association;
- use the reserve fund;
- approve the Board of Directors’ Work Agenda for 2015;
- make decisions on managing the activities of the Board Committees;
- approve significant internal documents;
- consider the reports of the CEO and other senior executives of the Company.
**Board assessment**

URALCHEM, JSC’s Board of Directors arranges for a regular performance assessment of its activities.

The performance is assessed through a survey of the Board members and a subsequent discussion. During the discussion, the “growth points” are identified for the Board, i.e. the areas that require enhanced competencies, difficulties arising during the preparation and holding of the meetings, etc. The discussion also helps to determine the optimal size and composition of the Board and its Committees for the most efficient operation within the assigned competences.

**Participation of directors in Board meetings in 2015**

<table>
<thead>
<tr>
<th>Director</th>
<th>Board meetings</th>
<th>Audit Committee</th>
<th>Strategy Committee</th>
<th>Investment Committee</th>
<th>Nomination and Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dmitry A. Mazepin</td>
<td>73/73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dmitry V. Konyaev</td>
<td>73/73</td>
<td>-</td>
<td>18/18</td>
<td>22/24</td>
<td>32/32</td>
</tr>
<tr>
<td>Dimitry V. Tatyanin</td>
<td>72/73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31/32</td>
</tr>
<tr>
<td>Yulia E. Orlovskaya</td>
<td>73/73</td>
<td>10/10</td>
<td>18/18</td>
<td>23/24</td>
<td>31/32</td>
</tr>
<tr>
<td>Mikhail V. Genkin</td>
<td>72/73</td>
<td>3/6</td>
<td>12/18</td>
<td>20/24</td>
<td>-</td>
</tr>
<tr>
<td>Andrey S. Pakhomenkov</td>
<td>73/73</td>
<td>-</td>
<td>18/18</td>
<td>23/24</td>
<td>-</td>
</tr>
<tr>
<td>Petr V. Krupnov (resigned from the Board on 30.06.2015)</td>
<td>37/37</td>
<td>5/6</td>
<td>3/6</td>
<td>9/9</td>
<td>16/16</td>
</tr>
<tr>
<td>Elena S. Papsheva after 30.06.2015</td>
<td>36/36</td>
<td>4/4</td>
<td>12/12</td>
<td>14/15</td>
<td>16/16</td>
</tr>
</tbody>
</table>

**Committees of the Board of Directors**

To ensure efficient performance of the Board of Directors, the Board has a number of Committees performing advisory or control functions. The main purpose of the Committees is to conduct a preliminary review of matters referred to the Board of Directors and provide it with advice and opinions on matters that fall under their authority.

The Committees in all matters report to the Board of Directors, actively cooperate with the Company’s executives and are entitled to use the services of external consultants. At least once a year, each Committee submits a report on its activities to the Board of Directors, which is then considered during physical meetings of the Board of Directors and included in the general annual report of the Board of Directors.

The activities of each Committee are governed by a relevant regulation approved by URALCHEM, JSC’s Board of Directors. Regulations on the Committees are available on our website at [www.uralchem.ru](http://www.uralchem.ru), Governance and Reporting.
### Strategy Committee

**Tasks and purposes**
The Strategy Committee’s main purpose is to ensure effective performance of the Board of Directors in its decision-making on the Group’s strategic development.

- Key tasks:
  - Provision of recommendations on setting business priorities, strategic objectives and key principles of strategic development for the Group, as well as oversight of strategy implementation, performance review of URALCHEM companies
  - Development of proposals for inclusion in the business plan

**Activity in 2015**
Over the reporting period, The Committee held 18 meetings (including 17 physical meetings) and provided the Board of Directors with its recommendations and proposals, including on the following matters:

- Review of URALCHEM Group’s medium-term strategy for 2016–2020
- Review of the updated strategic parameters for investment planning purposes
- Review of strategic parameters with regard to price forecasts for ammonia, urea, ammonium nitrate and its derivatives
- Approval of the updated product portfolio structure of the Group for the purposes of strategic and annual planning
- Review of the business plan and approval of URALCHEM Group’s general objectives for 2016
- Review of the IT-strategy, procurement strategy, energy savings and energy efficiency programmes

**Members**
(as of 31.12.2015)
- Y.E. Orlovskaya, Chairwoman of the Committee, non-executive director
- D.V. Konyaev, executive director
- A.S. Pakhomenkov, executive director
- M.V. Genkin, executive director
- E.S. Papsheva, non-executive director
The Investment Committee’s main purpose is to ensure efficient performance of the Board of Directors in its decision-making on investment management.

Key tasks:
- Drafting and providing the Board of Directors with recommendations on enhancing the Company’s investment appeal and improving its investment activity
- Review of procurement and sales activities outside bidding procedures, and ensuring well-informed decision-making
- Preliminary review of the investment projects planned by the Company and its priority controlled subsidiaries, as well as review of the status of current investment projects

Over the reporting period The Committee held 24 meetings (including 21 physical meetings) and provided the Board of Directors with its recommendations and proposals, including on the following matters:
- Upgrade of the urea plant at Minudobreia, JSC to increase its capacity
- Technical re-equipment and upgrade of KCCW Branch’s production facilities
- Renovation of the urea production facilities at Azot Branch in view of capacity increase
- Determining production development areas for 2016–2020
- Budgeting automation based on SAP BPC
- Purchase of ammonia tanks
- Expansion of warehouse space at RFT

<table>
<thead>
<tr>
<th>Members</th>
<th>(as of 31.12.2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A.S. Pakhomenkov, Chairman of the Committee, executive director</td>
</tr>
<tr>
<td></td>
<td>D.V. Konyaev, executive director</td>
</tr>
<tr>
<td></td>
<td>Y.E. Orlovskaia, non-executive director</td>
</tr>
<tr>
<td></td>
<td>M.V. Genkin, executive director</td>
</tr>
<tr>
<td></td>
<td>E.S. Papsheva, non-executive director</td>
</tr>
</tbody>
</table>
The main purpose of the Nomination and Remuneration Committee is to ensure the efficient performance of the Board of Directors in its decision-making on nominations for offices classified as "top management positions" and in making decisions on managing the remuneration and compensation system.

Key tasks:
- Review and approval of candidates for the positions of CEO, heads of key business units and branches of URALCHEM, JSC
- Review of the matters related to the succession strategy, to remunerations and compensations

Over the reporting period, The Committee held 32 meetings (including 13 physical meetings) and provided the Board of Directors with its recommendations and proposals, including on the following matters:
- Preliminary review and approval of candidates for the positions of heads of business units, directly subordinate to the URALCHEM, JSC’s CEO, for the positions of heads of the URALCHEM, JSC’s branches
- Amending the regulations on remuneration and bonuses, as well as other internal documents regulating bonuses and remuneration in the Group companies
- Determination, modification and assessment of key performance indicators of the URALCHEM, JSC’s CEO and heads of key business units, which are directly subordinate to the CEO, heads of the branches and priority controlled subsidiaries
- Setting the total annual limit of bonus payments based on the assessment of annual (general and individual) targets of URALCHEM, JSC and priority controlled subsidiaries
- Determining and amending remunerations and compensations of the Board members, heads of business units, directly subordinate to URALCHEM, JSC’s CEO

E.S. Papsheva, Chairwoman of the Committee, non-executive director
D.V. Konyaev, executive director
Y.E. Orlovskaya, non-executive director
D.V. Tatyanin, executive director
Remuneration of Directors

Remuneration of a Director depends on the nature of his/her relationship with the Company. An Independent Director is remunerated in accordance with the terms of his/her civil agreement. Directors who are the Company’s employees are remunerated in accordance with the terms of their employment contracts, and their remuneration directly depends on the Company’s general remuneration policy.

Remuneration paid to URALCHEM, JSC’s Board members in 2015*

<table>
<thead>
<tr>
<th>Remuneration type</th>
<th>Amount, RUB thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration for service on the Board of Directors</td>
<td>3,467</td>
</tr>
<tr>
<td>Salary</td>
<td>157,130</td>
</tr>
<tr>
<td>Bonuses</td>
<td>139,049</td>
</tr>
<tr>
<td>Compensation for expenses related to acting as member of the Board of Directors</td>
<td>677</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>300,323</strong></td>
</tr>
</tbody>
</table>

* Except for the CEO
Governance

EXECUTIVE TEAM

Reinforcing URALCHEM, JSC’s advantage through efficient leadership

Chief Executive Officer

The Chief Executive Officer is the sole executive body of URALCHEM, JSC. He/she is elected by the Board of Directors and manages the Company’s day-to-day activities.

Dmitry V. Konyaev has served as URALCHEM, JSC’s CEO since 2011. In January 2014, he was elected Chief Executive Officer for an additional three-year term.

For brief biographies of the executives serving as the Board members of URALCHEM, JSC, see the Board of Directors section on pp. 108-109.

For brief biographies of other executives, see our website www.uralchem.com, About URALCHEM/

Executive team

Heads of URALCHEM, JSC’s business units — direct subordinates to the CEO.

Dmitry V. Tatyanin
Legal Director of URALCHEM, JSC since 2007

Andrey S. Pakhomenkov
Financial Director of URALCHEM, JSC since 2012

Mikhail V. Genkin
Business Development Director of URALCHEM, JSC since 2007

Sergey N. Gurnakov
Production Director of URALCHEM, JSC since 2008

Emrah Basaran
Commercial Director of URALCHEM, JSC since 2015

Svetlana V. Chekalova
HR Director of URALCHEM, JSC since 2012

Valentina D. Kolodinskaya
Project Office Director of URALCHEM, JSC since 2013

Dmitry N. Boyarkin
Procurement Director of URALCHEM, JSC since 2015

Alan K. Basiev
PR Director of URALCHEM, JSC since 2012

Andrey V. Kamnev
Administrative Director of URALCHEM, JSC since 2010

As of 31.12.2015, none of the executives had an ownership interest or ordinary shares in URALCHEM, JSC. No transactions with shares of URALCHEM, JSC were completed by the executives in 2015.
RISK MANAGEMENT

Improving our integrated risk management system

Risk management is one of URALCHEM Group’s strategic priorities. We aim for efficient risk management, ensuring financial stability, maintaining our reputation and achieving strategic objectives and operational targets of the Group in accordance with current standards of production and management quality to ensure maximum protection of stakeholder interests.

Objectives and principles of our risk management system

URALCHEM takes into account both internal and external risks and uncertainties, including those related to the current economic and political instability. We set ourselves the task of improving our risk management system, which ultimately contributes to the short- and long-term predictability of the Group’s performance and minimizes potential losses.

Our risk management system is designed to protect the Company’s shareholders from potential losses and ensure achievement of our strategic objectives and operational targets. Our risk management system is based on COSO’s Enterprise Risk Management Integrated Framework with such key components as risk identification and classification, development of a risk management plan, implementation of risk management procedures and assessment of risk management results.

We rank the identified risks and record them in the risk matrix. A risk rating is calculated by multiplying the level of an event’s impact on the business (calculated in monetary terms) by the probability of the event’s occurrence. The risk matrix and ratings are regularly updated.

In 2015, we continued with the improvement of our risk management process and formalisation of our approaches to defining, implementing and monitoring of initiatives to mitigate the key risks’ negative impacts on our business. The Group has optimised its regular risk review process. Now, the entire risk matrix and risk mitigation plans are reviewed twice a year. The process includes in-depth interviews with the risk owners and functional teams responsible for risk minimisation plans.
Participants in the risk management system

The Board of Directors
- Defines the principles and approaches to the organization of risk management system
- Regularly reviews, analyses and assesses the risk management system
- Quarterly reviews top 20 risks and assesses the efforts to minimise them

The Audit Committee of the Board of Directors
- Monitors and administers the risk management process
- Decides on the overall level of risk tolerance of the Group and on responses to certain risks, sets the tolerance level for individual risks of URALCHEM, JSC and / or the Group
- Based on self-assessments of residual risks provided by assigned risk managers at least once a quarter, discusses the risks and the measures taken, makes recommendations for the Group companies management and individual risk managers, assesses their work
- Prepares a summary report on the risks across the Group, which is submitted to the Board of Directors of URALCHEM, JSC on a quarterly basis
<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Responsible for the general management of the risk management process</td>
</tr>
<tr>
<td>Risk managers (each manager is assigned with a certain risk)</td>
<td>Assigns risk managers responsible for managing individual risks</td>
</tr>
<tr>
<td>Risk managers (each manager is assigned with a certain risk)</td>
<td>Develop action plans to minimise the risks assigned to them, regularly assess the probability of implementation and initial impact for their risks in accordance with the risk assessment principles and the format established by the Audit Committee, report on noticeable changes in the nature, description and other characteristics of these risks (the information is entered in the risk matrix) Quarterlly report on new risks or changes to the list of risks to the Chairman of the Audit Committee At least once a quarter, together with the Chairman of the Audit Committee, assess the residual risk levels for their risks</td>
</tr>
<tr>
<td>Persons in charge of risk mitigation measures (may differ from risk managers)</td>
<td>At least once a quarter report to risk managers on the developed risk mitigation measures and the progress of work, their results (achieved/not achieved) or changes in the list of previously agreed measures for their risks or their site in general</td>
</tr>
</tbody>
</table>
Key risks for URALCHEM Group

We face a number of risks in our day-to-day operations. The key risks identified by URALCHEM in 2015 and their ratings are described below.

The risk mitigation efforts in the reporting period resulted in downward adjustments of the risk ratings for the following risk:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
<th>Probability</th>
<th>2014 rating</th>
<th>2015 rating</th>
<th>Risk mitigation measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discontinued production operations due to non-compliance with legislation in the area of subsoil use and environmental management</td>
<td>Material</td>
<td>Low</td>
<td>12</td>
<td>4</td>
<td>At the pre-investment stage (development and coordination of key technical solutions), in the event of significant intra-group disagreements on key technical solutions and/or project parameters, we involve external experts.</td>
</tr>
<tr>
<td>Risk of material estimated cost and budget overruns during the implementation of major investment projects</td>
<td>Significant</td>
<td>Medium</td>
<td>9</td>
<td>6</td>
<td>The Group performs cost analysis, comparing its costs with the costs of similar businesses, as well as analysis of chosen raw materials and equipment suppliers (reliability, availability, alternatives). The Company estimates the cost of raw materials and splits design works into two stages to improve the accuracy of estimates. We amend the Regulation on investment activities, formalize the need for independent examination to estimate costs, define stages and set deadlines for the projects outside the territory of the plants.</td>
</tr>
<tr>
<td>Substandard quality of products resulting in damage to the Group’s image and partner relationships</td>
<td>Noticeable</td>
<td>Medium</td>
<td>6</td>
<td>4</td>
<td>The Group closely monitors the quality of its products. To minimize the risk we continuously monitor compliance with production process technologies, product transportation and storage requirements. A centralized quality control department has been established within URALCHEM, JSC engaged in systematic analysis of quality problems and making recommendations for its improvement. As a result of this work, the number of complaints has decreased.</td>
</tr>
</tbody>
</table>

*This Annual Report describes only key risks and does not include all the risks that can affect the Company’s operations. URALCHEM will disclose risks and mitigation efforts in accordance with applicable laws.*
The negative developments in the overall economic and political situation in 2015 led to the fact that the probability of occurrence and, consequently, the overall rating of the following risks remained high or increased:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Impact</th>
<th>Probability</th>
<th>2014 rating</th>
<th>2015 rating</th>
<th>Risk mitigation measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk to break off relations with hardware and software manufacturers due to changes in the political situation</td>
<td>Significant</td>
<td>Low</td>
<td>6</td>
<td>3</td>
<td>URALCHEM Group prefers not to expand cooperation with manufacturers that have already imposed service restrictions on other companies.</td>
</tr>
<tr>
<td>Material foreign exchange losses (currency risk)</td>
<td>Critical</td>
<td>Already occurred in the past</td>
<td>30</td>
<td>30</td>
<td>The Group has no influence over currency exchange rates. To minimise the risk URALCHEM steadily improves its operating and financial efficiency and cuts costs.</td>
</tr>
<tr>
<td>Significantly worsened lending terms or acceleration of outstanding loans or credits due to changes in the economic conditions</td>
<td>Critical</td>
<td>High</td>
<td>18</td>
<td>18</td>
<td>The Group has no direct influence over amendments to lending terms resulting from changes in the economic conditions. To minimise the risk we have strengthened the monitoring of lending terms, taken steps to improve cash flow management and employed conservative budgeting methods.</td>
</tr>
<tr>
<td>An adverse impact on the Group’s operations from higher or new trade barriers in key foreign markets</td>
<td>Material</td>
<td>Already occurred in the past</td>
<td>16</td>
<td>20</td>
<td>The Group has no influence over decisions to introduce trade barriers. To minimise the risk URALCHEM steadily improves its operating and financial efficiency and cuts costs.</td>
</tr>
</tbody>
</table>

In 2015, we also identified new risks related to developments in the political situation and regulatory changes. Despite our efficient risk management efforts, URALCHEM Group’s total risk score increased in 2015 from 891 to 976 points (+85 rating points).
INTERNAL CONTROL AND AUDIT

Exercising efficient control at all management levels

Main goals of the internal control system
URALCHEM Group’s system of internal control over its financial and business activities is designed to:

• Ensure achievement of the Group’s strategic objectives and implementation of financial and business plans
• Ensure safeguarding of assets and the efficient use of resources
• Completeness, reliability and accuracy of financial, accounting and management information and reporting
• Ensure efficient prevention, detection and elimination of violations in financial and economic activity
• Ensure compliance with applicable laws, incorporation documents and other documents of the Company

The principles, areas and procedures of internal control over financial and business activities, as well as the tasks of internal control bodies are set forth in the internal document, approved by the Board of Directors of URALCHEM, JSC — Regulation on the Policy of Internal Control over Financial and Business Activities.

Participants in the internal control system

The Revision Commission of URALCHEM, JSC

• Controls the Company’s compliance with applicable laws and internal documents, oversees the implementation of resolutions of the governing bodies
• Exercises control over financial and economic activities, including the audit of financial documents, legality and efficiency of the resolutions and activities of executive bodies, analysis of the Company’s financial situation, identification of reserves for improving the state of business
• Confirms the accuracy of the information contained in reports and other financial documents

The Board of Directors of URALCHEM, JSC

• Determines the principles of and approaches to the management of the internal control system
• Regularly reviews, analyses and assesses the internal control system

The Audit Committee

• Exercises control over the current financial activities
• Monitors the preparation of financial statements of URALCHEM, JSC and its subsidiaries
• Monitors and assesses the efficiency of the internal control system, reviews the internal audit (inspection) plan, analyses the conclusions and recommendations in the auditors’ reports on evaluation of the internal control system

The CEO of URALCHEM, JSC

• Ensures the development and implementation of an efficient and reliable internal control system

General directors of subsidiaries, branch directors

• Introduces efficient internal control activities in subsidiaries and branches of URALCHEM, JSC
The Internal Audit and Control Department of URALCHEM, JSC

- Performs audits, inspections — regularly, as needed or as individual projects
- Launches independent investigations into identified violations, non-compliances, inefficient activities
- Audits financial and business activities of URALCHEM, JSC and its subsidiaries, analyses their performance
- Audits compliance with established control procedures by managers and employees of the Group
- Audits compliance with applicable laws and the interests of URALCHEM, JSC and its shareholders

Internal control system and preparation of financial statements

One of the functions of URALCHEM, JSC’s financial directorate is the quality control over preparation of IFRS financial statements. The Group’s financial accounting is based on IFRS principles, whereas internal control ensures the quality of financial statements.

In 2015, the Company approved the Method of Organization of the Internal Quality Control System for Preparing IFRS Financial Statements for URALCHEM Group companies. The document describes internal control systems and the rules for incorporation of control procedures into accounting processes, and provides a list of procedures and control processes related to accounting and reporting.

Revision Commission

The Revision Commission, made up of three members, oversees URALCHEM, JSC’s financial and business activities. The Revision Commission’s authority is specified in the Articles of Association of URALCHEM, JSC and the Regulation on the Revision Commission.

The following members of the Revision Commission were elected at the annual General Meeting of Shareholders on 30 June 2015:

- Maria A. Kuzmina, Chairwoman, Head of URALCHEM, JSC’s Internal Audit and Control Department
- Andrey V. Ermizin, Deputy Legal Director of URALCHEM, JSC
- Yulia V. Bulantseva, Head of the Financial and Economic Department of URALCHEM, JSC

The composition of the Revision Commission remained unchanged from the previous year. In 2015, no remuneration for service on the Revision Commission was paid to its members.

External Auditor

The External Auditor performs annual audits of URALCHEM Group’s financial and business activities.

Deloitte & Touche CIS, CJSC audited the individual RAS financial (accounting) statements and consolidated IFRS financial statements of URALCHEM, JSC for 2015.

To choose the External Auditor, a tender was held among the leading audit companies operating in Russia. The proposed Auditor was considered by the Board of Directors and recommended for approval at the General Meeting of Shareholders (Minutes of URALCHEM, OJSC’s Board meeting No. 288 dated 29.05.2015).
The structure of URALCHEM, JSC’s share capital and URALCHEM Group's core assets*

URALCHEM HOLDING P. L. C. (Cyprus) 99.9999998%
CI-CHEMICAL INVEST LIMITED (Cyprus) 0.0000002%

AUTHORISED CAPITAL
2 billion roubles
500 million ordinary registered uncertified shares
4 roubles par value

URALCHEM, JSC

Azot Branch
United Service Centre Branch
PMU Branch
KCCW Branch

* The chart shows only the Group’s significant subsidiaries, investments and stakes in them as of 31.12.2015.
Shareholder information

DIVIDEND POLICY

Pursuing a well-balanced dividend policy

The Company’s dividend policy is set up for the medium term or long term, balancing the interests of the Company and its shareholders and meeting the requirements of Russian law. It proceeds from acknowledgement of the need to increase capitalisation and regularly pay dividends to the Company’s shareholders based on the net profit and the Company’s development requirements.

The Regulations on the Dividend Policy of URALCHEM, JSC, approved by the Board of Directors on 19 December 2014, govern the procedure for determining a portion of the net profit to be distributed as dividends, preconditions for dividends to be declared, and the procedure for calculating dividend amounts.

The General Meeting of Shareholders of URALCHEM, JSC decides on dividend payments based on advice from its Board of Directors. The recommended amount of dividends is determined by the Board of Directors, based on the financial performance of URALCHEM, JSC for the first quarter, six months, nine months or financial year, as a proportion of net profit, taking into account the data of quarterly/annual consolidated IFRS financial statements. When determining the amount of dividends, other factors that help to make an informed decision on the matter are also taken into account, including the restrictions on the declaration and payment of dividends established by the current Russian law, the Articles of Association and the Regulations on the Dividend Policy of URALCHEM, JSC.

Dividends paid by URALCHEM, JSC in 2012-2015

<table>
<thead>
<tr>
<th>Amount of dividends declared per share, RUB</th>
<th>Total declared dividends, RUB billion</th>
<th>Proportion of net profit allocated for dividend payment, %</th>
<th>Share of paid dividends in declared dividends, %</th>
<th>Resolution on dividend payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>for 3 months of 2012 (interim)</td>
<td>for 9 months of 2012 (interim)</td>
<td>for 2012</td>
<td>for 9 months of 2013 (interim)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>8.4</td>
<td>3.2</td>
<td>6.95</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>4.2</td>
<td>1.6</td>
<td>3.475</td>
<td></td>
</tr>
<tr>
<td>83% of net profit for Q1 2012</td>
<td>38% of net profit for 9 months of 2012</td>
<td>29% of remaining undistributed net profit for 2012</td>
<td>24% of net profit for 9 months of 2013</td>
<td></td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
On 30 June 2015, the General Meeting of Shareholders passed the resolution not to pay dividends for the 2014 financial year. Over the reporting period, interim dividends were neither declared nor paid.

**Dividend tax**

URALCHEM, JSC acts as a tax agent when it distributes earnings to shareholders according to their holdings. The Company calculates, withholds and pays into the budget taxes on the incomes of shareholders receiving dividends. Therefore, dividend amounts payable to shareholders are decreased by such tax amounts.

When tax amounts to be withheld from incomes of non-residents of the Russian Federation are calculated, the presence or absence of double taxation agreements or treaties with relevant foreign countries is taken into account.

**INFORMATION POLICY**

**Informing stakeholders on our operations**

The Company’s information policy is designed to ensure timely provision of reliable information about the activities of the Group companies to all stakeholders. The principles, procedures, means, and tools of information disclosure are described in detail in the Regulations on Information Policy of URALCHEM, JSC.

**URALCHEM, JSC’s information policy principles**

- Regularity and efficiency of information disclosure
- Availability of information for shareholders, investors and other stakeholders
- Reliability and completeness of information
- Maintaining a reasonable balance between openness and protection of commercial interests of the Company
- Protection of information resources

URALCHEM, JSC timely and fully discloses accurate information required to be disclosed in accordance with Russian law, and also additional material information on its activities and the activities of controlled entities.

In the process of disclosure, the Group controls and restricts access to insider information, as well as information constituting commercial and other secrets protected by law.

**Information disclosure channels**

URALCHEM, JSC uses a number of tools for information exchange with all stakeholders, such as representatives of public authorities and supervisory departments, existing and potential customers, employees, local communities, professional associations and the business community.

Mandatory and additional information to be disclosed is published on the Group’s website at www.uralchem.ru, and is also disclosed in other forms prescribed by the Russian law and the Company’s internal documents.

URALCHEM, JSC also discloses information through its publications in Russian and foreign mass media (including online media), as well as in the form of interviews and commented speeches, public statements, responses to written requests of stakeholders.
**Additional information**

- N (Nitrogenium)
- P (Phosphorus)
- K (Kalium)
Joint-Stock Company United Chemical Company Uralchem (URALCHEM, JSC)

Location address: 6/2, Presnenskaya naberezhnaya, Moscow, Russia, 123317
Postal address: 6/2, Presnenskaya naberezhnaya, Moscow, Russia, 123317
Phone: +7 (495) 721-89-89
Fax: +7 (495) 721-85-85
E-mail: info@uralchem.com
Website: www.uralchem.com

Auditor

Closed Joint-Stock Company Deloitte & Touche CIS performs independent audit of financial (accounting) statements and consolidated financial statements of URALCHEM, JSC. Deloitte & Touche CIS, CJSC is a member of the Self-Regulatory Audit Organization Audit Chamber of Russia (Association) (main record registration number 10201017407), included in the register of self-regulating audit organizations under No. 3026 on 20.05.2009.

Location address: 5, Lesnaya Street, Moscow, Russia, 125047
Postal address: 5, Lesnaya Street, Moscow, Russia, 125047
Phone: +7 (495) 787-06-00
Fax: +7 (495) 787-06-01
Website: www.deloitte.ru

Registrar

URALCHEM, JSC’s share register is maintained by the independent registrar Joint Stock Company Independent Registrar Company, licensed to carry out activities related to maintenance of registers by the FFMS of Russia on September 6, 2002, license No.: 045-13954-000001, form: series 01 No. 002902 (without limitation of the period of validity).

Location address: 8, Ivano Franko Street, Moscow, Russia, 21108
Postal address: 8, Ivano Franko Street, Moscow, Russia, 21108
Phone: +7 (495) 926-81-60
Fax: +7 (495) 926-81-78
E-mail: info@nrcreg.ru
Website: www.nrcreg.ru

GLOSSARY

Companies

URALCHEM, JSC
Joint Stock Company United Chemical Company Uralchem

URALCHEM; URALCHEM Group; the Group; the Company
URALCHEM, JSC, its subsidiaries and directly and indirectly controlled companies

Voskresensk Mineral Fertilizers, JSC; VMF
Joint Stock Company «Voskresensk Mineral Fertilizers»

Minudobrenia, JSC; PMU
Joint Stock Company «Minudobrenia»

URALCHEM Trading House; URALCHEM Trading House, LLC
Limited Liability Company «Trading house URALCHEM»

URALCHEM-TRANS; URALCHEM-TRANS, LLC
Limited Liability Company «URALCHEM-TRANS»

Azot Branch
Azot Branch of Uralchem, JSC in Berezniki

KCCW Branch
KCCW Branch of Uralchem, JSC in Kirovo-Chepetsk

PMU Branch
PMU Branch of Uralchem, JSC in Perm

USC Branch; United Service Centre; USC
USC Branch of Uralchem, JSC

Riga fertilizer terminal, RFT
SIA «Riga fertilizer terminal» (Latvia)

Ventamonjaks, SIA Ventamonjaks
SIA «VENTAMONJAKS» (Latvia)

URALCHEM TRADING DO BRASIL
URALCHEM TRADING DO BRASIL LTDA, (Brazil)
### Terms and abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>CFR</td>
<td>Cost and Freight is a trade term meaning that the seller pays for delivery of the goods to the port, loading and chartering, and also provides for customs clearance when exporting the goods (including payment of duties); the buyer pays for the insurance of the goods; the risk of loss or damage, as well as additional costs after the goods have passed over the ship’s rail are born by the buyer.</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before interest, taxes, depreciation and amortization (financial indicator)</td>
</tr>
<tr>
<td>FCA</td>
<td>Free Carrier is a trade term meaning that the seller fulfils its delivery obligations after delivery of the cleared goods ready for export to the carrier assigned by the buyer at the named place</td>
</tr>
<tr>
<td>FOB</td>
<td>Free On Board is a trade term meaning that the seller delivers the goods on board a vessel designated by the buyer at the named port of shipment, or arranges for the provision of goods delivered in such a way. The risk of loss or damage to the goods is transferred when the goods are on board the ship, and from that point on, the buyer bears all costs</td>
</tr>
<tr>
<td>IFA</td>
<td>International Fertilizer Industry Association</td>
</tr>
<tr>
<td>LTIFR</td>
<td>Lost time injury frequency rate</td>
</tr>
<tr>
<td>BTF</td>
<td>Biological treatment facilities</td>
</tr>
<tr>
<td>Ministry of Agriculture</td>
<td>Ministry of Agriculture of the Russian Federation</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>VAT</td>
<td>Valued Added Tax</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>RAFF</td>
<td>Russian Association of Fertilizer Producers</td>
</tr>
<tr>
<td>RAS</td>
<td>Russian Accounting Standards</td>
</tr>
<tr>
<td>RSPP</td>
<td>Russian Union of Industrialists and Entrepreneurs</td>
</tr>
<tr>
<td>RF</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>IT</td>
<td>Information technologies</td>
</tr>
</tbody>
</table>

### Units of measurement

<table>
<thead>
<tr>
<th>Unit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$; US dollar</td>
<td>United States dollar</td>
</tr>
<tr>
<td>ha</td>
<td>hectare</td>
</tr>
<tr>
<td>m, mln</td>
<td>million</td>
</tr>
<tr>
<td>bn</td>
<td>billion</td>
</tr>
<tr>
<td>mm</td>
<td>millimetre</td>
</tr>
<tr>
<td>m³</td>
<td>cubic metre</td>
</tr>
<tr>
<td>Nm³</td>
<td>normal cubic metre</td>
</tr>
<tr>
<td>Nm³/t</td>
<td>normal cubic metre per tonne</td>
</tr>
<tr>
<td>p.p.</td>
<td>percentage point</td>
</tr>
<tr>
<td>RUB; rouble</td>
<td>Russian rouble</td>
</tr>
<tr>
<td>d</td>
<td>day</td>
</tr>
<tr>
<td>t</td>
<td>tonne</td>
</tr>
<tr>
<td>t/h</td>
<td>tonnes per hour</td>
</tr>
<tr>
<td>t/d</td>
<td>tonnes per day</td>
</tr>
<tr>
<td>t/y</td>
<td>tonnes per year</td>
</tr>
<tr>
<td>’000</td>
<td>thousand</td>
</tr>
<tr>
<td>pers.</td>
<td>persons</td>
</tr>
</tbody>
</table>
Appendices
## INFORMATION ON TRANSACTIONS

### Related-party transactions

<table>
<thead>
<tr>
<th>Material terms</th>
<th>Approving management body</th>
<th>Related party</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Contract for Consultancy Services No. D/USC-015-15 dated 01.04.2015 between Uralkali, PJSC (the Customer) and URALCHEM, OJSC (the Contractor), whereunder the Contractor undertakes to provide the Customer with, and the Customer undertakes to pay for the consultancy services specified in the requirement specifications.</td>
<td>Approved by the resolution of URALCHEM, OJSC’s Board of Directors on 06.07.2015, Minutes No. 296 dated 06.07.2015</td>
<td>Member of the Board of Directors of URALCHEM, OJSC D.A. Mazepin; Member of the Board of Directors and CEO of URALCHEM, OJSC D.V. Konyaev, who are also members of the Board of Directors of a party to the transaction Uralkali, PJSC</td>
</tr>
<tr>
<td><strong>2</strong> Contract for Accounting, HR Records Keeping, Salary Settlements and Information Technology Services No. D/USC-056-15 dated 16.04.2015 between HaloPolymer Perm, OJSC (the Customer) and URALCHEM, OJSC (the Contractor), whereunder the Contractor undertakes to provide accounting, HR record keeping, salary settlements and information technology services specified in the Contract, and the Customer undertakes to pay for them on the terms and conditions specified in the Contract.</td>
<td>Approved by the resolution of URALCHEM, OJSC’s Board of Directors on 06.07.2015, Minutes No. 296 dated 06.07.2015</td>
<td>Member of the Board of Directors of URALCHEM, OJSC A.S. Pakhomov, who is also a member of the Board of Directors of a party to the transaction HaloPolymer Perm, OJSC</td>
</tr>
<tr>
<td><strong>3</strong> Supply Contract No. 2546 / 2015 / 45 / 11 / 0311-15 / 0011 dated 16.03.2015 between URALCHEM, OJSC (the Supplier) and Uralkali, PJSC (the Buyer), whereunder the Supplier undertakes to transfer into ownership (supply), and the Buyer undertakes to accept and pay for the goods from the range and according to the prices specified in Annex No. 1 to the Contract, subject to the conditions specified in the Contract. Name, quantity, delivery time and documents transferred with the goods are determined by specifications signed by the parties; and Addendum No. 1 dated 30.07.2015 on amending the conditions of Annex No. 1 to Supply Contract No. 2546 / 2015 / 45 / 11 / 0311-15 / 0011 dated 16.03.2015</td>
<td>Approved by the resolution of URALCHEM, OJSC’s Board of Directors on 30.09.2015, Minutes No. 312 dated 30.09.2015</td>
<td>Member of the Board of Directors of URALCHEM, OJSC D.A. Mazepin; Member of the Board of Directors and CEO of URALCHEM, OJSC D.V. Konyaev, who are also members of the Board of Directors of a party to the transaction Uralkali, PJSC</td>
</tr>
<tr>
<td><strong>4</strong> Contract No. 11 / 0705-15 / 0010 dated 25.05.2015 between URALCHEM, OJSC (the Customer) and Uralkali, PJSC (the Contractor), whereunder the Contractor provides rehabilitation and recreation services at Uralkali, PJSC’s health and recreation centre according to vouchers, and the Customer undertakes to pay for them on the terms and conditions specified in the Contract.</td>
<td>Approved by the resolution of URALCHEM, OJSC’s Board of Directors on 30.09.2015, Minutes No. 312 dated 30.09.2015</td>
<td>Member of the Board of Directors of URALCHEM, OJSC D.A. Mazepin; Member of the Board of Directors and CEO of URALCHEM, OJSC D.V. Konyaev, who are also members of the Board of Directors of a party to the transaction Uralkali, PJSC</td>
</tr>
<tr>
<td>Material terms</td>
<td>Approving management body</td>
<td>Related party</td>
</tr>
<tr>
<td>----------------</td>
<td>---------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td><strong>5</strong> Contract for Immovable Property Lease No. 0089 / 32 dated 30.07.2015 between HaloPolymer Perm, OJSC (the Lessor) and URALCHEM, JSC (the Lessee), whereunder the Lessor undertakes to provide the Lessee with non-residential premises for non-gratuitous temporary possession and use. The premises are provided to the Lessee for use as office premises from 01.08.2015 until 01.07.2016, with a possibility of renewals under the same conditions for a period of 11 months. Price: RUB333,405.7 inclusive of VAT</td>
<td>Approved by the resolution of URALCHEM, JSC’s Board of Directors on 19.10.2015, Minutes No. 314 dated 19.10.2015</td>
<td>Member of the Board of Directors of URALCHEM, JSC A.S. Pakhomenkov, who is also a member of the Board of Directors of a party to the transaction HaloPolymer Perm, OJSC</td>
</tr>
<tr>
<td><strong>6</strong> Addendum No. 1 dated 30.10.2015 to Contract of Lease No. 0089 / 32 dated 30.07.2015 between HaloPolymer Perm, OJSC (the Lessor) and URALCHEM, JSC (the Lessee) on changes in leased space and the amount of lease payments. Contract price including Addendum No. 1: RUB403,943.76 inclusive of VAT</td>
<td>Approved by the resolution of URALCHEM, JSC’s Board of Directors on 15.01.2016, Minutes No. 331 dated 15.01.2016</td>
<td>Member of the Board of Directors of URALCHEM, JSC A.S. Pakhomenkov, who is also a member of the Board of Directors of a party to the transaction HaloPolymer Perm, OJSC</td>
</tr>
<tr>
<td><strong>7</strong> Addendum No. 2 dated 01.12.2015 to Contract of Lease No. 0089 / 32 dated 30.07.2015 between HaloPolymer Perm, OJSC (the Lessor) and URALCHEM, JSC (the Lessee) on changes in leased space and the amount of lease payments. Contract price including Addendum No. 2: RUB388,439.93 inclusive of VAT</td>
<td>Approved by the resolution of URALCHEM, JSC’s Board of Directors on 15.01.2016, Minutes No. 331 dated 15.01.2016</td>
<td>Member of the Board of Directors of URALCHEM, JSC A.S. Pakhomenkov, who is also a member of the Board of Directors of a party to the transaction HaloPolymer Perm, OJSC</td>
</tr>
<tr>
<td><strong>8</strong> Contract for Crewless Vehicle Lease No. 1 dated 01.09.2015 between URALCHEM, JSC (the Lessor) and Uralkali, PJSC (the Lessee), whereunder the Lessor provides the Lessee with a vehicle for non-gratuitous temporary possession and use, and the Lessee undertakes to accept the vehicle and pay lease payments to the Lessor. Lease period: from 01.09.2015 until 30.11.2015 Price: RUB 225,000 inclusive of VAT</td>
<td>Approved by the resolution of URALCHEM, JSC’s Board of Directors on 19.10.2015, Minutes No. 314 dated 19.10.2015</td>
<td>Member of the Board of Directors of URALCHEM, JSC D.A. Mazepin; Member of the Board of Directors and CEO of URALCHEM, JSC D.V. Konyaev, who are also members of the Board of Directors of a party to the transaction Uralkali, PJSC</td>
</tr>
<tr>
<td><strong>9</strong> Specification No. 26 dated 09.12.2015 to Supply Contract No. SILV / KCCW / 2011 / 916 / OM-088 dated 20.11.2010 between Uralkali, PJSC (the Supplier) and URALCHEM, JSC (the Buyer), whereunder the Supplier undertakes to supply mineral concentrate Silvinit to the Buyer in 2016 according to the specification. Price: no more than RUB900 million inclusive of VAT</td>
<td>Approved by the resolution of URALCHEM, JSC’s Board of Directors on 28.12.2015, Minutes No. 329 dated 28.12.2015</td>
<td>Member of the Board of Directors of URALCHEM, JSC D.A. Mazepin; Member of the Board of Directors and CEO of URALCHEM, JSC D.V. Konyaev, who are also members of the Board of Directors of a party to the transaction Uralkali, PJSC</td>
</tr>
</tbody>
</table>
## Major transactions

<table>
<thead>
<tr>
<th>#</th>
<th>Material terms</th>
<th>Approving management body</th>
</tr>
</thead>
</table>
| 1 | Agreement amending the set of interrelated transactions in respect of the Incorporated Guarantee Loan Agreement dated 13.12.2013 (where URALCHEM, OJSC acts as the Borrower, Guarantor, Beneficiary).

   Parties to the transaction and Beneficiaries:
   - Borrowers, Beneficiaries and Guarantors: URALCHEM, OJSC, MFP KCCW, OJSC
   - Resigning Agent, Resigning Loan Agent: VTB capital Pls
   - Lender, Pledgee: VTB Bank, OJSC
   - New Agent, new Loan Agent: VTB Bank, OJSC
   - Guarantors: Voskresensk Mineral Fertilizers, OJSC, TRADING HOUSE URALCHEM, LLC, Minudobrenia, OJSC, URALCHEM HOLDING P.L.C and SIA URALCHEM Trading

   According to the Agreement making amendments to the Loan Agreement:
   - VTB capital Pls resigns as the Agent and Loan Agent (Pledgee) under the Loan Agreement and delegates those authorities to VTB Bank;
   - Part of the pledged item for the Loan Agreement is changed;
   - There are new ways to secure the Borrowers’ obligations under the Loan Agreement;
   - Changes are made to a number of financial covenants provided for by the Loan Agreement.

   The maturity period of the Loan is 84 months.

   As at the date of the Agreement, the transaction value under the Loan Agreement, taking account all Addendums to the Loan Agreement, equals the Borrowers’ outstanding debt under the Loan Agreement (repayment of the principal to the maximum extent of US$4.5 billion, payment of interest, other fees, commissions and charges payable under the Loan Agreement) and in monetary terms approximates at least US$5.78 billion, or about RUB331.2 billion at the Bank of Russia’s exchange rate on 09.07.2015.

   Agreement date: 09.07.2015 | Approved by the annual General Meeting of Shareholders of URALCHEM, OJSC on 30.06.2015, Minutes No.39 dated 01.07.2015 |
APPENDIX II

NET ASSET POSITION

Net asset position is derived from URALCHEM, JSC’s annual accounting (financial) statements for 2013, 2014, and 2015 prepared in accordance with Russian Accounting Standards (RAS).

1) Items driving changes in the net asset value and equity for the three preceding complete reporting years:

### Change in URALCHEM, JSC’s equity in 2013-2015, ‘000 roubles

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
</tbody>
</table>

### Changes in items, driving changes in URALCHEM, JSC’s net asset value in 2013-2015, ‘000 roubles

<table>
<thead>
<tr>
<th>Assets</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets and R&amp;D results</td>
<td>8,467</td>
<td>8,838</td>
<td>10,581</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>3,953,388</td>
<td>4,585,171</td>
<td>11,696,249</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>565,223</td>
<td>393,479</td>
<td>1,915,409</td>
</tr>
<tr>
<td>Income-bearing investments in tangible assets</td>
<td>791</td>
<td>633</td>
<td>475</td>
</tr>
<tr>
<td>Long-term and short-term financial investments</td>
<td>147,177,710</td>
<td>126,284,860</td>
<td>151,771,408</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>5,469,512</td>
<td>23,775,964</td>
<td>30,361,241</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,156,033</td>
<td>1,254,601</td>
<td>3,413,102</td>
</tr>
<tr>
<td>Input value added tax</td>
<td>489,989</td>
<td>432,842</td>
<td>1,217,068</td>
</tr>
<tr>
<td>Accounts receivable (short-term)</td>
<td>1,206,961</td>
<td>922,437</td>
<td>7,054,560</td>
</tr>
<tr>
<td>Cash</td>
<td>416,866</td>
<td>4,393,461</td>
<td>26,449,234</td>
</tr>
<tr>
<td>Other current assets</td>
<td>157,930</td>
<td>185,623</td>
<td>214,738</td>
</tr>
<tr>
<td>Total assets included in the calculation</td>
<td>160,602,870</td>
<td>162,237,909</td>
<td>234,104,065</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term loans and borrowings</td>
<td>137,515,654</td>
<td>235,190,461</td>
<td>312,182,267</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>203,597</td>
<td>254,184</td>
<td>588,815</td>
</tr>
<tr>
<td>Short-term loans and borrowings</td>
<td>4,034,900</td>
<td>1,778,767</td>
<td>1,953,513</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>10,552,584</td>
<td>1,477,315</td>
<td>1,800,960</td>
</tr>
<tr>
<td>Distributions due to members (founders)</td>
<td>3,475,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Estimated liabilities</td>
<td>370,516</td>
<td>476,971</td>
<td>565,947</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>3,419</td>
<td>7,488</td>
<td>3,560</td>
</tr>
<tr>
<td>Total liabilities included in the calculation</td>
<td>156,155,660</td>
<td>239,185,186</td>
<td>317,095,062</td>
</tr>
</tbody>
</table>

Net asset value

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net asset value</td>
<td>4,447,210</td>
<td>-76,947,277</td>
<td>-82,990,997</td>
</tr>
</tbody>
</table>
APPENDIX II

2) Analysis of the causes and drivers of the URALCHEM, JSC’s net asset value falling below its equity value:
The key causes of the URALCHEM, JSC’s net asset value falling below its equity value include the weakening rouble and net foreign exchange loss on the dollar-denominated loan.

3) List of initiatives to bring the Company’s net asset value in line with its equity value:
The URALCHEM, JSC is considering the following initiatives to bring its net asset value in line with its equity value:

- an increase in operating profits through consolidation of KCCW, OJSC with URALCHEM, JSC in late 2015
- maintaining maximum operating efficiency through the construction of new facilities for the production of high-margin products; and an increase in the profitability of the current products by renovation and upgrade of existing facilities
- receipt of dividend payments/share of profit from subsidiaries.
Appendix III

**COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

### Compliance with the Corporate Governance Code recommended by the Bank of Russia

Since the URALCHEM, JSC (hereinafter in this Appendix — the Company) is not publicly traded, it is not required to comply with all of the principles and recommendations of the Corporate Governance Code. However, the Company complies with most of the principles and recommendations of the Corporate Governance Code.


<table>
<thead>
<tr>
<th>No.</th>
<th>Corporate governance principles</th>
<th>Criteria for assessing compliance with corporate governance principles</th>
<th>Compliance yes/no</th>
<th>Explanations of deviations from the criteria for assessing compliance with corporate governance principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Company shall ensure equal and fair treatment of all shareholders in exercising their rights to participate in the management of the company.</td>
<td>1. The internal document of the company which regulates the procedure of convening, preparing and holding general shareholders meetings, and which was approved by the general shareholders meetings shall be available within the public domain. 2. During the period of preparation for the meeting, the company shall establish the necessary organizational and technical conditions to ensure that shareholders may pose questions to members of the company’s executive bodies and board of directors, as well as to publicly express their opinions on the meeting’s agenda items. To this end, a company with a large number of shareholders is recommended to support a special telephone line (hotline) for communication with shareholders, to establish a special email address, and to provide a forum for discussion of the meeting agenda on its website.</td>
<td>Yes Partial No</td>
<td>There has not yet been a need for such methods of communication with shareholders as a hotline, e-mail or Internet forums during the preparation for the General Meeting of Shareholders, as the total number of the Company’s shareholders has not exceeded two for the last few years. Shareholders are vested with rights to adequate preparation for the General Meeting of Shareholders and participation in it, as set forth by law, the Articles of Association and internal documents of the Company.</td>
</tr>
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<tr>
<td>1.1.2</td>
<td>The procedure for giving notice of, and providing relevant materials for, the general meeting should enable shareholders to properly prepare for attending the general meeting.</td>
<td>1. A notice announcing a general shareholders meetings shall be published on the website of the company at least 30 days before the date of the meeting. 2. In addition to the information which under the law must be contained in the notice of the general meeting, it is recommended to specify therein the exact location of the general meeting, including details of the room in which it will be conducted and information on documents required for admission to the premises on which the general meeting is to be held. 3. Information about who has proposed each item or nominated a particular candidate to a management body or other body of the company is of great importance for shareholders wishing to form an objective opinion on an agenda item.</td>
<td>Yes Partial No</td>
<td>There has not yet been a need for a notice announcing the General Meeting of Shareholders by publishing it on the Company’s website 30 days before the date of the meeting. When giving notice of the General Meeting and providing access to its materials, the Company complies with the requirements of applicable laws, the Articles of Association and the Regulation on the General Meeting of Shareholders. The Company provides to its shareholders the most complete information on each item on the agenda.</td>
</tr>
<tr>
<td>1.1.3</td>
<td>In preparation for the general meeting and during the general meeting, shareholders shall be enabled to receive information about, and all materials related to the meeting, put questions to executive bodies and members of the board of directors, as well as communicate with each other, in an unobstructed and timely manner.</td>
<td>1. During the relevant reporting period shareholders shall be provided with an opportunity to pose questions to members of the company’s executive bodies and board members before and during the annual general meeting. 2. The materials set out the positions of the board of directors regarding the general meeting’s agenda, as well as dissenting opinions of board members on each item therein. Such materials are recommended for inclusion into the minutes of a meeting of the board of directors where such opinions have been expressed. 3. The company is recommended to provide those shareholders who are entitled to review the list of persons authorized to participate in the meeting with the opportunity to review it starting from the date when the company receives such information.</td>
<td>Yes Partial No</td>
<td>The Company provides its shareholders with the opportunity to apply to the CEO and members of the Board of Directors by sending a written request both before the annual General Meeting of Shareholders, and in the course of the meeting. All available opinions of the Board of Directors on the agenda items of the General Meeting are communicated in accordance with applicable laws, the Articles of Association and internal documents of the Company. See also note under 1.1.2.</td>
</tr>
<tr>
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<tr>
<td>1.1.4</td>
<td>Shareholders shall not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to nominate candidates to the company’s bodies, and to make proposals for the agenda of the general meeting.</td>
<td>1. The shareholders have the opportunity to propose items to be included in the agenda of its annual general meeting within a 60-day period following the end-date of the respective calendar year. 2. If there are typos and other insignificant flaws in shareholder proposals, it is not recommended that the company refuse to include these proposals on the agenda or refuse to allow the proposed candidate to claim his/her place on the list of nominees for election as long as the contents of the proposal as a whole are sufficient to determine the will of the shareholder and to confirm his right to submit the proposal.</td>
<td>Yes Partial No</td>
<td>There has not yet been a need for establishing a longer period than the one prescribed by the Federal Law On Joint Stock Companies to propose items to be included in the agenda of the annual General Meeting of Shareholders and nominate candidates for the Company’s management bodies. In accordance with the Articles of Association of the Company, such proposals must be received by the Company no later than 30 days after the end of the financial year, which gives the shareholders the opportunity to freely exercise their rights to make proposals on the agenda of the Meeting and to nominate candidates for the Company’s management bodies.</td>
</tr>
</tbody>
</table>

<p>| 1.1.5 | Shareholders shall be enabled to freely exercise his/her voting right in the simplest and most convenient way. | 1. To rule out any abuse, the company shall include in its internal documents a provision whereby a person filling out a voting ballot may, until the end of the general meeting, request that a copy of the ballot filled out thereby be certified by the company’s counting commission (or representatives of the registrar who carry out the functions of such counting commission. | Yes Partial No | The Company has established and approved the Regulation on the General Meeting of Shareholders that sets forth the procedure for the preparation, convening and holding the General Meeting of Shareholders, which allows each shareholder to freely exercise their rights to participate in the Company’s management in the simplest and most convenient way. The functions of the counting commission at the meeting are carried out by the Company’s registrar, maintaining a register of its shareholders, which should be an additional guarantee for shareholders. |</p>
<table>
<thead>
<tr>
<th>No.</th>
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</thead>
<tbody>
<tr>
<td>1.1.6</td>
<td>The general meeting procedure established by the company shall equally enable all persons attending the meeting to voice their opinion and ask questions.</td>
<td>1. The general meeting shall be conducted in such a way as to enable the shareholders to make informed and reasoned decisions on all matters on the agenda. In order to do so, a sufficient time for reports on the agenda should be provided and there should be sufficient time to discuss these issues. 2. The company shall invite candidates nominated to its board of directors and internal audit commission to attend the respective general meeting (and such candidates are recommended to attend the same) so that shareholders will be able to ask them questions and make their judgments about such candidates. 3. The board of directors considered the use of telecommunication systems to provide the shareholders with remote access to their general meetings (for example, by broadcasting its proceedings via the company’s website or by using video conferencing).</td>
<td>Yes Partial No</td>
<td>See note under 1.1.1.</td>
</tr>
</tbody>
</table>

1.2 Shareholders shall be provided with equal and fair opportunities to participate in the company’s profits through dividend payments.

| 1.2.1 | The company shall develop and introduce a transparent and clear mechanism for determining the dividend amount and paying dividends. | 1. The company has developed and disclosed its dividend policy approved by the board of directors. 2. If the dividend policy of the company uses indicators from the financial statements of the company to determine the size of the dividend, the relevant provisions of the dividend policy should include the consolidated indicators of financial statements. | Yes Partial No | |

<p>| 1.2.2 | The company is not recommended to resolve to pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company’s performance. | 1. The dividend policy of the company shall contain clear indications of financial/economic circumstances which prohibit the company from paying dividends. | Yes Partial No | |</p>
<table>
<thead>
<tr>
<th>No.</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1.2.3</td>
<td>The company shall not allow the dividend rights of its existing shareholders to be impaired.</td>
<td>1. The company has not taken any actions which would allow for the deterioration of dividend rights of existing shareholders in the reporting period.</td>
<td>Yes</td>
<td>There has not yet been a need for establishing a mechanism for timely identification and approval of transactions with affiliated parties and major shareholders (persons entitled to control votes attached to voting shares) in cases when the law does not formally recognize these transactions as related-party transactions. However the Company is in full compliance with legal requirements for the approval of related-party transactions.</td>
</tr>
<tr>
<td>1.2.4</td>
<td>The company shall strive to exclude any ways for its shareholders to receive profit (income) from the Company other than dividends and liquidation value.</td>
<td>1. The company has established appropriate control mechanisms in its internal documents to prevent its controlling persons from deriving a profit (income) from the company in ways other than dividends or liquidation value. Internal documents of the company contain provisions establishing control mechanisms for timely identification and approval of transactions with affiliated parties and major shareholders (persons entitled to control votes attached to voting shares) in cases when the law does not formally recognize these transactions as related-party transactions.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>The corporate governance system and practice shall ensure equal terms and conditions for all shareholders of the same class (category), including minority (small) and foreign shareholders, as well as their equal treatment by the company.</td>
<td>1. During the reporting period the procedures adopted for management of potential conflict between major shareholders were effective, and the board of directors paid sufficient attention to conflicts, if any, between shareholders.</td>
<td>Yes</td>
<td>There are no potential conflicts of interest between the Company’s shareholders. In the reporting year and prior to it, there were no conflicts of interests between shareholders</td>
</tr>
<tr>
<td>1.3.1</td>
<td>The company shall create conditions for fair treatment of each shareholder by the governing bodies and the company’s controlling entities, including conditions ruling out abuse of minority shareholders by major shareholders.</td>
<td>1. There were no quasi-treasury shares or they did not participate in voting during the course of the reporting period.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>1.3.2</td>
<td>The company shall not perform actions which lead or may lead to artificial redistribution of corporate control.</td>
<td>1. There were no quasi-treasury shares or they did not participate in voting during the course of the reporting period.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Shareholders shall be provided with reliable and effective methods for recording their rights in shares, as well as be enabled to freely dispose of their shares without any hindrance.</td>
<td>1. The quality and reliability of the work performed by the registrar of the company meets the requirements of the company and its shareholders.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Corporate governance principles</td>
<td>Criteria for assessing compliance with corporate governance principles</td>
<td>Compliance</td>
<td>Explanations of deviations from the criteria for assessing compliance with corporate governance principles</td>
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</tr>
<tr>
<td>2.1</td>
<td>The board of directors carries out the company’s strategic management, establishes the basic principles of, and approaches to, setting up a risk management and internal control system in the company, controls the activities of the company’s executive bodies and performs other key functions.</td>
<td>1. According to the articles of association of the company, the board of directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company. 2. During the reporting period the board heard reports of the one-person executive body and members of the collective executive body on the implementation of the strategy, with particular attention to conformity with the company’s performance in targeting indicators set forth by the company’s strategy.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.1.1</td>
<td>The board of directors shall be responsible for making decisions related to the appointment and removal of executive bodies, including due to their inadequate performance. The board of directors shall also ensure that the company’s executive bodies act in accordance with the approved development strategy and along the company’s core lines of business.</td>
<td>1. According to the articles of association of the company, the board of directors has the authority to appoint, dismiss and determine the terms and conditions of contracts with members of executive bodies of the company. 2. During the reporting period the board heard reports of the one-person executive body and members of the collective executive body on the implementation of the strategy, with particular attention to conformity with the company’s performance in targeting indicators set forth by the company’s strategy.</td>
<td>Yes Partial No</td>
<td></td>
</tr>
<tr>
<td>2.1.2</td>
<td>The board of directors shall determine the main long-term targets of the company’s operations, and assess and approve its key performance indicators and key business goals, as well as the strategy and business plans for the company’s core lines of business.</td>
<td>1. During the reporting period the board of directors has reviewed matters related to the status of execution of the strategy of the company, approval of its financial plan (budget) and the review of criteria and indicators (including interim) pertaining to the execution of the strategy and business plans of the company.</td>
<td>Yes Partial No</td>
<td></td>
</tr>
<tr>
<td>2.1.3</td>
<td>The board of directors shall determine the principles of, and approaches to, setting up a risk management and internal control system in the company.</td>
<td>1. The board of directors has determined the principles of, and approaches to, creation of the risk management and internal control system in the company. 2. The board of directors has evaluated the risk management and internal control system during the reporting period.</td>
<td>Yes Partial No</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Corporate governance principles</td>
<td>Criteria for assessing compliance with corporate governance principles</td>
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<tr>
<td>2.14</td>
<td>The board of directors shall determine the company’s policy on remuneration due to and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies and other key executives of the company.</td>
<td>1. The company has developed and implemented a policy (policies) on remuneration and/or reimbursement of costs incurred by its board members, members of executive bodies and other key managers. This policy (policies) was approved by the board of directors. 2. During the reporting period the board of directors reviewed matters related to the above policy (policies).</td>
<td>Yes</td>
<td>The policy on remuneration due to and/or reimbursement (compensation) of costs incurred by members of the Board of Directors, Chief Executive Officer and other key executives of the Company and its priority controlled entities is actually determined by the Board of Directors. The authority of the Board of Directors includes the power to approve the Company’s internal documents governing the employee remuneration and bonus system implemented in the Company, approve the terms and conditions of remuneration and other payments to the Chief Executive Officer and his/her direct reports, and approve, monitor, adjust and assess the achievement of key performance indicators (KPIs) by the Chief Executive Officer and his/her direct reports. The Company’s Board of Directors is authorized to work out the Company’s (its representatives’) position on questions from the competent governing bodies of high-priority controlled business entities related to the approval of internal documents governing the employee remuneration and bonus system implemented in such entity, and approval of the terms and conditions of remuneration and other payments to the sole executive body, as well as the implementation of a bonus system in respect of the sole executive body of such entity. The key issues related to approving the system of remuneration and bonuses, implementing the bonus system, determining remuneration due to and reimbursement of costs incurred by members of the Board of Directors, the Company’s CEO and other key executives of the Company and its priority controlled entities, are preliminary considered by the Nomination and Remuneration Committee of the Board of Directors. The authority of the General Meeting of Shareholders includes determining the</td>
</tr>
<tr>
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</tr>
</tbody>
</table>
| 2.15 | The board of directors shall play a key role in preventing, identifying and settling internal conflicts between the company’s bodies, shareholders and employees. | 1. The board of directors plays a key role in prevention, detection and resolution of internal conflicts.  
2. The company has created a system of identification of transactions related to a conflict of interest and a system of measures intended to resolve such conflicts. | Yes Partial No | amount and order of remuneration due to and/or reimbursements of costs incurred by members of the Board of Directors who are not employed by the Company, related to performance of their duties. The amount and order of reimbursements of costs incurred by the Company's employees are set forth in the Company’s internal documents. |
| 2.16 | The board of directors shall play a key role in ensuring the company’s transparency, the timeliness and completeness of its information disclosures, and unhindered access to the company’s documents for shareholders. | 1. The board of directors has approved a regulation on information policy.  
2. The company has appointed persons in charge of the implementation (enforcement) of the information policy. | Yes Partial No | |
| 2.17 | The board of directors shall control the company’s corporate governance practice and play a key role in its significant corporate events. | 1. During the reporting period the board of directors reviewed the corporate governance practices in the company. | Yes Partial No | |
| 2.2 | The board of directors shall be accountable to the company’s shareholders. | | | |
| 2.2.1 | Performance of the board of directors shall be disclosed and provided to shareholders. | 1. The annual report of the company for the reporting period contains information regarding the directors’ attendance at board and committee meetings.  
2. The annual report contains information about the key results of the evaluation of the board of directors’ work in the reporting period. | Yes Partial No | |

URALCHEM, JSC • Annual report 2015
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>2.2.2</td>
<td>The chairman of the board of directors shall be available to communicate with the company’s shareholders.</td>
<td>1. The company has established a transparent procedure for providing shareholders with the opportunity to communicate issues and their position on those issues to the chairman of the board of directors.</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2.3</td>
<td>The board of directors shall be an effective and competent management body of the company, capable of making unbiased judgements and decisions to the benefit of the company and its shareholders.</td>
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<tr>
<td>2.3.1</td>
<td>It is recommended that only persons with impeccable business and personal reputations, possessing the knowledge and expertise required to make decisions falling within the authority of the board of directors and to perform its functions efficiently, be elected to the board of directors.</td>
<td>1. The performance assessment procedure for the board of directors adopted in the company includes the evaluation of professional qualifications of board members. 2. In the reporting period, the board of directors (or its nominations committee) evaluated candidates nominated to the board in terms of their experience, knowledge, business and personal reputation, absence of conflicts of interest etc.</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2.3.2</td>
<td>The company’s board of directors shall be elected as per a transparent procedure enabling shareholders to receive information about candidates which is sufficient to get an idea of their personal and professional qualities.</td>
<td>1. Biographical data on all candidates nominated to the board of directors, and the results of the evaluation of such candidates conducted by the board of directors (or its nominations committee), information regarding the candidate’s conformity with independence criteria in accordance with recommendations 102-107 of the Code, and the candidates’ written consent to be elected to the board, were provided to shareholders in preparation for all meetings where the election of board members was on the agenda.</td>
<td>Yes</td>
<td>No</td>
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</table>

The Company proceeds from the fact that the information on the candidates nominated to the Board of Directors, provided to shareholders in accordance with applicable laws, the Articles of Association and internal documents of the Company, as materials for the preparation to the meeting, is sufficient to get an idea of personal and professional qualities of such candidates.
2.3.3 The board of directors shall be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and it shall have the trust of shareholders.

1. During the procedure of assessment of the board of directors’ work conducted in the reporting period, the board analysed its composition in terms of qualifications and expertise of its members.

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<tr>
<td>2.3.3</td>
<td>The board of directors shall be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and it shall have the trust of shareholders.</td>
<td>1. During the procedure of assessment of the board of directors’ work conducted in the reporting period, the board analysed its composition in terms of qualifications and expertise of its members.</td>
<td>Yes Partial No</td>
<td>The Board of Directors in its day-to-day activities and according to the authority set forth by the Articles of Association and internal documents of the Company assesses its needs in terms of professional qualification, experience and business skills, and takes steps to meet them. In addition, there have been no complaints from shareholders against the resolutions of the Board of Directors, which also shows the confidence in, and appreciation of, the Board of Directors and its members by shareholders. For more information on the members of the Board of Directors, see pp. 108-109 of this Annual Report.</td>
</tr>
</tbody>
</table>

2.3.4 The number of members on the company’s board of directors shall enable the board of directors to organise its activities in the most efficient manner, including the possibility to set up committees of the board of directors, and to enable the company’s significant minority shareholders to elect a member of the board of directors for whom they give their votes.

1. During the procedure of assessment of the board of directors’ work conducted in the reporting period, the board of directors analysed the conformity of its membership to the needs of the company and its shareholders.

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<td>2.3.4</td>
<td>The number of members on the company’s board of directors shall enable the board of directors to organise its activities in the most efficient manner, including the possibility to set up committees of the board of directors, and to enable the company’s significant minority shareholders to elect a member of the board of directors for whom they give their votes.</td>
<td>1. During the procedure of assessment of the board of directors’ work conducted in the reporting period, the board of directors analysed the conformity of its membership to the needs of the company and its shareholders.</td>
<td>Yes Partial No</td>
<td>When setting up the Board of Directors, the Company has implemented the approach according to which the number of its members enables the Board of Directors to organise its activities in the most efficient manner. See also note under 2.3.3.</td>
</tr>
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2.4 The board of directors shall include a sufficient number of independent directors.
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<td>2.4.1</td>
<td>It is recommended to recognise as an independent director a person of sufficient professionalism, experience and self-reliance to form his/her own opinion, and be able to make impartial judgements in good faith independent from the company’s executive bodies, particular groups of shareholders or other stakeholders. It should also be taken into account that in normal conditions a candidate (elected to the board of directors) cannot be considered independent if he/she is related to the company, its significant shareholder or contractor, the company’s competitor, or the government.</td>
<td>1. During the reporting period all independent board members met all requirements of recommendations 102-107 of the Code or were deemed independent pursuant to a decision of the board of directors.</td>
<td>Yes</td>
<td>After re-election of the Board of Directors at the annual General Meeting of Shareholders on 30.06.2015, the only independent member of the Board of Directors resigned from the Board of Directors.</td>
</tr>
<tr>
<td>2.4.2</td>
<td>It is recommended to assess the compliance of candidates for the board of directors with the criteria for independence, as well as to perform a regular review of compliance of independent members of the board of directors with such criteria. Substance should prevail over form in such assessments.</td>
<td>1. During the reporting period the board of directors (or its nominations committee) issued an opinion regarding the independence of each candidate nominated to the board and provided the shareholders with the appropriate conclusion. 2. At least once in the reporting period the board of directors (or its nominations committee) evaluated the independence of current members of the board of directors indicated by the company in the annual report as independent directors. 3. The company has developed procedures indicating the actions which must be taken by a board member once he/she ceases to be independent including their obligation to inform the board of directors of these circumstances in a timely manner.</td>
<td>Yes Partial No</td>
<td>See note under 2.4.1.</td>
</tr>
<tr>
<td>2.4.3</td>
<td>Independent directors shall account for at least one-third of all directors elected to the board of directors.</td>
<td>1. Independent directors shall account for at least one-third of all directors elected to the board of directors.</td>
<td>Yes Partial No</td>
<td>See note under 2.4.1.</td>
</tr>
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<td>2.4.4</td>
<td>Independent directors shall play a key role in the prevention of internal conflicts in the company and in the performance by the latter of significant corporate actions.</td>
<td>1. Independent directors (with conflict of interest) shall preliminarily review significant corporate actions related to a potential conflict of interest and a document setting out the results of such evaluation should be made available as part of materials to be provided in connection with a board meeting where a respective matter is to be considered.</td>
<td>Yes</td>
<td>See note under 2.4.1.</td>
</tr>
<tr>
<td>2.5</td>
<td>The chairperson of the board of directors shall assist the board of directors in performing its functions in the most efficient manner.</td>
<td>1. The chairperson of the board of directors is an independent director, or among the independent directors a senior independent director was appointed. 2. The role, rights and responsibilities of the chairperson of the board (and, if applicable, of the senior independent director) are clearly determined in the internal documents of the company.</td>
<td>Yes</td>
<td>The Chairperson of the Company’s Board of Directors is not an independent director. The role, rights and responsibilities of the Chairperson of the Board of Directors are determined by the Articles of Association and the Regulation on the Board of Directors. For more information on the Chairperson of the Board of Directors, see pp. 110 of this Annual Report.</td>
</tr>
<tr>
<td>2.5.1</td>
<td>It is recommended to either elect an independent director to the position of chairperson of the board of directors or identify the senior independent director among the company’s independent directors who would coordinate work of the independent directors and liaise with the chairperson of the board of directors.</td>
<td>1. The chairperson of the board of directors was evaluated as part of the board performance assessment procedure in the reporting period.</td>
<td>Yes</td>
<td>See also note under 2.5.1.</td>
</tr>
<tr>
<td>2.5.2</td>
<td>The chairperson of the board of directors shall ensure a constructive environment at the board meetings, free discussion of agenda items, and oversee implementation of the board of directors’ resolutions.</td>
<td>1. The performance of the chairperson of the board of directors was evaluated as part of the board performance assessment procedure in the reporting period.</td>
<td>Yes</td>
<td>The Chairperson of the Board of Directors is elected by the Board of Directors’ members. The status, rights and responsibilities of the Chairperson are regulated by the Company’s internal documents. See also note under 2.5.1.</td>
</tr>
<tr>
<td>2.5.3</td>
<td>The chairperson of the board of directors shall take all steps necessary for the timely provision to members of the board of directors of information required to make decisions on agenda items.</td>
<td>1. The obligation of the chairperson of the board of directors to take any and all measures to provide the board members in a timely fashion with information required to make decisions is stipulated in the internal documents of the company.</td>
<td>Yes</td>
<td>Partial</td>
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<td>2.6</td>
<td>Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence.</td>
<td>1. Internal documents of the company shall stipulate that if a board member has a conflict of interest, he/she should promptly inform the board of directors (through its chairman or the company’s corporate secretary) both of the existence of and grounds for such conflict of interest. In any case, such notification shall be made before the issue is discussed at a meeting of the board of directors or by any of its committees at which such board member is present. 2. According to internal documents of the company, if a board member has a conflict of interest, he/she may not take part in decision-making. He/she shall abstain from voting on any issues in which he/she has a conflict of interest. 3. The company shall provide for a procedure (and a related budget) enabling board members to receive, at the expense of the company, professional advice on issues related to the competence of the board of directors.</td>
<td>Yes Partial No</td>
<td>The order of voting by members of the Board of Directors is determined by applicable laws and the Articles of Association of the Company.</td>
</tr>
<tr>
<td>2.6.1</td>
<td>Reasonable actions taken in good faith by the board of directors imply decisions made based on all information available, without conflict of interest, subject to equal treatment of the company’s shareholders, and assuming normal business risks.</td>
<td>1. The company adopted and published an internal document whereby the rights and duties of board members are clearly stated.</td>
<td>Yes Partial No</td>
<td></td>
</tr>
<tr>
<td>2.6.2</td>
<td>The rights and obligations of members of the board of directors shall be clearly defined and set out in the company’s internal documents.</td>
<td>1. Individual attendance at board and committee meetings and time devoted to the preparation for the participation in meetings was considered during the procedure of assessment of the board of directors in the reporting period. 2. In accordance with internal documents of the company, board members should notify the company’s board of directors of their intention to take a position in management bodies of other entities and, immediately after their election (appointment) to the management bodies of such other entities, of such election (appointment).</td>
<td>Yes Partial No</td>
<td>The Company recognizes that members of the Board of Directors should have sufficient time to work on the Company’s Board of Directors, including its Committees. Members of the Board of Directors should inform the Company about their positions held in the management bodies of other organisations, in the manner set forth by the Articles of Association and internal documents of the Company.</td>
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<td>2.6.4</td>
<td>All members of the board of directors shall be provided with equal access to the company’s documents and information. Newly elected members of the board of directors shall be provided, as promptly as practically possible, with sufficient information about the company and the work of the board of directors.</td>
<td>1. In accordance with internal documents of the company, board members are given an opportunity to obtain any and all information required to perform their duties, including information on legal entities controlled by the company. The duty of the company’s officials to provide the board members with such information is set forth by the company’s internal documents. 2. The company has a formal induction programme for newly elected board members.</td>
<td>Yes</td>
<td>There has not yet been a need to formalize the induction programme for newly elected Board members, as all newly elected Board members have access to information and materials of the Company in the manner prescribed by the Company’s internal documents.</td>
</tr>
<tr>
<td>2.7</td>
<td>Meetings of the board of directors, and preparation for, and participation in, these meetings by members of the board of directors shall ensure the efficient work of the board of directors.</td>
<td>1. The board of directors held at least 6 meetings in the reporting period.</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2.7.2</td>
<td>It is recommended to develop and set out in the company’s internal documents a procedure for arranging and holding meetings of the board of directors that would enable members of the board of directors to prepare properly for such meetings.</td>
<td>1. The company has an internal document in place regulating the procedure of preparation and holding of board meetings which, inter alia, requires that the notice of a meeting must be made, as a rule, at least 5 days before the date of the meeting.</td>
<td>Yes</td>
<td>In accordance with the Regulation on the Board of Directors, a notice of the Board meeting is sent to each member of the Board of Directors no later than 2 days before the scheduled date of the meeting (the deadline for receipt of voting ballots).</td>
</tr>
<tr>
<td>2.7.3</td>
<td>The format of the meeting of the board of directors shall be determined based on the importance of items on the agenda. The most important items shall be considered at meetings held in person.</td>
<td>1. According to the articles of association or an internal document of the company, the most important issues (in accordance with the list provided in recommendation 168 of the Code) must be considered and decided at meetings held in person.</td>
<td>Yes</td>
<td>The Company has established a practice of considering the most important issues of the Company’s operations, including those referred to in recommendation 168 of the Code, at physical meetings of the Board of Directors.</td>
</tr>
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<tr>
<td>2.7.4</td>
<td>Decisions on the most important aspects of the company’s operations shall be made at meetings of the board of directors by a qualified majority or a majority of all elected members of the board of directors.</td>
<td>1. According to the articles of association of the company, the most important issues as described by recommendation 170 of the Code must be decided by a qualified majority vote of at least three quarters of the votes or by a majority vote of all elected board members.</td>
<td>Yes</td>
<td>Partial No</td>
</tr>
<tr>
<td>2.8</td>
<td>The board of directors shall set up committees for the preliminary consideration of the most important aspects of the company’s operations.</td>
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<tr>
<td>2.8.1</td>
<td>For preliminary discussion of matters referring to supervision over the financial and operating performance of the company, it is recommended to set up an audit committee consisting of independent directors.</td>
<td>1. The board of directors formed an audit committee comprised exclusively of independent directors. 2. The objectives of the audit committee, including the objectives listed in recommendation 172 of the Code, are determined in the internal documents of the company. 3. At least one member of the audit committee, who is an independent director, has experience and knowledge of preparation, analysis, evaluation and audit of accounting (financial) statements. 4. Meetings of the audit committee were held at least once every quarter during the reporting period.</td>
<td>Yes</td>
<td>Partial No</td>
</tr>
<tr>
<td>2.8.2</td>
<td>For preliminary discussion of matters referring to efficient and transparent remuneration practice, it is recommended to set up a remuneration committee consisting of independent directors and led by an independent director who is not the chairperson of the board of directors.</td>
<td>1. The board of directors formed a remuneration committee comprised exclusively of independent directors. 2. The committee is chaired by an independent director who is not the board chairperson. 3. The objectives of the remuneration committee, including the objectives listed in recommendation 180 of the Code, are determined in the internal documents of the company.</td>
<td>Yes</td>
<td>Partial No</td>
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| 2.8.3 | For preliminary discussion of matters related to talent management (succession planning), qualified staff and the efficient performance of the board of directors, it is recommended to set up a committee for nominations (appointments, HR) where most members shall be independent directors. | 1. The board of directors formed a nominations committee (or its objectives indicated in recommendation 186 of the Code are implemented by a different committee), with a majority of its members being independent directors.  
2. The objectives of the nominations committee (or the relevant committee performing these functions) including the objectives indicated in recommendation 186 of the Code are determined in the internal documents of the company. | Yes  
Partial  
No | For more information on the Nomination and Remuneration Committee, see p. 114 of this Annual Report. |
| 2.8.4 | Taking account of its scope of activities and levels of related risks, the company shall form other committees with its board of directors, in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc. | 1. In the reporting period the board of directors considered the conformity of the composition of its committees to the objectives of the board of directors and of the company. Additional committees were either formed or were deemed unnecessary. | Yes  
Partial  
No | |
| 2.8.5 | It is recommended that committees be composed so as to enable comprehensive discussions of matters under preliminary discussion, taking into account the diversity of opinions. | 1. Board committees are chaired by independent directors.  
2. Given the specific nature of issues considered by the audit committee, the nominating committee and the remuneration committee, persons who are not members of the above committees can attend their meetings only at the invitation of their chairpersons | Yes  
Partial  
No | Internal documents of the Company clearly outline the principles of organization and holding meetings of the Board Committees. |
| 2.8.6 | Chairpersons of committees shall regularly report to the board of directors and its chairperson on the performance of their committees. | 1. During the reporting period chairpersons of board committees regularly reported to the board of directors on their activities. | Yes  
Partial  
No | |
<p>| 2.9 | The board of directors shall arrange for a performance assessment of the board of directors, its committees, and members of the board of directors. | | | |</p>
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<td>2.9.1</td>
<td>The board of directors' performance assessment should be aimed at determining the efficiency of the board of directors, its committees and members, and the conformity of their work to the company's development requirements, as well as bolstering the operations of the board of directors and identifying areas for improvement.</td>
<td>1. Self-assessment or external assessment of the board of directors' work in the reporting period included the assessment of the work of the board committees, individual members of the board of directors and of the board of directors as a whole. 2. The results of the self-assessment or external assessment of the board of directors in the reporting period were reviewed by the board of directors at meetings held in person</td>
<td>Yes Partial No</td>
<td>The Board of Directors conducts self-assessment of its performance.</td>
</tr>
<tr>
<td>2.9.2</td>
<td>Performance of the board of directors, its committees, and members of the board of directors shall be assessed on a regular basis, at least once a year. It is recommended to engage a third-party organisation (adviser) at least once every three years to conduct independent assessment of the board of directors' performance.</td>
<td>1. A third-party organisation (consultant) was engaged to evaluate the work of the board of directors at least once in the last three reporting periods.</td>
<td>Yes Partial No</td>
<td>See note under 2.9.1.</td>
</tr>
<tr>
<td>3.1</td>
<td>The company’s corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the company’s actions designed to protect the rights and interests of its shareholders, and support of efficient work of its board of directors.</td>
<td>1. The company has adopted and disclosed an internal document — regulation on the corporate secretary. 2. The company disclosed on its website and in its annual report information on the corporate secretary which is as detailed as that required to be disclosed in relation to board members and members of the executive bodies of the company.</td>
<td>Yes Partial No</td>
<td>There has not yet been a need for setting up a corporate secretary position</td>
</tr>
<tr>
<td>3.1.1</td>
<td>The corporate secretary shall have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and should enjoy the trust of the shareholders.</td>
<td>1. The company has adopted and disclosed an internal document — regulation on the corporate secretary. 2. The company disclosed on its website and in its annual report information on the corporate secretary which is as detailed as that required to be disclosed in relation to board members and members of the executive bodies of the company.</td>
<td>Yes Partial No</td>
<td>See note under 3.1.1.</td>
</tr>
<tr>
<td>3.1.2</td>
<td>The corporate secretary shall be sufficiently independent of the company’s executive bodies and be vested with powers and resources required to perform his/her tasks.</td>
<td>1. The board of directors approves the appointment, termination of appointment, and additional remuneration of the corporate secretary.</td>
<td>Yes Partial No</td>
<td>See note under 3.1.1.</td>
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<td>4.1</td>
<td>The amount of remuneration paid by the company shall be sufficient for attracting, motivating and retaining persons possessing competencies and qualifications required by the company. Remuneration should be paid to members of the board of directors, executive bodies and other key executives of the company in accordance with the remuneration policy adopted by the company.</td>
<td>1. The company has adopted an internal document (documents) — a remuneration policy (policies) in relation to its board members, members of executive bodies and other key managers whereby the approaches to the remuneration of the above persons are clearly determined.</td>
<td>Yes</td>
<td>See note under 2.1.4.</td>
</tr>
<tr>
<td>4.1.1</td>
<td>It is recommended that the amount of remuneration paid by the company to members of the board of directors, executive bodies and other key executives should create sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company shall avoid unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company’s employees.</td>
<td>1. During the reporting period the remuneration committee reviewed the remuneration policy (policies) and the practice of its (their) implementation and, when necessary, provided the board of directors with the relevant recommendations.</td>
<td>Yes Partial No</td>
<td>See note under 2.1.4.</td>
</tr>
<tr>
<td>4.1.2</td>
<td>The company’s remuneration policy shall be developed by the remuneration committee and approved by the company’s board of directors. The board of directors, assisted by the remuneration committee, shall exercise control over the introduction and implementation of the company’s remuneration policy, revising and amending it as required.</td>
<td>1. The remuneration policy (policies) of the company contains (contain) transparent mechanisms to be used to determine the amount of remuneration due to members of the board of directors, executive bodies and other key managers of the company and regulates (regulate) all types of payments, benefits and privileges provided to any of the above persons.</td>
<td>Yes Partial No</td>
<td>See note under 2.1.4.</td>
</tr>
</tbody>
</table>
4.1.4 The company is recommended to develop a policy on reimbursement of expenses which would contain a list of reimbursable expenses and specify service levels provided to members of the board of directors, the executive bodies, and other key managers of the company. Such policy can form part of the company’s remuneration policy.

1. The remuneration policy (policies) of the company or other internal documents of the company set forth the rules of reimbursement of expenses of board members, members of executive bodies and other key managers of the company. Partial

See note under 2.1.4.

4.2 The system of remuneration due to members of the board of directors shall provide for aligning directors’ financial interests with the long-term financial interests of shareholders.

4.2.1 Fixed annual remuneration is a preferable form of monetary remuneration due to members of the board of directors.

Payment of remuneration for participation in particular meetings of the board of directors or its committees is not advisable. It is not recommended to apply any forms of short-term incentives or additional material incentives in respect of members of the board of directors.

1. Fixed annual remuneration has been the only form of monetary remuneration of board members for their services on the board in the reporting period.

Yes

Partial

No

Fixed annual remuneration was paid to the independent directors. Members of the Board of Directors who are employed by the Company do not receive remuneration for their work on the Board of Directors.

4.2.2 Long-term ownership of shares in the company contributes most to aligning the financial interests of board members with the long-term interests of the company’s shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement of certain performance results; nor should board members take part in the company’s option plans.

1. If the company has a practice (policy) of paying remuneration to the board members in the form of its shares, its policy (internal document) of remuneration payable to the board members should set out clear and transparent rules regulating the ownership of shares by the board members. These rules should encourage them to increase their shareholdings and own the shares on a long-term basis.

Yes

Partial

No

The policy on remuneration does not provide for paying remuneration to members of the Board of Directors, the CEO, other key executives of the Company in the form of its shares.
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<td>4.2.3</td>
<td>It is not recommended to provide for any additional payments or compensation if the powers of members of the board of directors are terminated ahead of the due date in connection with a change of control over the company or other circumstances.</td>
<td>1. The company does not provide for any additional compensation in the event of early dismissal of board members in connection with a change of control over the company or other circumstances.</td>
<td>Yes Partial No</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>The system of remuneration due to executive bodies and other key executives of the company shall provide for the dependence of remuneration on the results of the company’s operations and their personal contributions to achieving such results.</td>
<td></td>
<td></td>
<td>The Company’s bonus system guarantees that no bonuses are wrongfully paid to, or received by, the CEO and other executives of the Company.</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Remuneration due to executive bodies and other key executives of the company shall be determined in a manner providing for a reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the results of the company’s operations and the employee’s personal contribution to such results.</td>
<td>1. In the reporting period annual key performance indicators approved by the board of directors were used to determine the amount of variable remuneration of members of executive bodies and other key managers of the company. 2. During the last assessment of the remuneration system for members of executive bodies and other key managers of the company, the board of directors (remuneration committee) made sure that the company used an effective ratio between the fixed and variable remuneration. 3. The company has a procedure ensuring that any award/bonus funds wrongfully obtained by members of executive bodies or managers are repaid to the company.</td>
<td>Yes Partial No</td>
<td>See note under 4.2.2.</td>
</tr>
<tr>
<td>4.3.2</td>
<td>Companies whose shares are admitted to trading at organised markets are recommended to put in place a long-term incentive programme for the company’s executive bodies and other key managers involving the company’s shares (or options or other derivative financial instruments the underlying assets for which are the company’s shares).</td>
<td>1. The company has put in place a long-term incentive programme for the company’s executive bodies and other key managers of the company involving the company’s shares (financial instruments for which the company’s shares are the underlying assets). 2. The long-term incentive programme should provide that the right to dispose of shares or exercise options shall arise no earlier than in three years from the date when such shares were provided. In addition, the right to dispose of the same, upon the expiration of a respective period, should be made conditional on the achievement of certain targets by the company, including non-financial targets, if applicable.</td>
<td>Yes Partial No</td>
<td></td>
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<tr>
<td>4.3.3</td>
<td>The compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company’s initiative, provided that there have been no actions in bad faith on their part, should not exceed double the amount of the fixed part of their annual remuneration.</td>
<td>1. Over the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company’s initiative, provided that there had been no actions in bad faith on their part, did not exceed double the amount of the fixed part of their annual remuneration.</td>
<td>Yes</td>
<td>Partial</td>
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<tr>
<td>5.1</td>
<td>The company shall set up an efficient risk management and internal control system aimed at ensuring reasonable confidence in the achievement of the company’s goals.</td>
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<tr>
<td>5.1.1</td>
<td>The company’s board of directors should determine the principles of, and approaches to, setting up a risk management and internal control system in the company</td>
<td>1. The functions of various governance bodies and divisions of the company in the risk management and internal control system are clearly determined in the internal documents of the company/policy of the company approved by the board of directors.</td>
<td>Yes</td>
<td>Partial</td>
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<tr>
<td>5.1.2</td>
<td>The company’s executive bodies shall ensure the creation and continuous operation of an efficient risk management and internal control system in the company.</td>
<td>1. The company’s executive bodies ensured the distribution of functions and authority in relation to risk management and internal control among managers (heads) of divisions and departments subordinate to them.</td>
<td>Yes</td>
<td>Partial</td>
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<td>No</td>
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<tr>
<td>5.1.3</td>
<td>The company’s risk management and internal control system should provide for the objective, fair and clear representation of the company’s current position and prospects, the integrity and transparency of the company’s statements, and the reasonableness and acceptability of risks assumed by the company.</td>
<td>1. The company has a corruption prevention policy in place. 2. The company has developed a procedure of informing the board of directors or the audit committee of violations of the law, internal procedures and the ethics code of the company.</td>
<td>Yes</td>
<td>Partial</td>
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The Company has a corruption prevention mechanism in place.
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<td>5.1.4</td>
<td>The company’s board of directors is recommended to take necessary and sufficient measures to make sure that the company’s risk management and internal control system is consistent with the principles of, and approaches to, its setting up determined by the board of directors, and that the system is functioning efficiently.</td>
<td>1. During the reporting period, the audit committee of the board of directors reviewed efficiency of the risk management and internal control system and, if necessary, made recommendations toward its improvement. The results of such review of the system’s efficiency were communicated to the shareholders as part of the annual report of the company.</td>
<td>Yes Partial No</td>
<td>For more information on the risk management system, see pp. 117–121 of this Annual Report.</td>
</tr>
<tr>
<td>5.2</td>
<td>To independently assess, on a regular basis, the reliability and efficiency of the risk management and internal control system and corporate governance practices, the company shall arrange for internal audits.</td>
<td>1. A separate structural division (internal audit department) that reports directly to the board of directors or the audit committee was created in the company; an external independent organisation with the same status was engaged to conduct the audit.</td>
<td>Yes Partial No</td>
<td>The Company has developed and applied an efficient risk management and internal control system. It involves various management levels: at the operational level, through introducing and adhering to necessary control procedures in operations; at the organisational level, through establishing functions that coordinate the Company’s activities within the risk management and internal control system and support the system’s operation. In order to set up a risk management and internal control system, the Company’s internal documents define the roles and objectives of the Board of Directors, executive bodies, Revision Commission and other units of the Company, as well as the procedure for their interaction. For more information on internal control and audit, see pp. 122-123 of this Annual Report.</td>
</tr>
<tr>
<td>5.2.2</td>
<td>When carrying out an internal audit, it is recommended to assess the efficiency of the internal control system and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal auditing.</td>
<td>1. In the reporting period, as part of internal audit procedures, the efficiency of the internal control system and the risk management system was evaluated. 2. The company uses generally accepted approaches to internal control and risk management.</td>
<td>Yes Partial No</td>
<td>See note under 5.2.1.</td>
</tr>
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<td>6.1</td>
<td>The company and its operations shall be transparent to its shareholders, investors, and other stakeholders.</td>
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<tr>
<td>6.1.1</td>
<td>The company shall develop and adopt an information policy ensuring an efficient exchange of information between the company, its shareholders, investors, and other stakeholders.</td>
<td>1. The board of directors approved an information policy developed in compliance with the recommendations of the Code. 2. The board of directors (or one of its committees) reviewed the company’s compliance with the information policy at least once in the reporting period</td>
<td>Yes/No/Partial</td>
<td>The Company has introduced the Regulations on Information Policy of URALCHEM, JSC approved by the Board of Directors, which sets out principles and procedures for information disclosure. For more information on the Company’s information policy, see p. 127 of this Annual Report.</td>
</tr>
<tr>
<td>6.1.2</td>
<td>The company shall disclose information about the system and practice of corporate governance, including details of compliance with the principles and recommendations of this code.</td>
<td>1. The company discloses information on its corporate governance system and the corporate governance principles applied in the company on its official website. 2. The company discloses information regarding the composition of its executive bodies and the board of directors, independence of board members and their membership in board committees (in compliance with the Code). 3. If there is a person who controls the company, that person sets its plans with respect to the company in a special memorandum which is then disclosed.</td>
<td>Yes/No/Partial</td>
<td>The Company discloses, in addition to the mandatory information, additional relevant details about its current and future activities. See also note under 6.1.1.</td>
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<td>6.2</td>
<td>The company shall, in a timely manner, disclose in full up-to-date and reliable information about itself to enable shareholders and investors to make informed decisions.</td>
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<tr>
<td>6.2.1</td>
<td>The company shall disclose information based on the principles of regularity, consistency and promptness, as well as the availability, reliability, completeness and comparability of disclosed data.</td>
<td>1. The information policy of the company determines the approaches to, and criteria of, identifying information which may substantially affect the standing of the company and the value of its securities and the procedures which ensure that such information is disclosed in a timely fashion. 2. If the company’s securities are traded on international organised markets, material information is disclosed both in the Russian Federation and on such markets in the same scope and at the same time or within the reporting period. 3. If foreign shareholders own a substantial number of shares in the company, the company discloses information not only in Russian, but in one of the most commonly-used foreign languages as well.</td>
<td>Yes/No/Partial</td>
<td>Securities of the Company are not traded on the organized securities markets in Russia and abroad.</td>
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<tr>
<td>6.2.2</td>
<td>The company is recommended to avoid a formalistic approach to information disclosure, and to disclose critical information about its operations even if such disclosure is not required by the law.</td>
<td>1. During the reporting period, the company disclosed annual and semi-annual financial statements prepared in compliance with IFRS. The annual report of the company for the reporting period contains annual financial IFRS statements and the relevant audit report. 2. The company discloses full information about its capital structure in compliance with Recommendation 290 of the Code in the annual report and on the website of the Company.</td>
<td>Yes &lt;br&gt;P</td>
<td>The Company discloses annual and quarterly financial statements prepared in compliance with IFRS. The Company discloses its capital structure, including the information contained on p. 124 of this Annual Report.</td>
</tr>
<tr>
<td>6.2.3</td>
<td>The annual report, as one of the most important tools of information exchange with shareholders and other stakeholders, shall contain information enabling an assessment of the company’s operating results for the reporting year.</td>
<td>1. The annual report of the company contains information about the key aspects of its operations and financial results. 2. The annual report of the company contains information about the environmental and social aspects of the company’s activities.</td>
<td>Yes &lt;br&gt;P</td>
<td>No</td>
</tr>
<tr>
<td>6.3</td>
<td>The company shall provide information and documents requested by its shareholders, based on the principles of equal and unhindered access.</td>
<td>1. The procedure of information provision to shareholders (including information on the controlled entities) upon their request is not unreasonably burdensome.</td>
<td>Yes &lt;br&gt;P</td>
<td>No</td>
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<td>6.3.1</td>
<td>The company shall provide information and documents requested by its shareholders, based on the principles of equal and unhindered access.</td>
<td>1. The procedure of information provision to shareholders (including information on the controlled entities) upon their request is not unreasonably burdensome.</td>
<td>Yes &lt;br&gt;P</td>
<td>No</td>
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<tr>
<td>6.3.2</td>
<td>When providing information to shareholders, the company is recommended to ensure a reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitiveness.</td>
<td>1. During the reporting period the company did not deny shareholders’ requests to provide information, or such refusals were justified. 2. In cases specified in the information policy of the company, shareholders are warned of the confidential nature of the information and undertake to protect its confidentiality.</td>
<td>Yes &lt;br&gt;P</td>
<td>No</td>
</tr>
<tr>
<td>7.1</td>
<td>Actions that materially affect or may affect the company’s share capital structure or financial position and, accordingly, its shareholders’ position (significant corporate actions), shall be taken on fair terms and conditions, observing the rights and interests of shareholders, as well as other stakeholders.</td>
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<td>7.1.1</td>
<td>Significant corporate actions including restructuring of the company, acquisition of 30% or more of the company’s voting shares (takeover), execution by the company of major transactions, increase or decrease in the company’s authorised capital, listing or de-listing of the company’s shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. It is recommended that the company’s articles of association include a list (criteria) of transactions and other actions constituting significant corporate actions, and stipulate that the consideration of such actions falls within the jurisdiction of the company’s board of directors.</td>
<td>1. The company’s articles of association include a list of (criteria for identifying) transactions or other actions falling within the category of significant corporate actions and provide therein that decisions on any such actions fall within the jurisdiction of the company’s board of directors. In cases when the said actions are within the purview of the general shareholders meeting in compliance with the requirements of the law, the board of directors issues recommendations to the shareholders. 2. The articles of association of the company determine the following (minimum) significant corporate actions: restructuring of the company, acquisition of 30% or more of voting shares (takeover), major transactions, increase or decrease in the company’s authorised capital, as well as listing or delisting of the company’s shares.</td>
<td>Yes</td>
<td>See note under 2.4.1.</td>
</tr>
</tbody>
</table>

7.1.2 The board of directors shall play a key role in making decisions or working out recommendations regarding significant corporate actions, based on the position of the company’s independent directors. 1. The company has a procedure in place whereby independent directors state their position/opinion on significant corporate actions prior to their approval.

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See note under 2.4.1.
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<td>7.1.3</td>
<td>When taking significant corporate actions affecting the rights and lawful interests of shareholders, it is recommended to ensure equal terms and conditions for all shareholders of the company, and, in case of insufficient statutory mechanisms for protecting shareholder rights, implement additional measures to protect the rights and lawful interests of the company's shareholders. In doing so, the company shall be guided by the corporate governance principles set forth in this Code, as well as by formal statutory requirements.</td>
<td>1. The company's articles of association establish lower criteria than those specified under the law for the categorization of the company's transactions as significant corporate actions. 2. During the reporting period, all significant corporate actions were subject to approval prior to their execution</td>
<td>Yes Partial No</td>
<td>The Company proceeds from the need for prior approval of significant corporate actions. In exceptional circumstances and strictly in accordance with the requirements of applicable laws and the Articles of Association of the Company, significant corporate actions may be approved afterwards.</td>
</tr>
<tr>
<td>7.2</td>
<td>The company shall have in place a procedure for taking significant corporate actions that would enable its shareholders to receive complete information about such actions in due time and to influence them, and that would also guarantee that shareholder rights are observed and duly protected when such actions are taken.</td>
<td>1. During the reporting period the company disclosed information (in detail) about significant corporate actions in a timely fashion, including the reasons for, conditions and consequences of such actions.</td>
<td>Yes Partial No</td>
<td></td>
</tr>
<tr>
<td>7.2.1</td>
<td>It is recommended to disclose information about significant corporate actions together with the reasons for, as well as conditions and implications of, such actions.</td>
<td>1. During the reporting period the company disclosed information (in detail) about significant corporate actions in a timely fashion, including the reasons for, conditions and consequences of such actions.</td>
<td>Yes Partial No</td>
<td></td>
</tr>
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</table>
| 7.2.2 | Rules and procedures in relation to significant corporate actions taken by the company shall be set out in its internal documents. | 1. The company’s internal documents specify a procedure for the engagement of an independent appraiser to determine the value of the property being transferred or acquired under a major transaction or a related-party transaction.  
2. The company’s internal documents specify a procedure for the engagement of an independent appraiser to determine the purchase or buyback value of the company’s shares.  
3. The company’s internal documents provide for an extended list of reasons to consider members of the board of directors and other persons outlined by the law to be related parties to the company’s transactions. | Yes  
Partial  
No | There has not yet been a need for expanding the list of reasons to consider members of the Board of Directors to be related parties to the Company’s transactions, and the Company is satisfied with the list provided by law.  
Engagement of an appraiser to determine the value of the property being transferred or acquired under a major transaction or a related-party transaction, as well as to assess the purchase or buyback value of the Company’s shares, is performed in accordance with applicable laws, the Articles of Association and internal documents of the Company, as well as according to the Company’s assessment of materiality of such actions. |
This Annual Report of URALCHEM, JSC has been preapproved by the resolution of URALCHEM, JSC's Board of Directors dated May 27, 2016 (Board's Minutes No. 355 dated May 27, 2016), and approved by the resolution of URALCHEM, JSC’s annual General Meeting of Shareholders dated June 30, 2016 (annual General Meeting of Shareholders’ Minutes No. 42 dated June 30, 2016).

The accuracy of data in this Annual Report has been confirmed by URALCHEM, JSC's Revision Commission.

Chief Executive Officer
URALCHEM, JSC

Dmitry V. Konyaev