

An aerial photograph of a vast green agricultural field. The field is divided into curved, parallel rows of crops. In the lower-left quadrant, a red tractor is visible, moving through the rows. The overall scene is lush and green, suggesting a healthy crop.

Focused Efficient Responsible

Annual Report 2014

 **URALCHEM**

www.uralchem.com

URALCHEM is Russia's largest producer of ammonium nitrate and its derivatives and the second largest producer of ammonia and nitrogen fertilizers.

Efficiency is vital to our business

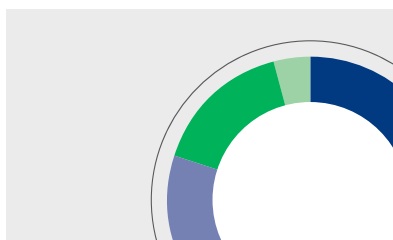
We implement an integrated programme to upgrade our production facilities and improve operating efficiency. These efforts are critical to the successful growth of the Group's business and consolidation of its leadership position in the market. Our performance in 2014 reflects our continued focus on:



Except when otherwise specified, all information and data contained in this Annual Report are as of 31 December 2014.

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.

The contents of the Annual Report and summary of key sections



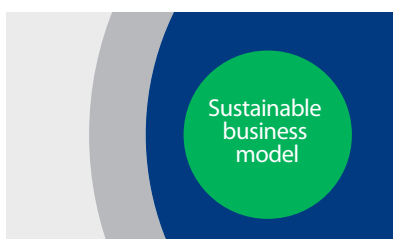
Performance highlights

The Group's key operating, financial and non-financial results in 2014.



Chairman's statement and Chief Executive's review

A review of URALCHEM's key events and achievements during the reporting year, the Group's growth prospects, and the market outlook.



Business model

The four key elements of the Group's business driving its leadership in the nitrogen fertilizer market.

Strategic Report

An overview of URALCHEM Group's operating performance in 2014 and a detailed analysis of financial and business results.

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Corporate Governance

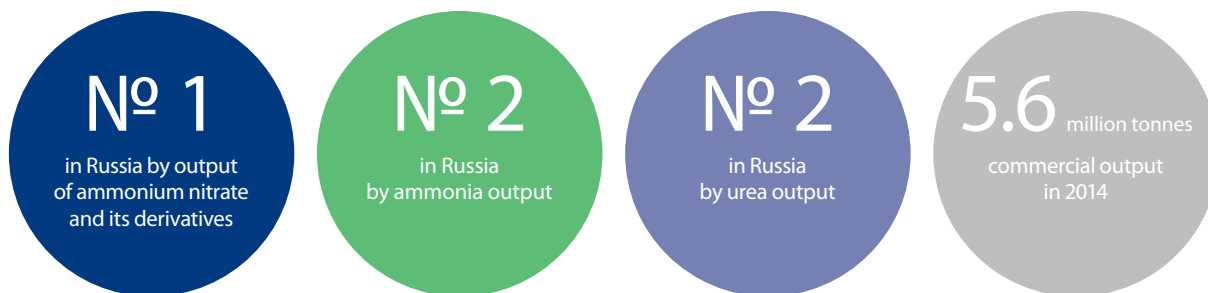
Composition of the Board of Directors and an overview of the corporate governance system in 2014.

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



Our assets

1

MFP KCCW, OJSC
Kirovo-Chepetsk



A leading Russian producer of nitrogen and complex mineral fertilizers. MFP KCCW produces over 10 types of products, including ammonium nitrate, ammonium nitrate with sulphur, and NPK/NPKS complex fertilizers. The plant's production capacity is 1,150 thousand tonnes of ammonia, 1,150 thousand tonnes of ammonium nitrate, and 850 thousand tonnes of complex fertilizers per year.

2

Azot Branch of URALCHEM,
OJSC Berezniki



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 1,150 thousand tonnes of ammonia, 1,350 thousand tonnes of ammonium nitrate, and 530 thousand tonnes of urea per year.

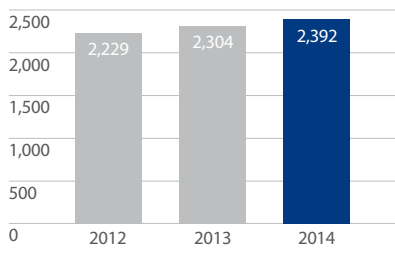
3

Minudobrenia, OJSC
Perm

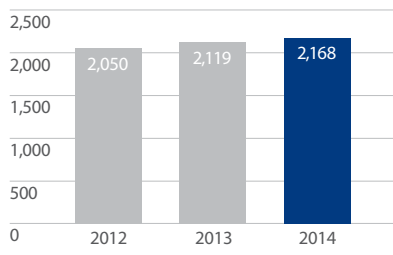


A leading producer of nitrogen fertilizers in the Urals region and western Siberia. The plant's production capacity is 600 thousand tonnes of ammonia and 670 thousand tonnes of urea per year.

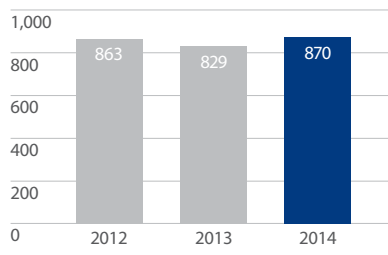
Commercial output, '000 tonnes



Commercial output, '000 tonnes

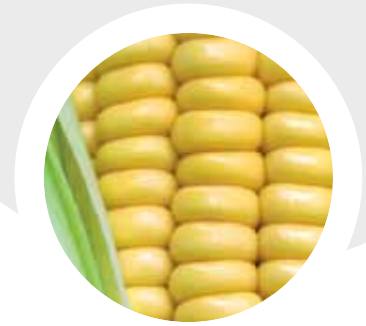


Commercial output, '000 tonnes



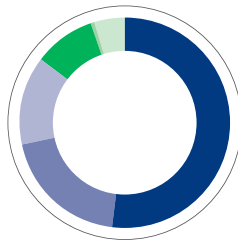
19.7%

URALCHEM's share of the Russian market for nitrogen fertilizers



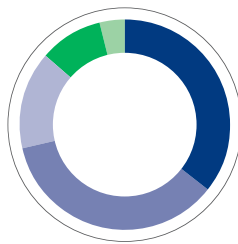
Commercial output in 2014, '000 tonnes

Ammonium nitrate and its derivatives	2,940
Urea	1,110
Commercial ammonia	777
NPK/NPKS complex fertilizers	522
DAP/MAP	41
Other products, including acids	255



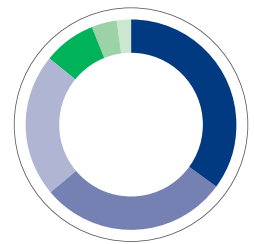
Production capacity in 2014, million tonnes

Ammonia	2.9
Ammonium nitrate and its derivatives	2.9
Urea	1.2
NPK/NPKS complex fertilizers	0.8
DAP/MAP	0.3



Product sales by world region in 2014 (by volume)

Latin America	35%
Europe	29%
Russia	22%
Africa	8%
CIS	4%
Asia	2%



Our assets

4

Voskresensk mineral fertilizers, OJSC Voskresensk



VMF was until recently a leading producer of phosphate fertilizers, fodder additives, and phosphoric and sulphuric acids in the Russian market. In the reporting period, 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.

5

Logistics URALCHEM-TRANS, LLC



Over 97% of the Group's products are shipped by rail, with URALCHEM-TRANS, LLC providing the freight transportation services. URALCHEM-TRANS operates its own rail car fleet, along with the Murashi repair depot. Railway transportation volumes in 2014 were 5.8 million tonnes of products, including raw materials.

The Group's product exports are delivered mostly by sea, with SIA URALCHEM Trading (Riga, Latvia) handling sea port transshipment of products and their transportation by sea. In 2013, URALCHEM commissioned its own sea port terminal – Riga fertilizer terminal, and in 2014 the Group acquired a controlling stake in SIA Ventamonjaks, the largest liquid ammonia transshipment terminal on the Baltic Sea, with a capacity of 1 million tonnes per year.

A total of 3.6 million tonnes of commercial products were shipped for export via sea ports.

6

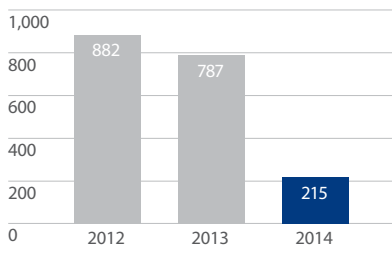
Sales



URALCHEM offers its products in more than 60 countries around the world. In 2014, the Group sold 1.4 million tonnes of products in Russia and the CIS, and supplied 4.2 million tonnes for export. The biggest importers of URALCHEM's products are Brazil, Mexico, Finland, Peru and Ireland.

Sales in Russia and the CIS are covered by URALCHEM Trading House, LLC, while the Group's products in the foreign markets are sold by SIA URALCHEM Trading (Latvia) and URALCHEM TRADING DO BRASIL LTDA. (Brazil).

Commercial output, '000 tonnes



Where we operate

Presence in all key markets for mineral fertilizers

URALCHEM seeks to establish a long-term presence in all key export markets for mineral fertilizers and enter new regions with high sales margins.

Efficient balance between export and domestic sales

Share of total revenue from Latin America

32%

Latin America

South and Central America are the world's biggest importers of the Group's products by volume, with the regional markets representing 35% of the Group's total sales volume in 2014. Brazil is the single largest importer in the region.

◆ URALCHEM TRADING DO BRASIL LTDA., São Paulo

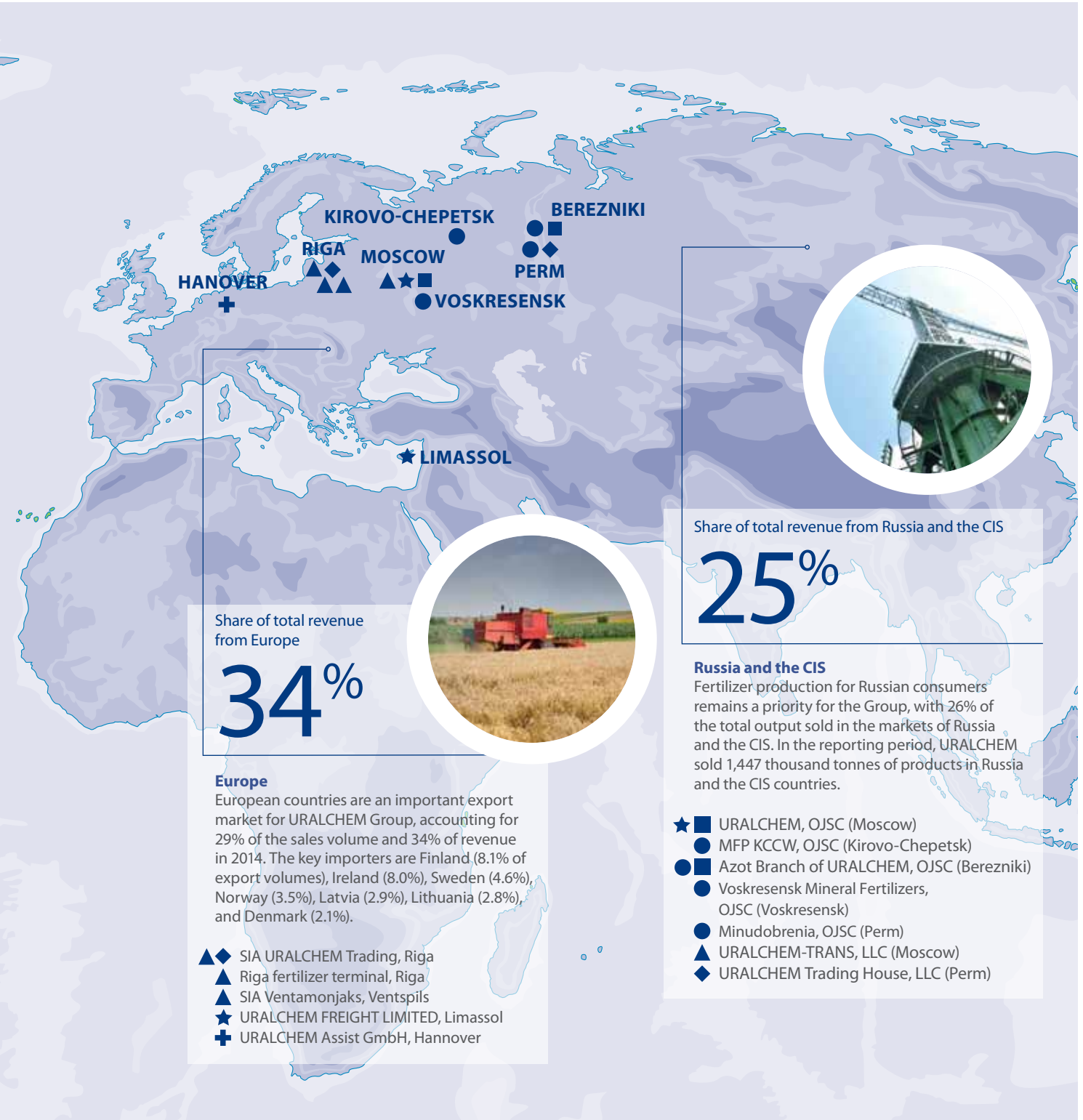
Map key

- ★ Holding companies
- Management companies
- Production assets
- ▲ Transport and logistics
- ◆ Sales
- + Services

SÃO PAULO

80
types
of products

60
countries
of operation



Share of total revenue from Europe

34%

Europe

European countries are an important export market for URALCHEM Group, accounting for 29% of the sales volume and 34% of revenue in 2014. The key importers are Finland (8.1% of export volumes), Ireland (8.0%), Sweden (4.6%), Norway (3.5%), Latvia (2.9%), Lithuania (2.8%) and Denmark (2.1%).

- ◆ SIA URALCHEM Trading, Riga
- ▲ Riga fertilizer terminal, Riga
- ▲ SIA Ventamonjaks, Ventspils
- ★ URALCHEM FREIGHT LIMITED, Limassol
- + URALCHEM Assist GmbH, Hannover



Share of total revenue from Russia and the CIS

25%

Russia and the CIS

Fertilizer production for Russian consumers remains a priority for the Group, with 26% of the total output sold in the markets of Russia and the CIS. In the reporting period, URALCHEM sold 1,447 thousand tonnes of products in Russia and the CIS countries.

- ★ ■ URALCHEM, OJSC (Moscow)
- MFP KCCW, OJSC (Kirovo-Chepetsk)
- ■ Azot Branch of URALCHEM, OJSC (Berezniki)
- Voskresensk Mineral Fertilizers, OJSC (Voskresensk)
- Minudobrenia, OJSC (Perm)
- ▲ URALCHEM-TRANS, LLC (Moscow)
- ◆ URALCHEM Trading House, LLC (Perm)

2014 Highlights

Sustainable growth with the industry's best profitability

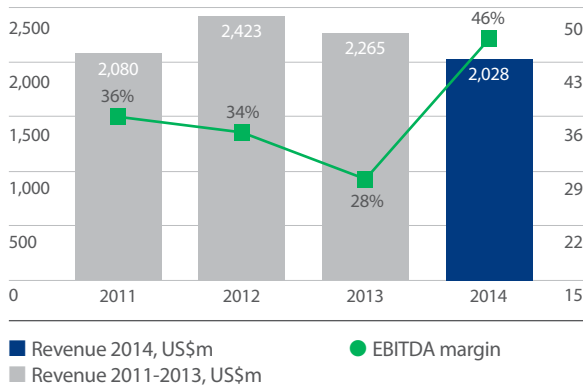
Financial highlights

US\$**2,028** million
revenue

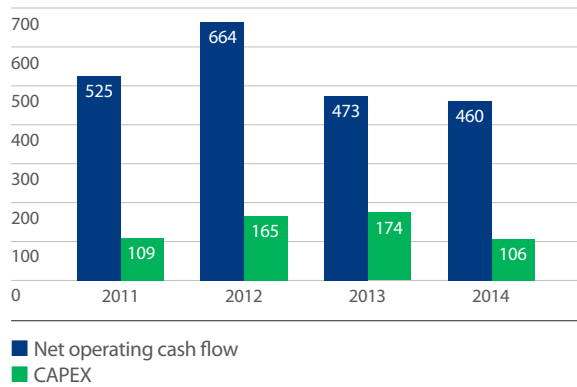
46%
EBITDA margin

US\$**106** million
investments

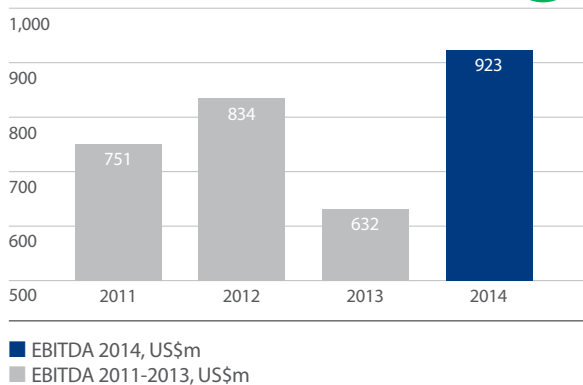
Revenue and EBITDA margin, in 2011-2014



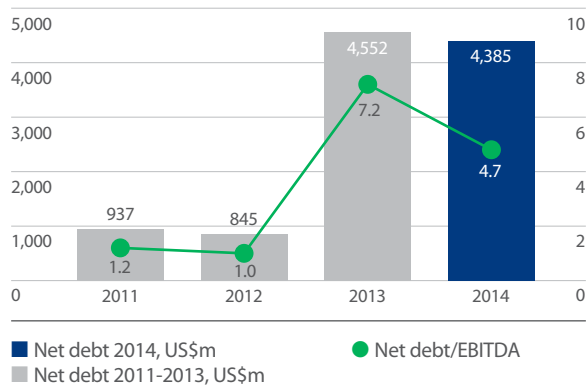
Cash flow and investments in 2011-2014, US\$m



EBITDA in 2011-2014, US\$m



Financial position in 2011-2014





+3.0%

output growth at nitrogen enterprises

Operating highlights

80

types of products

60

countries of operation

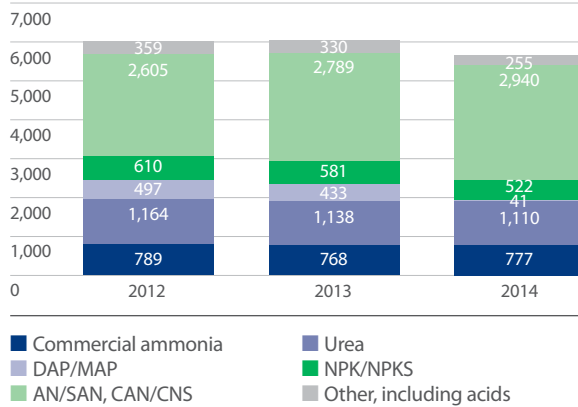
10,298

employees

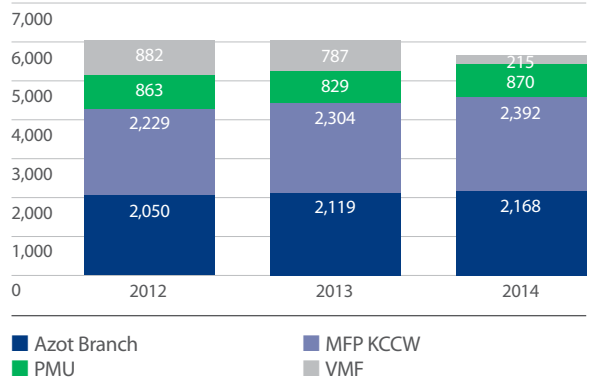
+4.2%

labour productivity growth

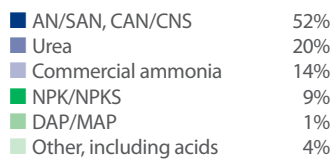
Production breakdown by product in 2012-2014, '000 tonnes



Production breakdown by enterprise in 2012-2014, '000 tonnes



Output structure by product in 2014



Commercial output breakdown by enterprise in 2014



Time for effective solutions



“We have changed a lot in the past ten years – learning new things, gaining new experience, looking for the best solutions and rarely failing to find them.”

2014 proved to be quite a challenging year for the industry in general and for our Company in particular; however, URALCHEM once again demonstrated its effectiveness and strength, as well as its management's ability to respond promptly and effectively to the changing environment. In the context of a general economic slowdown, financial instability, and challenging conditions in a number of markets, the Company has retained a leading position in the production of its core products, posting a good set of operating and financial results. This success was driven by our ability to respond to challenges and find effective solutions in any situation, and also by the commitment and engagement demonstrated by our employees in achieving our common goals.

In 2014, the Company focused on improving internal business efficiency, i.e. maintenance and expansion of existing production capacity, enhancing the efficiency of logistics and sales, improving the quality of investment planning, minimising management costs. The Company's strategy was adjusted in 2014. We have defined an objective for 2019: to become the largest producer of mass consumption nitrogen fertilizers with the best operating performance.

In 2014, the Company focused on improving internal business efficiency, i.e. maintenance and expansion of existing production capacity, enhancing the efficiency of logistics and sales, improving the quality of investment planning, minimising management costs.

With the acquisition of Ventamonjaks ammonia transshipment terminal in Ventspils in 2014, and the Riga fertilizer terminal reaching its design capacity, the Company's logistics were taken to a new level. We were able to ensure virtually 100% continuous and safe shipment of our products for export, and the difficulties with transportation faced by some other producers in 2014 confirmed that our efforts were well-timed and justified.

In 2014, we continued to develop our new asset – Uralkali, where we acquired a 20% stake in late 2013. As a managing shareholder, we sought to gain a deep understanding of Uralkali's business specifics, optimise its business processes, and implement best practices based on our own experience as part of our efforts to improve the management system of the potassium producer. It was a challenging task, and we continue working hard on it.

Sadly, an accident that occurred at the Solikamsk-2 mine, in Solikamsk in late 2014, had its toll on the company's performance and results; however, we are fully confident that Uralkali will overcome these difficulties and retain its position. The company remains a leader of the global potassium industry, with good profits and a favourable fundamental outlook. We remain confident that in 2013 we made a profitable strategic investment with significant added value potential for both companies.

In my opinion, one of our major achievements in 2014 was the recovery – albeit partial as yet – of Voskresensk Mineral Fertilizers, OJSC, with the plant's core team still in place. By early 2014, it was already clear to us that the plant would have to be idled due to the lack of phosphate rock, used as feedstock, and we had to provide a clear vision for its future development. An emphasis on innovations has always been the Company's strength. It means not only launches of pioneering products and technologies but also our ability to find effective solutions to unconventional problems. We leveraged the entire R&D potential and expertise offered by enterprises comprising the Group, along with the new opportunities that opened up with the acquisition of interest in Uralkali. Right now, VMF is strongly focused on launching the production of granulated potassium fertilizers, and I have no doubt that very soon this task will be successfully completed.

Ten years ago, supported by a team of industry professionals who shared our vision, we started building a business that would later become URALCHEM. We started consolidating assets back in 2004, when Kirovo-Chepetsky Khimichesky Kombinat joined the Group that was just taking shape. Today, URALCHEM is an ambitious major player with a solid market position, vast production capabilities, future-proof logistics, and a strong expertise in providing services to businesses. I am very glad to continue working with the same team of like-minded people building a high-performance profitable company, and developing new lines of business. We have changed a lot in the past ten years – learning new things, gaining new experience, looking for the best solutions and rarely failing to find them. New professional members joined the team, bringing in their expertise, energy and talent. The Company was growing and evolving as we developed. The journey URALCHEM has travelled over these ten years is really spectacular. I deeply appreciate the support of those who were at the roots of our Company, as well as those who joined us at a later stage. I hope we will continue working together towards new achievements.

I would like to thank the Board of Directors, the management team, and all employees of URALCHEM for their excellent performance and commitment, for their contribution to our joint success, and for their willingness to go beyond their job description. It all helps us not only to consolidate the Company's positions in the global industry but also improve its competitive edge, and face the future with confidence.

Dmitry A. Mazepin

Chairman of the Board of Directors URALCHEM, OJSC

Focus on internal efficiency



“We closed the year exceeding the production targets in our business plan by 2%.”

In 2014, the mineral fertilizer industry worldwide suffered less than other industries from the adverse developments in the global economy; however, markets continued to show signs of instability throughout the period. Although prices for bulk nitrogen products were down year-on-year, ultimately, the average annual rates were 15% to 20% higher than we expected. In H2 2014, ammonia prices exceeded the levels of 2013.

All our companies engaged in the production of nitrogen fertilizers operated at full capacity during the past year, which secured a 3% growth in production volume in this segment year-on-year – from 5.2 million tonnes to 5.4 million tonnes. This growth was driven by the successful implementation of initiatives to increase daily plant output rates at the Group's enterprises and significantly reduce scheduled repair times. All in all, we closed the year exceeding the production targets in our business plan by 2%.

The Company set yet another all-time record in the output of our primary product – ammonium nitrate and its derivatives, with the total gross output above 2.9 million tonnes. This increase of 5.4% year-on-year strengthened URALCHEM's position as the leading Russian producer of this type of fertilizers. In addition, the Company achieved new absolute records in the gross output of ammonia and weak nitric acid.

The overall operating performance was undermined by a prolonged forced downtime at Voskresensk Mineral Fertilizers, caused by the refusal of the monopoly supplier to continue supplies of phosphate rock to the plant. Consequently, the phosphate fertilizer output declined by 90%, from 433 thousand tonnes to 41 thousand tonnes. As a result, the total commercial output of core products in 2014 was 5.6 million tonnes, down 6.5% year-on-year.

The Company demonstrated strong financial performance. In 2014, EBITDA grew by 46% year-on-year to US\$923 million, which is almost double our target. EBITDA margin reached a historical high of 46%, making our Company the industry leader by this measure. These extra margins were surely driven, among other things, by the financial and economic factors linked to currency rate fluctuations and the market environment; however, our efforts to improve business efficiency also greatly contributed to achieving this result.

In 2014, URALCHEM implemented an integrated programme to upgrade production facilities and improve the operational procedures, which increased labour productivity across the Group by 4.2% year-on-year. The ammonia plant upgrades also helped reduce natural gas consumption rate from 1,130 m³/tonne to 1,104 m³/tonne per one tonne of ammonia, generating an extra US\$7 million.

2.9 million tonnes
record output of ammonium
nitrate and its derivatives

US\$923 million
EBITDA in 2014

A number of milestones were achieved by the Company in 2014. In the middle of the year, Riga Fertilizer Terminal achieved its annual design capacity of 2 million tonnes, with the total volume of cargo handled in 2014 reaching 1.7 million tonnes. In H2 2014, URALCHEM acquired a controlling stake in Ventamonjaks, a liquid ammonia transshipment terminal in Ventspils, Latvia, with a capacity of up to 1 million tonnes per year; in the reporting period its transshipment volume exceeded 475 thousand tonnes of ammonia. With the two terminals becoming part of the Group, we can improve our logistics efficiency and ensure uninterrupted export supplies of all our products.

Despite a challenging economic environment, in 2014, we carried on with the implementation of our investment programme and capital investment programme covering our facilities. Investments were primarily focused on renovating the existing plants to increase outputs and reduce consumption rates, replacing worn-out equipment, driving performance, reducing the environmental footprint of our production facilities, launching new products, and improving logistics efficiency. The Group's capital expenditures totalled US\$106 million, including US\$35 million spent on investment projects, and US\$71 million invested in equipment upgrades and capitalised repairs.

The AM-70 ammonia plant modernisation was completed at MFP KCCW in 2014, along with a project to expand the capacity of one of its two nitric acid plants. Production of anhydrous calcium nitrate was successfully launched.

Azot Branch completed the project to increase the potassium nitrate output by 44%. In addition, initiatives to improve the performance of the 1A and 1B ammonia plants were implemented.

In 2014, PMU started preparations for the launch of the biggest project in the Company's history, with a scheduled timeframe of 5 years. The project aims to increase the daily output rate of the urea plant from 1.9 thousand tonnes to 2.7 thousand tonnes, which means an annual output increase of 250 thousand tonnes. In addition, PMU continued upgrading its ammonia plant to increase output and improve uninterrupted plant operation.

Towards the end of 2014, we partially resumed operations at Voskresensk Mineral Fertilizers. Currently the enterprise runs two sulphuric and phosphoric acid plants that provide feedstock to the Ammophos 2 shop producing complex fertilizers and monoammonium phosphate. In 2014, it was decided that URALCHEM and Uralkali would co-fund the project to design and build a pilot potassium chloride granulation plant. The project is scheduled for completion in 2015.

In 2014, URALCHEM continued its human resources development initiatives. Targeted programmes aimed at attracting young specialists helped reduce the average age of our staff employed in the sector of nitrogen fertilizers to 40 years. Considerable effort was invested over the year in the improvement of vocational training systems for employees in various occupations, as well as the development of management skills at all levels of leadership. Over the year, over 7,000 employees of the Group (about 70% of the total headcount) completed relevant training programmes.

2014 saw continued improvement of the Company's organisational structure and relocation of support functions to the United Service Centre, a shared services centre. The USC has made good progress over the year, having accommodated and standardised a wide range of services in accounting and tax reporting, treasury operations, IT and communications support to all the Company's business units. In 2015, the USC will continue its development towards a comprehensive consulting and support unit capable of addressing multidimensional tasks at the Group level.

In 2015, we will continue implementing the Company's new strategy, adopted in 2014 and focused on maximising output at existing facilities by boosting production efficiency and improving energy and resource efficiency. We will also continue optimising our product portfolio with an emphasis on commodities to maximise margins. In sales, we will seek to maintain a long-term presence in the key markets and develop direct sales. In logistics, we will shift the focus from logistics security to managing logistics efficiency. As for improving HR management efficiency, our primary tasks will be to ensure a stable inflow and retention of highly skilled staff at our enterprises over the longer term, and to increase labour productivity.

I would like to thank all URALCHEM's employees for their good performance in the past year. As the challenging situation in the domestic and global economy continues into 2015, we need to stay agile and maximise our performance. Our future goals are far more ambitious than those achieved in 2014. I wish you all good luck and success in achieving these goals!

Dmitry V. Konyaev

Chief Executive Officer URALCHEM, OJSC

Business model

Efficiency in every aspect of the business

Sales

- > Focus on increasing sales performance
- > Strengthening positions in target markets and growing presence in premium markets
- > Direct sales
- > Demand forecasts
- > Additional services to customers



Engaged employees

Sustainable
business
model

Logistics

- > Logistics efficiency improvements
- > Proprietary fleet of railway cars
- > Proprietary port terminals in the Baltic Sea



Improving operating efficiency

URALCHEM Group's operation relies on a sustainable business model that ensures high efficiency in any market conditions.



Improving efficiency every day

Production

Increasing output through improved efficiency

Ramping up production at existing facilities through improvements in equipment performance and investment in equipment upgrades.

Production ramp-up

> The Group consistently upgrades its facilities to ramp up production

Environmental safety

> Environmental safety is a key area of investment for the Group

+5.4%

growth in the output of ammonium nitrate and its derivatives



1



2



3

Response to market changes

> Flexible production system enables quick response to changes in the market

Logistics

Improving logistics efficiency

+34%

increase of
the share of block
train shipments

Integrated supply chain:
plant – rail – sea port.



Expansion of rail car fleet

> The Group is expanding its fleet of rail cars, reducing its dependence on third-party car owners



Enhancement of port facilities

> Proprietary port facilities ensure reliable export supplies of URALCHEM's products and enable transshipment cost control

Business model

Improving efficiency every day

Sales

Increasing sales income

Efficient balance between export and domestic sales.



Focusing on sales of base and derivative products

Providing additional services to customers

Prioritising direct sales

Strengthening existing market positions and entering new markets

Sales performance



Raw materials and suppliers

Reducing resource and power consumption

Efficient consumption of raw materials and resources is key to URALCHEM's operating efficiency.

2.3%

reduction of gas consumption rates per tonne of produced ammonia

9%

decrease in consumption of specific power

1

Raw materials

> URALCHEM is committed to improving operating procedures to reduce specific consumption of natural gas, power, other raw materials and energy

2

Contracts with suppliers

> Long-term contracts with suppliers allow the Group to fix prices for raw materials and services and plan future price changes

Strategy

Leveraging our integrated business model to meet our strategic goals

The Group's strategic goal is to become Russia's largest producer of mass consumption nitrogen fertilizers with the best operating performance.

Strategic goals	Our performance in 2014	Priorities for 2015
<p>1 Production ramp-up at existing facilities through organic growth in output</p> <p>Priorities</p> <ul style="list-style-type: none">> enhancing performance of existing equipment;> minimising failures and production downtime;> reducing raw materials and energy consumption rates.	<ul style="list-style-type: none">> no. 1 in Russia by output of ammonium nitrate and its derivatives in 2014: URALCHEM's highest ever output of ammonium nitrate and its derivatives – 2,940 thousand tonnes (gross) in 2014, a 5.4% increase year-on-year;> no. 2 in Russia by ammonia output, with URALCHEM's record total gross output of 2,856 thousand tonnes, up 1.3% year-on-year. 1.1% increase in commercial ammonia output to 777 thousand tonnes in 2014;> no. 2 in Russia by urea output, with a total output of 1,110 thousand tonnes in 2014;> 2.4% increase in daily output of ammonia plants: from 1,656 tonnes per day to 1,695 tonnes per day;> 2.3% decrease in natural gas consumption rates per one tonne of ammonia produced (from 1,130 m³/t to 1,104 m³/t) due to upgrades;> shorter unscheduled downtime at core production facilities: downtime reduced by 18.5% year-on-year: from 6,810 hours in 2013 to 5,550 hours in 2014.	<ul style="list-style-type: none">> achieving production targets across the Group;> further implementation of production upgrade and technical re-equipment programme;> enhancing equipment performance;> reducing resource and energy consumption rates;> ensuring smooth and safe operation of production facilities;> improving maintenance and repair processes.



+2.4%

increase in daily output of ammonia

Strategic goals	Our performance in 2014	Priorities for 2015
<p data-bbox="288 846 328 882">2</p> <p data-bbox="288 891 584 918">Operating model improvement</p> <p data-bbox="288 999 371 1021">Priorities</p> <ul data-bbox="288 1025 620 1079" style="list-style-type: none"> > optimising business processes; > improving management processes. 	<ul data-bbox="687 831 1062 1534" style="list-style-type: none"> > improving management processes based on a review of the management company's role, review of roles split between different management levels, centralisation/decentralisation of certain process management roles; > business process optimisation: detailing key processes; definition of competences and responsibilities across different management levels and vertical functions; > strategy cascaded into KPIs both at the management company level and at the level of controlled companies, with KPIs linked to strategy and incentive scheme; > consolidating the management company's focus on defining areas for URALCHEM's development and making key management decisions; > initial implementation of the system of authority at enterprises and the management company; > centralisation of individual functions common to the Group companies: all companies moved over to using the United Service Centre (USC), a shared services centre, with financial and IT support tasks transferred thereto. 	<ul data-bbox="1098 831 1442 1048" style="list-style-type: none"> > evaluating business processes for subsequent optimisation; improving management processes based on review of performance in respective areas; > assessing the USC's performance and potential for centralisation/decentralisation of individual functions and activities.

Strategy

Leveraging our integrated business model to meet our strategic goals

continued

Strategic goals	Our performance in 2014	Priorities for 2015
<p>3</p> <p>Efficient cost management</p> <p>Priorities</p> <ul style="list-style-type: none">> managing fixed costs;> optimising production costs by cutting variable costs;> increasing labour productivity;> enhancing operating performance.	<ul style="list-style-type: none">> 4.2% increase in labour productivity through upgrades to production facilities and improvements to operational procedures;> new procurement formats introduced: new version of the regulation on bidding procedures approved; methodology to develop procurement annual work plans developed and implemented; general requirements to the IT system for structural units engaged in procurement defined;> procurement category groups established, and relevant strategy developed for each group; orders placed via a dedicated electronic platform;> efficient credit portfolio management;> efficient investment project management system.	<ul style="list-style-type: none">> cost control and optimisation;> divesting the Group's non-core assets to maximise the value of its core business;> cutting fixed costs, including logistics costs;> long-term planning for CAPEX program, maximising the efficiency of investment activity.
<p>4</p> <p>Sales stability and margins</p> <p>Priorities</p> <ul style="list-style-type: none">> identification of the best higher-margin markets to sell products;> providing additional services to customers;> growing sales volumes through direct sales/distributors, focusing on sales to end consumers in the Russian market;> focusing on sales of base products and derivative products;> developing sales to the industrial sector.	<ul style="list-style-type: none">> 46% EBITDA margin – at the top of the industry;> share of direct sales increased to 84% in 2014 versus 75% in 2013;> marketing strategy developed for CAN, CAN +S, NPK, NS and other niche products;> export sales of large volume products to non-CIS countries at prices above the quotes cited in internationally recognised publications;> the nutritious nitrogen premium built into the price of ammonium nitrate maintained at 20% versus the nutritious nitrogen premium added to the urea price.	<ul style="list-style-type: none">> securing sales volumes and sales channels;> protecting and growing market share in Russia;> expanding sales into markets outside Russia;> maintaining focus on sales performance.



+9%

increase in direct sales in 2014

Strategic goals	Our performance in 2014	Priorities for 2015
<p>5 Logistics efficiency improvements and logistics security</p> <p>Priorities</p> <ul style="list-style-type: none"> > single operation point for rail transportation: URALCHEM-TRANS, LLC; > building a single supply chain: plant – rail – sea port; > reducing rail car turn-around times; > maintaining rail cars in proper operating condition. 	<ul style="list-style-type: none"> > Riga fertilizer terminal reached design capacity in June 2014; > SIA Ventamonjaks ammonia terminal acquired in August 2014; > the share of block train shipments increased by 34% – from 542 to 725 block trains per year; > own/leased fleet of tank cars for ammonia transportation increased by 200 units, to 1,311 cars; > reduced use of brokers to charter vessels (-45% year-on-year). Operation via exclusive brokers abandoned. 	<ul style="list-style-type: none"> > shifting the focus from ensuring logistics security to improving logistics efficiency; > operating port facilities at maximum efficiency; > reducing the number of rail cars needed to transport 1 million tonnes of products; > growing the share of block train shipments; > expanding own fleet of rail cars.
<p>6 Development of the HR management system</p> <p>Priorities</p> <ul style="list-style-type: none"> > ensuring the recruitment of skilled resources over the long term; > building a robust remuneration system linked to performance; > increasing labour productivity; > improving the quality of human resources; > improving employee engagement to achieve the Company's objectives. 	<ul style="list-style-type: none"> > the average age of staff at nitrogen enterprises reduced by one year through additional retirement benefits and recruitment of young talent; > bonus scheme implemented to reward product output above targets; > management by Objectives (MBO) system expanded to cover extra 116 participants (530 people in total); > training programmes for all management levels developed and implemented (296 managers completed training, including top managers – 47% more than in 2013), as well as remote training programmes for employees; > seven professional standards developed for priority occupations (covering 30% of URALCHEM's employees); > recruitment and Succession Planning processes automated; > employee engagement levels improved by 11%. 	<ul style="list-style-type: none"> > continuous training for managers to ensure business continuity and efficiency; > managing costs efficiently in an unstable economic environment, and encouraging employees to be more resource-conscious; > automating Talent Management, Unified Remuneration Methodology, and HR Administration processes; > securing the Company's future through building a pipeline of young talent; > developing competencies in selected business areas.

Mineral fertilizer market

International market

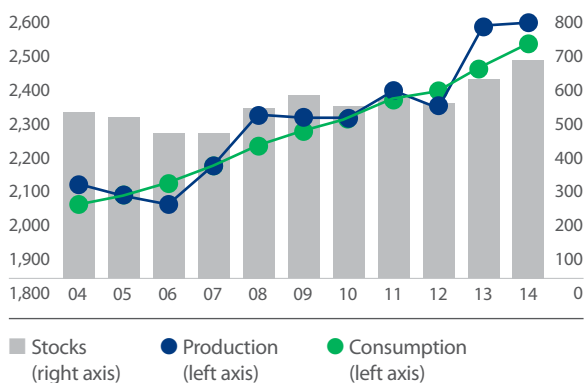
Demand for mineral fertilizers

According to the International Fertilizer Industry Association (IFA), global demand for mineral fertilizers grew by 0.5% year-on-year to 184.0 million tonnes in nutrient value. The consumption of nitrogen fertilizers rose 0.8%, and potassium fertilizers were up 1.7%, while the demand for phosphate fertilizers dropped by 1.3%.

Like 2013, 2014 was a challenging year for the global mineral fertilizer market. Expectations of record grain outputs drove the prices for agricultural crops down, while the expansion of cultivated areas and affordable prices contributed to sustained high demand for fertilizers. In North America, Europe and CIS countries, the demand for fertilizers was flat year-on-year, while demonstrating a slight growth in Africa and Latin America.

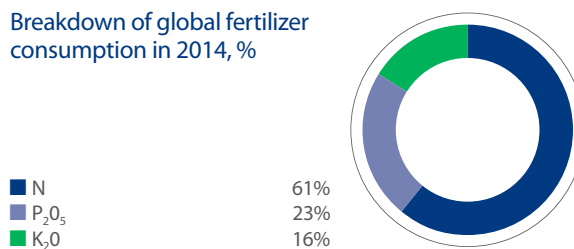
The use of fertilizers depends to a large extent on subsidies. According to IFA, today, nearly half of all fertilizer consumption is subsidised, and any future developments in government subsidy policies may have either a positive or negative effect on demand levels.

Global crop production and stocks in 2005-2015, million tonnes in nutrient value¹



In the reporting period, the breakdown of fertilizer consumption remained unchanged from the previous year: nitrogen fertilizer accounted for 61%, phosphate fertilizers 23%, and potassium fertilizers 16%.

Breakdown of global fertilizer consumption in 2014, %



Global fertilizer consumption, 2013-2015²

Million tonnes in nutrient value	2013	2014	2015 (forecast)
Nitrogen (N)	110.9	111.8	113.3
Phosphate (P ₂ O ₅)	42.1	41.6	41.8
Potassium (K ₂ O)	30.1	30.6	30.9
Total	183.1	184.0	186.0

Production capacity

In 2014, the aggregate global output of ammonia, phosphate ore and potassium raw materials rose 3% year-on-year to 240.0 million tonnes in nutrient value (N, P₂O₅, K₂O), including 184 million tonnes of nutrients used as fertilizers.

Global ammonia production capacity grew by 5.7 million tonnes in 2014. New capacity came online in China, Turkmenistan, Iran and Venezuela. In nearly all these countries ammonia plants are integrated with urea production facilities. Total urea production capacity additions in the reporting period exceeded 13 million tonnes per year, with the bulk of this growth coming from new production in China (10.6 million tonnes per year). In 2014, the total production capacity of ammonium nitrate and related products (as ammonium nitrate solution) grew by 353 thousand tonnes of nitrogen (up 1.2% year-on-year), driven largely by upgrades to the existing production facilities. In the phosphate fertilizer segment, the most notable projects that came online were phosphoric acid plants in Morocco (capacity of 850 thousand tonnes per year), Jordan (940 ktpa), and Indonesia (380 ktpa).

¹ Estimates of the UN Food and Agriculture Organisation (FAO).

² Hereinafter, reference is made to the data provided by Michel Prud'homme, IFA, November 2014, unless otherwise indicated.

Global price trends for mineral fertilizers³

In 2014, prices in the mineral fertilizer market were volatile. In the reporting period, average prices for nitrogen fertilizers declined year-on-year. The price of urea FOB Black/Baltic Sea dropped by 5-7%, ammonium nitrate 2%, and potassium fertilizers 5%.

In the period from mid-January to the end of May, urea prices at CIS sea ports also declined. The most important drivers of this decline were the depreciation of national currencies in importing countries (India, Turkey, and Brazil) and the resulting lack of current demand. In early May, operations were suspended at two plants of NF Trading AG in Ukraine due to the local political crisis. In late May, after the annual IFA Conference closed, prices picked up as large purchases started in Brazil and due to orders for Chinese supplies to the United States.

By the beginning of the low export duty period in China (1 July), China Nitrogen Fertilizer Industry Association took a number of measures to prevent price decline. The Association's steps enabled price stabilisation for Chinese shipments to India and largely sustained prices in the third quarter. The price growth was also due to dwindling supplies from Ukraine, the Middle East, and North Africa.

The declining prices in September-November reflected lower grain prices, weakening of the Euro against the U.S. dollar, and lower current demand. In December, prices recovered moderately on the back of an increased demand from the United States and Europe, and a slight decline in urea supply resulting from growing sales of commercial ammonia by suppliers.

In early 2014, in the run-up to the peak of the planting season and the accompanying shortfall in ammonium nitrate supply resulting from increased demand from CIS states, prices for ammonium nitrate reached US\$315-320 per tonne. As the planting season drew to a close and supply was up, asking prices went down. In early June, prices rose again, bolstered by the demand from Brazilian consumers and due to halted operations at two large plants in Ukraine. Then, with a new shortfall in demand, prices went down again. At the end of 2014, the price for 1 tonne of ammonium nitrate FOB Black/Baltic Sea was US\$285-290.

In early 2014, DAP/MAP prices jumped due to an early active demand from Latin America and Europe combined with limited supply; in mid-March, however, the demand declined markedly. Importers relied on their stocks, postponing new purchases in anticipation of the low duty period in China. Prices continued to decline until mid-May, and then stabilised in anticipation of demand pick-up in India. In June, export supply dwindled because of rising domestic supply in the CIS states, China, and the United States; the lower supply pushed prices up in July.

In the period from mid-August to early December, price declines were largely due to shortfalls of current demand. In December, prices recovered on the back of increased purchases in South-East Asia, Latin America, Australia, and East Africa. Producers, operating below capacity in the previous months, were quick to cover the December demand. Prices were also supported by increased domestic demand in the United States in the run-up to the season, and the bankruptcy of Mississippi Phosphates Corporation, which idled production of phosphate fertilizers.

Global price trends for mineral fertilizers, 2013-2014

	2013	2014	+/-, %
Ammonia, FOB Yuzhny	478	496	+3.8%
Ammonia, CFR Tampa	546	544	-0.4%
Urea, FOB Baltic Sea	329	313	-4.9%
Prilled urea, CFR Brazil	361	340	-5.8%
Ammonium nitrate, FOB Baltic Sea	287	282	-1.7%
Ammonium nitrate, FOB Black Sea	288	281	-2.4%
DAP, FOB Tampa	444	472	+6.3%
MAP, FOB Baltic Sea	455	470	+3.3%
MAP, CFR Brazil	481	488	+1.5%

In 2014, the phosphate segment registered a supply-demand gap. The emerging markets demonstrated a steady demand growth while the key markets in Western Europe, North America, the Middle East, and South Asia contracted.

In 2014, India remained the largest DAP importer globally, with purchases of 3.6 million tonnes, up 3% year-on-year, with China remaining the largest exporter in the phosphate segment: DAP and MAP sales in the reporting period were 4.9 and 2.3 million tonnes (3.8 and 0.7 million tonnes, respectively, in 2013).

³ Hereinafter, the information is based on the AZOTECON Plus' study Fertilizer Industry of Russia, Q4 2014.

Mineral fertilizer market

International market

continued

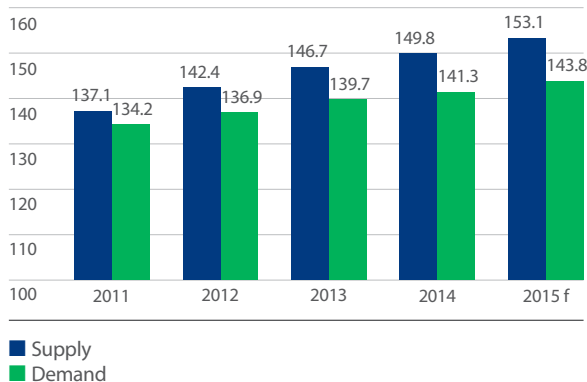
Breakdown of supply and demand by mineral fertilizer segment⁴

Nitrogen fertilizers

Ammonia

In 2014, the ammonia supply outpaced demand by 6.0%, or 8.5 million tonnes, with ammonia exports recovering to the 2012 level at 18.7 million tonnes (up 4.7% year-on-year). The deficit for ammonia in South Asia, Europe and Latin America increased, while in North America it declined. According to IFA, the demand for nitrogen fertilizers rose by 0.8% in 2014 and is expected to grow by 1.3% in 2015. The industrial demand for ammonia was up 1.2% in 2014, and is expected to grow by at least 2% in 2015.

Global ammonia supply and demand, 2011-2015, million metric tonnes

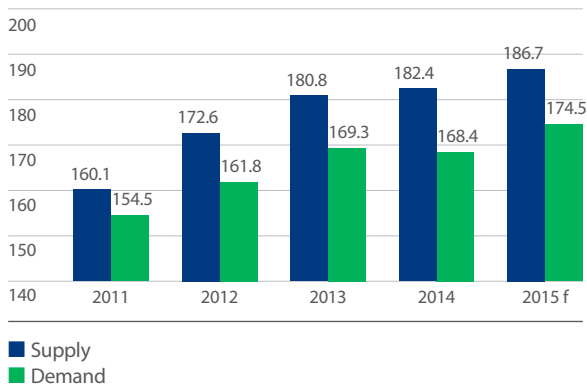


Urea

In 2014, the urea supply outpaced demand by 14 million tonnes, or 8%. The demand for urea in the reporting period was almost flat year-on-year at 168.4 million tonnes.

We expect that with China abandoning its seasonal “export window” and shifting to lower fixed duties the nitrogen fertilizer market will become less volatile and more predictable. In addition, the liberalisation of Chinese export regulation in 2014 resulted in a noticeable depletion of urea stocks in China, which means that any considerable increase in the already high urea exports can hardly be expected. At the same time, the prospective expansion of production capacity in the Middle East and North Africa might result in increased competition in the Eastern hemisphere. IFA estimates that in 2015, the urea demand will grow to 174 million tonnes, or by 4%.

Global urea supply and demand, 2011-2015, million metric tonnes



⁴ Hereinafter, reference is made to the data provided by Michel Prud'homme, IFA, November 2014, unless otherwise indicated.



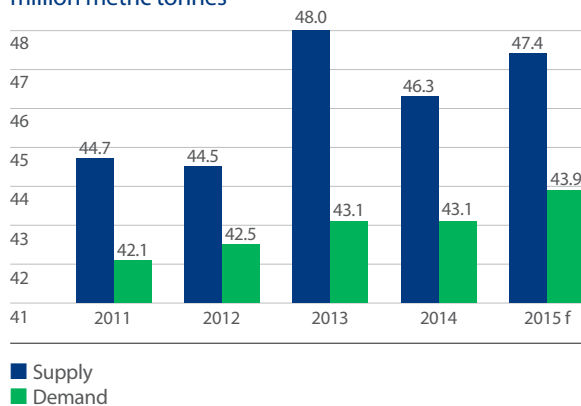
+0.8%

growth in demand
for nitrogen fertilizers in 2014

Phosphate fertilizers

In 2014, the demand for phosphoric acid stayed flat year-on-year at 43.1 million tonnes, while the supply outpaced demand by 3.2 million tonnes, or 7%. A growth in demand was registered in the emerging markets of Latin America, East Asia, Africa and Oceania, while demand declined in the key markets in Western Europe, North America, the Middle East, and South Asia. In 2015, new phosphoric acid production capacity is expected to come online in Morocco, India, Indonesia, and Belarus.

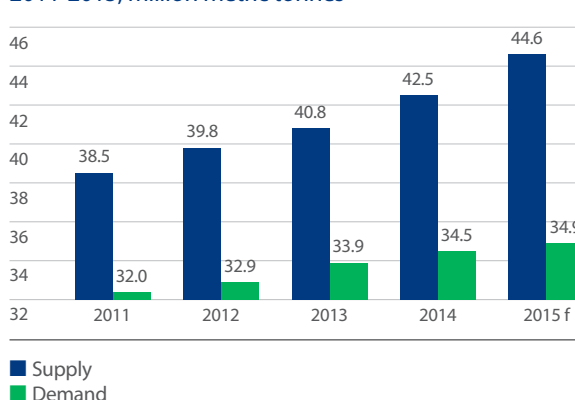
Global phosphoric acid supply and demand, 2011-2015, million metric tonnes



Potassium fertilizers

In 2014, the supply of potassium fertilizers exceeded the demand by 8 million tonnes, primarily due to new plants launching production in the United States and China. The biggest contributors were Mosaic and Intrepid of the United States, and China's Zhonghang Sanjia Guiye and Qinghai Bingdi. Demand grew by a mere 0.6 million tonnes, while supply rose by 1.7 million tonnes. IFA experts expect that in 2015, new production capacity coming on stream in Russia, Belarus, and Canada will further increase the supply-demand gap.

Global potassium fertilizer supply and demand, 2011-2015, million metric tonnes



Mineral fertilizer market

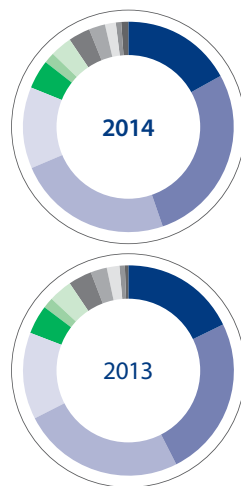
Domestic market⁵

Production of mineral fertilizers in Russia

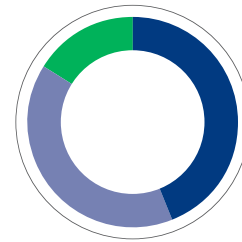
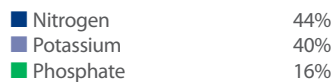
In the reporting period, the domestic production of mineral fertilizers in Russia rose 6.7% year-on-year to 18.7 million tonnes in nutrient value, driven primarily by the potassium fertilizer output, which increased from 6.2 to 7.4 million tonnes, or by 20%. The production of nitrogen and phosphate fertilizers declined slightly compared to 2013. The nitrogen fertilizer output was 8.2 million tonnes in nutrient value, slightly down (-0.5%) from 2013. The phosphate fertilizer production contracted by 0.8% to 3.0 million tonnes (3.1 million tonnes in 2013). The ammonia output was 14.6 million tonnes in 2014, up 1.5% year-on-year.

Nitrogen and phosphate fertilizer production in Russia remained practically unchanged. URALCHEM, with a share of 15.0%, remained in a strong third place, retaining its leadership in the production of ammonium nitrate and its derivatives, and it is second largest in ammonia and nitrogen fertilizers.

Breakdown of nitrogen and phosphate fertilizer production in Russia



Output of mineral fertilizers in Russia, million tonnes in nutrient value



In 2014, the utilisation ratio of mineral fertilizer production capacity in Russia rose 5.4% year-on-year, reaching 86.3%. The nitrogen fertilizer production capacity was used at the 2013 level (82.2%), while the utilisation ratio of potassium fertilizer production capacity declined to 82.2% from 83.8% in 2013. The utilisation ratio of nitrogen fertilizer manufacturers rose by 15.6 p.p., reaching 93.3% (77.7% in 2013).

Nitrogen fertilizers accounted for the bulk of mineral fertilizer production in 2014 – 44%, or down 4 p.p. year-on-year. The share of potassium fertilizers rose considerably, reaching 39.7 million tonnes, up 4.5 p.p., while the share of phosphate fertilizers declined to 16.4% from 17.7% in 2013.

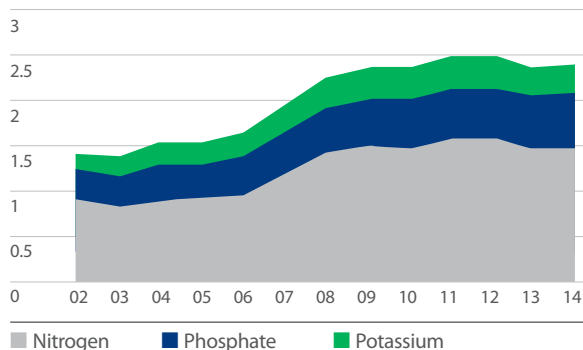
Domestic consumption

In 2014, Russian agricultural producers acquired 2.4 million tonnes of mineral fertilizers in nutrient value (up 1.4% year-on-year). Sales of nitrogen fertilizers to agricultural producers were almost flat year-on-year (-0.3%), while the consumption of potassium and phosphate fertilizers rose by 3.1% and 4.9%, respectively. Aggregately, agricultural companies acquired 12.8% of all mineral fertilizers produced in Russia in 2014 (13.5% in 2013).

The lack of funds was the main reason behind the absence of any considerable growth in mineral fertilizer purchases by Russian agricultural producers. Despite the existing mechanisms of state support for agriculture, many agricultural companies were limited in their ability to raise funds, with the situation aggravated by declining prices for agricultural products in international markets.

⁵ Hereinafter, the information is based on the AZOTECON Plus' study Fertilizer Industry of Russia, Q4 2014.

Changes in shipments of mineral fertilizers to the Russian agricultural sector in 2002–2014, million tonnes in nutrient value



The Russian Ministry of Agriculture estimates that, in 2015, the seasonal field work will require 2.6 million tonnes of mineral fertilizers, including 2.0 million tonnes for the spring field work.

Export sales

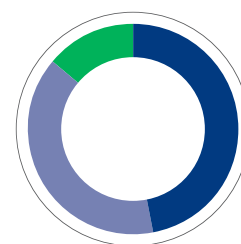
In 2014, Russian mineral fertilizer exports rose 16.9% year-on-year, reaching a record high of 15.0 million tonnes in nutrient value. This increase was driven primarily by record growth in potassium exports (annual exports up 53%), coming mostly from the sales of potassium chloride. Exports of nitrogen fertilizers in the reporting period were almost flat year-on-year (+0.6%). Exports of phosphate fertilizers declined 13.1% year-on-year on the back of lower exports across all products.

In 2014, Russian manufacturers exported 71.6% of all nitrogen-containing fertilizers (as nitrogen) produced domestically (70.9% in 2013), and 71.5% of all phosphate-containing fertilizers. The share of exports in potassium fertilizer output reached 95%. Potassium chloride accounted for 34.2% (by volume) of all mineral fertilizers exports in 2014, urea for 17.5%, complex fertilizers 14.0%, ammonium nitrate 16.3%, and DAP/MAP 8.4%.

In the segment of raw materials and intermediate products, export sales of ammonia, sulphur and phosphate rock rose year-on-year, with the highest growth rate at 14.9% year-on-year demonstrated by sulphur exports.

Breakdown of Russian exports by type of mineral fertilizers in 2014

Potassium	47.0%
Nitrogen	39.2%
Phosphate	13.8%



Outlook

According to the FAO report World Fertilizer Trends and Outlook to 2018, the demand for fertilizers will reach 200.5 million tonnes in 2018, an increase of 25% from 2008. Global demand for fertilizers is estimated to grow at 1.8% per year. The fertilizer supply will outpace the demand, with the growing surplus of nitrogen, phosphate and potassium fertilizers. The demand for nitrogen fertilizers is expected to grow at the rate of 1.4% per year, phosphate and potassium fertilizers 2.2% and 2.6%, respectively.

Operating review

Production

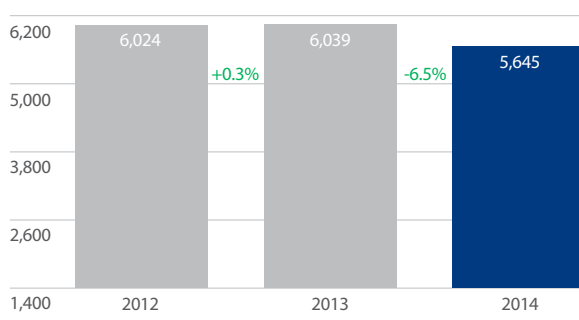
Throughout 2014, URALCHEM continued consolidating its positions: once again we became Russia's largest ammonium nitrate producer, and achieved new all-time records for gross outputs of gross ammonia and weak nitric acid.

Production

URALCHEM is a Russian market leader in the production of mineral fertilizers. In 2014, commercial output of the Group's core products was 5,645 thousand tonnes. The Group reinforced its leadership of the nitrogen fertilizer sector, remaining Russia's top producer of ammonium nitrate and its derivatives and the country's second largest urea and ammonia producer.

In 2014, the Group's commercial output declined by 6.5% year-on-year. Production fell mostly due to the forced suspension of operations at VMF. Early in 2014, the plant had to scale back production because its monopolistic supplier had discontinued supplies of phosphate rock, the key feedstock for phosphate fertilizer production.

Commercial output in 2012-2014, '000 tonnes



URALCHEM Group's commercial output in 2013-2014, '000 tonnes

Product	2013	2014	Change, '000 tonnes	Change, %
Ammonium nitrate and its derivatives	2,789	2,940	151	5%
Commercial ammonia	768	777	9	1%
Urea	1,138	1,110	-28	-2%
NPK/NPKS complex fertilizers	581	522	-59	-10%
DAP/MAP	433	41	-392	-90%
Other products, including acids	330	255	-75	-23%
Total	6,039	5,645	-394	-6.5%

Despite unfavourable domestic economic conditions, the output at all plants but VMF grew by 3% year-on-year.

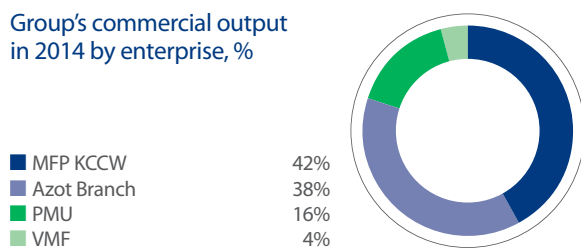
In 2014, URALCHEM achieved an absolute record in ammonia production, reporting a total gross output of 2,856 thousand tonnes, up 1.3% year-on-year. Ammonia output grew on the back of stable plant operation during the year, and due to upgrades performed to increase daily output at the facilities in the Perm Region and MFP KCCW, and shorter overhaul times.

Production of ammonium nitrate and its derivatives rose 5.4% in 2014, to 2,940 thousand tonnes, boosted by weak nitric acid production. Commercial ammonia production was up slightly (a 1.1% increase year-on-year to 777 thousand tonnes), which was attributable to increased gross output of ammonia. Urea production dropped by 2.5% in 2014, caused mainly by the market shift in favour of commercial ammonia. Output of complex fertilizers was down by 10.2% to 522 thousand tonnes, while production of phosphate fertilizers (MAP/DAP) fell by 90.4% to 41 thousand tonnes. Lower production of phosphate fertilizers was mostly due to production scale-back at VMF, resulting from the lack of phosphate rock.

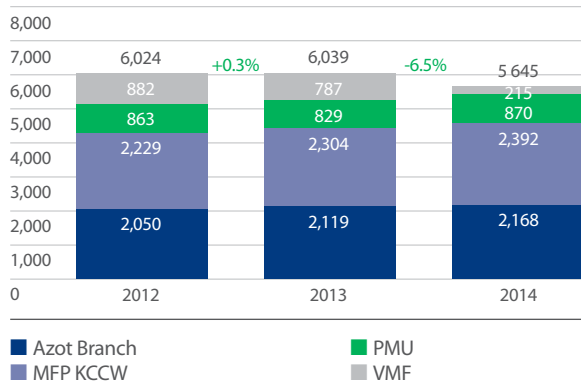
Having increased its output by 87.7 thousand tonnes, or up 3.8% year-on-year, MFP KCCW was the main contributor to the Group's production growth in 2014. Higher performance results were attributable to a set of initiatives to upgrade production facilities and introduce innovative technologies. It was followed by Azot Branch, which demonstrated production growth of 49.1 thousand tonnes or 2.3%. This growth was mainly driven by higher ammonium nitrate output, enhanced performance of nitric acid plants, and cancellation of overhauls.

PMU's output grew by 40.8 thousand tonnes or 4.9% year-on-year due to shorter overhaul and higher daily output of the ammonia plant, boosted by its upgrade.

Group's commercial output in 2014 by enterprise, %



Group's commercial output in 2012-2014 by enterprise, '000 tonnes



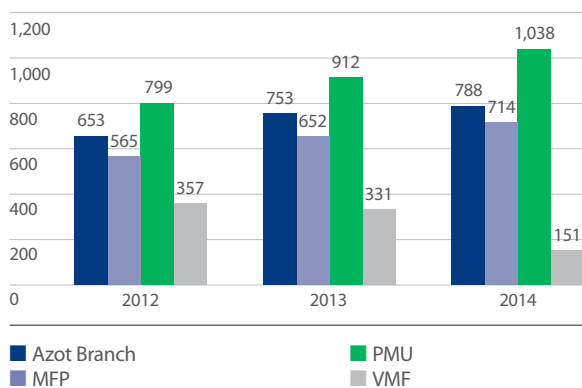
Efficiency improvements

In 2014, we implemented an integrated programme to upgrade production facilities and improve the operational procedures at the Group's enterprises, which increased labour productivity by 4.2% year-on-year. Overall, in 2014, product output per employee increased by 13.8% to 1,038 tonnes/employee at PMU, 4.7% to 788 tonnes/employee at Azot Branch, and 9.5% at MFP KCCW, reaching 714 tonnes/employee. However, VMF's output per employee dropped by 54.4% to 151 tonnes/employee, due to a lower output of phosphate fertilizers. The ammonia plant upgrade also helped reduce natural gas consumption rate from 1,130 m³/tonne to 1,104 m³/tonne per one tonne of ammonia.

In 2014, the Group focused strongly on 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.

In 2014, we shortened unscheduled downtime at our core production facilities by 18.5%, which in turn helped increase ammonium nitrate output at Azot Branch and ammonium nitrate derivatives and complex fertilizers at MFP KCCW vs 2013.

Labour productivity in 2012-2014, tonnes/employee



Operating review

Marketing

Product portfolio extension and marketing

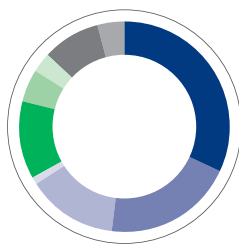
The Group's key objective is to supply mineral fertilizers to agricultural producers; therefore, our product portfolio includes a wide range of products for the agricultural industry. We also produce feedstock for the chemical industry and production of explosives. In total, we produced approximately 80 types of products in the reporting period.

We keep extending our product portfolio, which enables us to satisfy demand for the maximum number of consumers across different markets and segments. The Group's diversified product portfolio helps increase flexibility in responding to changes in the external environment and promptly adjust production volumes to mitigate potential losses and gain maximum profit under specific market conditions.

URALCHEM's product portfolio is divided into three segments: base products, derivative products (added-value products), and premium (niche) products. Base products account for the bulk of product output and include ammonia, ammonium nitrate, urea, MAP and DAP. In 2014, their share in the production structure declined by 1% year-on-year, totalling 67%. During the reporting period, we focused on the base products since the niche products could not offer the target margins in the current market conditions.

Product mix in 2014, %

Base products	
Ammonium nitrate	32%
Urea	20%
Ammonia	14%
MAP/DAP	1%
Derivatives	
SAN	12%
CAN/CNS	5%
NS	3%
Premium	
NPKS/NP	9%
Other	4%



URALCHEM's product range includes granular nitrogen, phosphate and complex mineral fertilizers, as well as water-soluble specialty fertilizers. The Group's products are sold in the Russian market and exported to more than 60 countries.

To cement our market positions, in 2014 we took a number of marketing initiatives to improve brand awareness, shape demand and increase sales income through direct sales to end consumers in each region where we operate. During the period, the Group was actively participating in various international agrochemical exhibitions globally and a number of construction and agricultural exhibitions.

For simpler communication with our foreign buyers, in Q1 2014 we launched websites in Spanish and Portuguese, a webpage for the UK and Irish markets, and websites in six languages for our specialty line ("Solar" brand) and products for industrial consumers.

The benchmarking of key qualitative parameters of URALCHEM's products conducted in 2014 was aimed at identifying promising areas of development in quality management. In addition, a set of initiatives was implemented to improve customer satisfaction with the Group's complex fertilizers.

The Group will further seek to implement marketing initiatives in sales support and expand sales into new markets for its premium products, as well as monitor customer needs in key target regions.

Calcium nitrate

Anhydrous calcium nitrate (brand "Premium") and concentrated calcium nitrate produced by MFP KCCW received a 100 Best Products of Russia award. Apart from the 100 Best Products of Russia award, MFP KCCW's Premium anhydrous calcium nitrate (brand "Premium") and concentrated calcium nitrate were recognised in the New Product of the Year category.

Logistics

Distribution and logistics

In 2014, URALCHEM took steps to expand its sea port facilities and improve logistics.

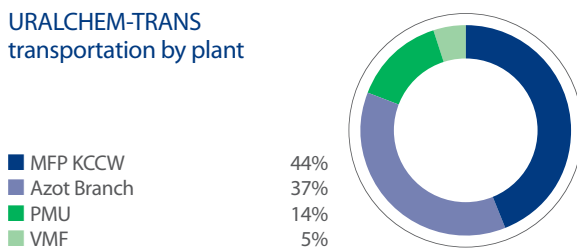
Railway transportation efficiency improvements

- > rail car fleet renewal +200 ammonia tank cars;
- > increased share of direct block train shipments +34%.

Rail is the most efficient way to deliver mineral fertilizer to buyers. Over 97% of the Group's products are shipped by rail. Rail logistics for all of the Group's enterprises is managed by URALCHEM-TRANS, LLC, which has a developed infrastructure and a fleet of both owned and leased rail cars.

The total volume of the Group's freight and raw materials transported by rail in 2014 was 5.8 million tonnes.

URALCHEM-TRANS transportation by plant



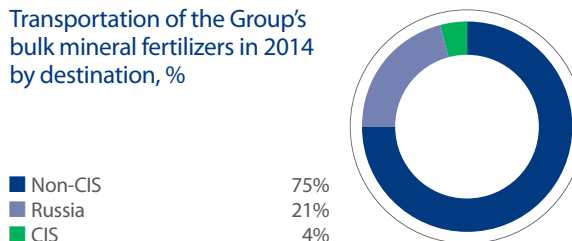
In 2014, we continued replacing leased rolling stock through renewal of our own rail car fleet. The Group purchased 200 new ammonia tank cars during the year. As at the end of 2014, URALCHEM-TRANS owned or leased a total of 1,311 tank cars, which is double the size of fleet in 2011. Own fleet ensures stability of operations, uninterrupted ammonia supplies and no risk of leased tank car withdrawals by the owners. As at the end of 2014, URALCHEM-TRANS operated 7,824 rolling stock units. In 2014, the number of rail cars reduced by 10.9% year-on-year due to lower production at VMF.

URALCHEM-TRANS has its own facilities for rolling stock maintenance, including both pre-load servicing at the plants and scheduled repairs at the Murashi depot (the Kirov Region). The Murashi depot has the capacity to perform any preventive repairs on rolling stock, with the exception of overhauls for rail car life extension.

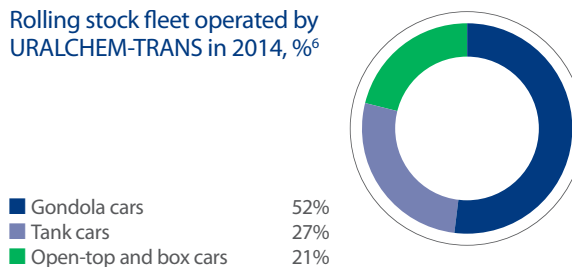
In 2014, URALCHEM-TRANS's Kirovo-Chepetsk Branch received a compliance certificate authorising it to perform maintenance and running repairs on diesel locomotives for Russian Railways, OJSC's requirements for locomotives running on public tracks. The certificate authorises the company to repair locomotives using its own facilities and staff. URALCHEM-TRANS can potentially provide such services to third party customers.

As part of setting up a single operation point for railway logistics, all railway facilities at MFP KCCW, Azot Branch, VMF and PMU production sites were consolidated into URALCHEM-TRANS. This initiative will help optimise inter-plant flows of feedstock and finished products.

Transportation of the Group's bulk mineral fertilizers in 2014 by destination, %



Rolling stock fleet operated by URALCHEM-TRANS in 2014, %⁶



⁶ Annual average.

URALCHEM continued to promote transportation of finished products by block trains in 2014. Over the year, 725 block trains were dispatched from the Group's production facilities, a 34% increase year-on-year. Total savings from lower rail rates were RUB136.8 million, with the share of block train shipments at 68%.

To cut the Group's transportation costs and minimise empty runs after unloading of mineral fertilizers, in 2014, URALCHEM-TRANS also provided transportation services to third parties. Such services to third parties yielded RUB89.6 million in 2014.

Sea port terminals

- > RFT terminal in Riga brought to the target capacity;
- > the Baltic Sea's largest ammonia transshipment terminal in Ventspils, Latvia, acquired.

The Group's export supplies of mineral fertilizers are shipped mainly by sea. Products are transported to a sea port either by rail or river. Product transshipment at sea ports and transportation by sea are arranged by SIA URALCHEM Trading (Riga, Latvia), which, apart from export sales of the Group's products, is also responsible for loading goods at ports and chartering vessels.

In 2014, URALCHEM shipped its products through the ports of Saint Petersburg, Riga, Vyborg, Novorossiysk, and a number of other ports.

A total of 3,618 thousand tonnes of commercial products, including 3,192 thousand tonnes of bulk fertilizers and 426 thousand tonnes of ammonia, were shipped for export via sea ports, a 6% increase year-on-year.

In 2014, we reduced the share of vessels chartered through brokers almost by 45% year-on-year and stopped contracting exclusive brokers, thus substantially cutting charter costs.

In July 2014, Riga fertilizer terminal (RFT), a sea port terminal launched in 2013, reached its full design capacity. During the year, RFT shipped 1.71 million tonnes of products, with the biggest fertilizer transshipment volume in one month exceeding 250 thousand tonnes. Currently, the terminal is fully prepared to handle shipments at its design capacity of 2 million tonnes. RFT's stable operation ensures uninterrupted product shipments from all URALCHEM's facilities. It minimises the time spent by loaded cars at production facilities and reduces turn-around times.

Ventspils ammonia terminal

- > 2 insulated tanks, 27 thousand tonnes each;
- > 2 loading racks for 54 tank cars;
- > 296 m wharf, depth 14.4 m;
- > D325 1,290 m long ammonia pipeline, 1 thousand m³/hour loading arms;
- > Compressors, pumps, intermediate tanks, flare systems;
- > Design capacity: 1 million tonnes per year.

In 2014, URALCHEM acquired a controlling 55% stake in SIA Ventamonjaks, the largest liquid ammonia transshipment terminal on the Baltic Sea, with a capacity of 1 million tonnes per year. The terminal transhipped a total of 475.6 thousand tonnes of commercial ammonia in 2014. The terminal is located in the ice-free Free Port of Ventspils and operates two ammonia warehouses with an aggregate capacity of 54 thousand tonnes. This allows the Group to guarantee timely shipment of products and boosts the efficiency of logistics processes due to an increased share of block train shipments.

The availability of sea port warehouse facilities also improves stability and reliability of supplies to our customers.

Plans for 2015

In 2015, we plan to further improve our logistics security and enhance logistics efficiency by growing the share of block train shipments. We will continue building a fully operational supply chain: plant – rail – sea port. The Group also expects to launch tank container transportation to reduce its reliance on chemical tank cars that are in short supply in the market, and cut finished products transportation costs.

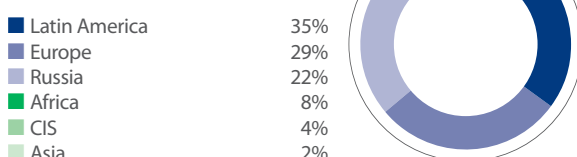
Sales

1.71
million tonnes
of products shipped
through RFT in 2014

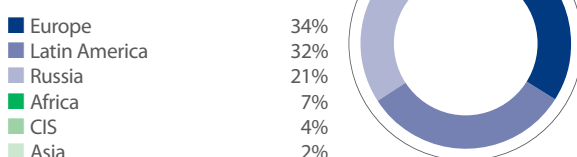
Sales

In 2014, the Group's sales of finished products (by volume) totalled 5,603 thousand tonnes, with 74% of sales attributed to exports to non-CIS countries and 26% to sales in Russia and the CIS.

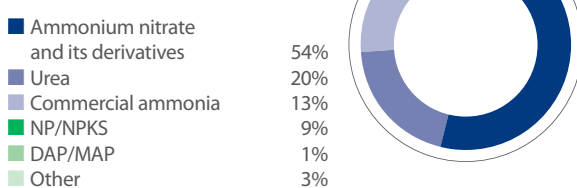
Sales by world region in 2014 (by volume), %



Revenue by world region in 2014, %



Sales by product type in 2014 (by volume), %

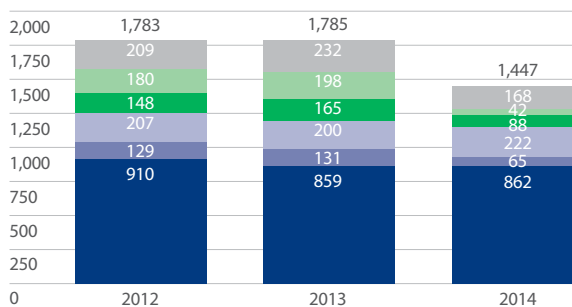


Sales in Russia and the CIS

URALCHEM sold 1,447 thousand tonnes of products in the Russian and CIS markets in 2014 versus 1,785 thousand tonnes a year before.

In line with the historical pattern, ammonium nitrate and its derivatives accounted for the bulk of demand in Russia and the CIS, representing 60% of sales or 862.1 thousand tonnes, versus 859.3 thousand tonnes in 2013. Urea sales totalled 221.8 thousand tonnes, an increase of 22.3 thousand tonnes year-on-year, driven by sales expansion into new markets and market share gains in traditional markets. Mono- and diammonium phosphate sales dropped to 42.2 thousand tonnes versus 198.2 thousand tonnes a year earlier, due to partial suspension of production at VMF; the share of complex fertilizer sales shrank for the same reason (a drop of 77 thousand tonnes year-on-year). Ammonia sales declined almost two-fold year-on-year to 65.4 thousand tonnes due to an increase in ammonia exports.

Sales in Russia and the CIS in 2012-2014, '000 tonnes



■ Ammonium nitrate and its derivatives ■ NP/NPKS
■ Commercial ammonia ■ MAP/DAP
■ Urea ■ Other

In the Russian market, the Company's priority is offering innovative products and services to high-performance enterprises. We focus on forging long-term relationships with end consumers, with contract pricing based on publicly available data sources for maximum transparency of our activities. During the last year, we were actively promoting comprehensive supplies to agricultural producers and industrial sector consumers across the range of products. This allowed us to realise synergies by fully capturing the customer demand.

Operating review

Sales

continued

Our 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 URALCHEM and consumers of its products. Strict adherence to the Trade Policy helps build customer trust, grow the customer base, and improve sales performance.

The share of direct sales in Russia exceeds 70%, a telling sign of the Trade Policy's efficiency.

Sales in Russia and CIS

In 2014, the total sales of water-soluble ammophos reached 3.4 thousand tonnes, up 9% year-on-year, while calcium nitrate sales grew to 20.5 thousand tonnes.

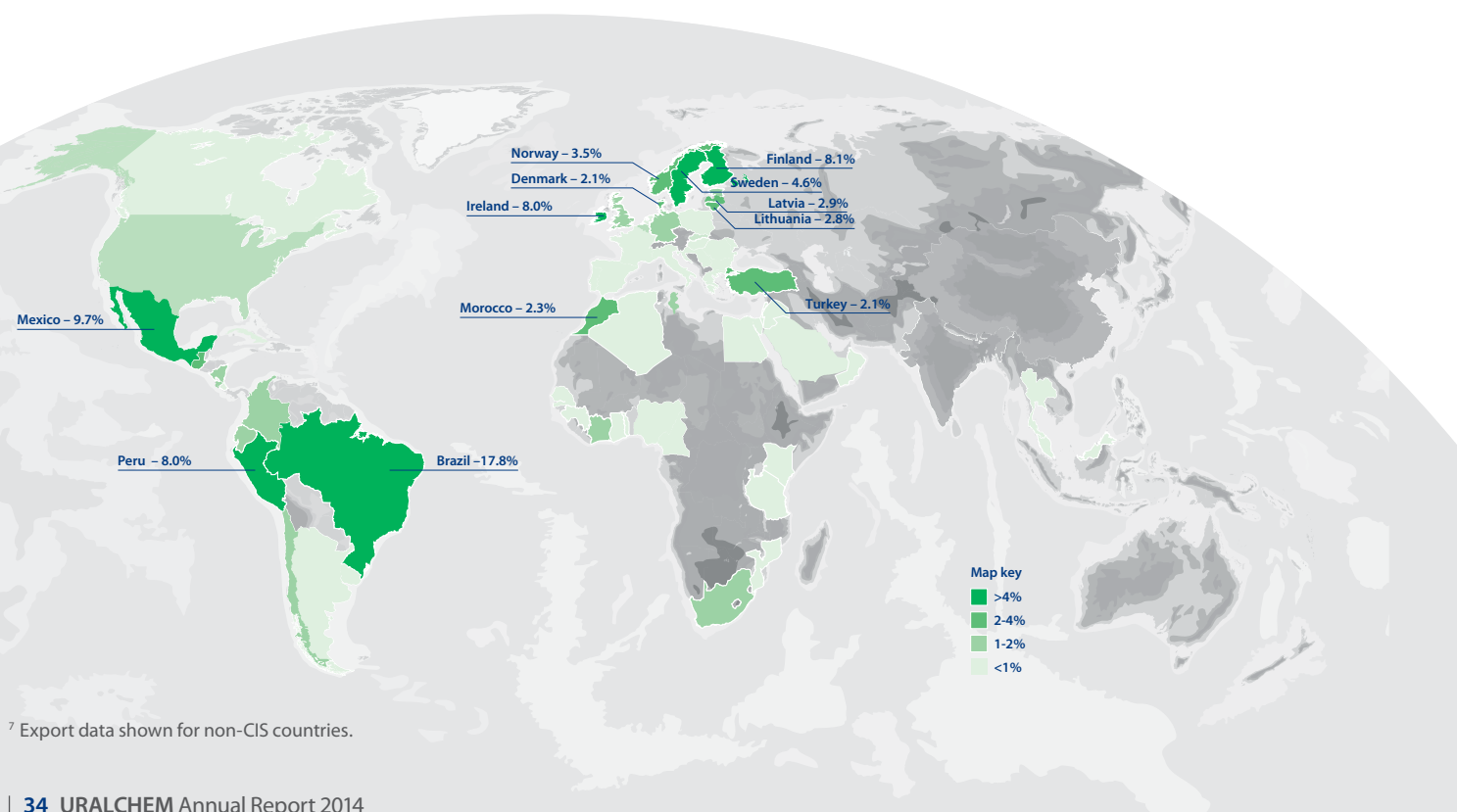
Export sales

The Group exported 4,156 thousand tonnes of products in 2014, up by almost 4% year-on-year.

Ammonium nitrate and its derivatives accounted for over half of the foreign demand (51% of export supplies, or 2,130 thousand tonnes of products). In 2014, export sales of ammonia sales increased by 22% to 665 thousand tonnes, while urea sales declined 3% to 903 thousand tonnes, due to a more favourable pricing environment in the ammonia markets. Export sales of complex fertilizers were almost flat year-on-year at 424 thousand tonnes, a drop of 10 thousand tonnes compared with 2013. Export sales of mono- and diammonium phosphate declined from 224 thousand tonnes to 23 thousand tonnes due to partial suspension of production at VMF. The Group exported its products to over 60 countries in 2014.

The shares of Peru and Mexico, URALCHEM's largest exporters, grew noticeably in 2014. Brazil remains the Group's key market beyond Russia and the CIS, accounting for 17.8% of export sales. During the year, Turkey's share of the Group's export supplies almost halved – from 4.1% to 2.1%.

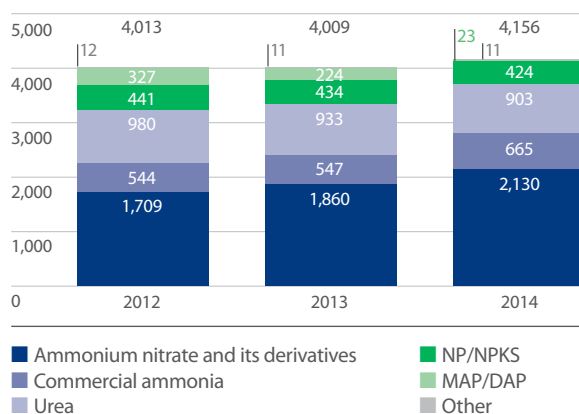
URALCHEM Group's exports in 2014, %⁷



⁷ Export data shown for non-CIS countries.

Investments

Export sales by product in 2012-2014, '000 tonnes



Investment programme and capital investments

URALCHEM implements its long-term investment programme focused on new production projects, technical re-equipment of existing facilities, and acquisition of promising assets. The Group's key objective is to increase output, primarily in base products, improve efficiency, and reduce resource consumption rates.

The 2014 capital investment programme was focused on projects in the following areas:

- > replacing worn-out and obsolete equipment;
- > driving performance and increasing the environmental safety of production;
- > developing logistics through expansion of the rail car fleet and construction of proprietary transshipment facilities.

Investment programme

As at the end of 2014, the Group had a pool of key investment projects until 2019, expected to grow output to 6.5 million tonnes per year. Base products in its product portfolio, primarily nitrogen fertilizers, is where URALCHEM sees the highest output growth potential. The Group seeks to increase production of ammonium nitrate and its derivatives, as well as urea and ammonia, through upgrades to its current facilities.

The Group invested in three areas:

- > investment projects aimed at introducing new technologies to improve the production process efficiency and/or manufacture new products. URALCHEM's KPIs for these investment projects include targets for increased output and/or reduced resource consumption;
- > capital investment projects aimed at maintaining or upgrading existing facilities;
- > capitalised repairs carried out every 18 months or less frequently to keep equipment in serviceable condition.

In 2014, the Group's CAPEX totalled US\$106 million, inclusive of VAT, of which US\$35 million was allocated for investment projects, US\$61 million for worn-out equipment upgrades, and US\$10 million for capitalised repairs.

URALCHEM Group's investments by area in 2014, US\$m, inclusive of VAT

	US\$m	Share
Investment projects	35.4	33%
Capital investments	60.7	57%
Capitalised repairs (with standard periods between repairs exceeding 18 months)	10.2	10%
Total	106.3	100%

Investments by the Group's enterprises in 2014, US\$m, inclusive of VAT

	US\$m
MFP KCCW, OJSC	35.9
Azot Branch	33.1
Minudobrenia, OJSC	5.7
Voskresensk Mineral Fertilizers, OJSC	3.6
Fertilizer transshipment terminal in the sea port of Riga	6.4
Other	21.6
Total	106.3

Investments

continued

Key investment projects in 2014

MFP KCCW

Investments: US\$35.9 million

In 2014, investments at MFP KCCW were primarily aimed at building up capacity to manufacture new products and renovating the existing plants to increase output of mineral fertilizers and chemical products.

We launched commercial production of anhydrous calcium nitrate, which proved to be in high demand in the market. Given the high demand, we initiated development of an investment project to expand the production capacity of anhydrous calcium nitrate. The indicative amount of funding required for the project is estimated at approximately US\$15 million.

In 2014, we completed an upgrade project on the AM-70 ammonia plant, boosting its capacity to 1,700 tonnes per day and cutting the natural gas consumption rate. The investments amounted to US\$7.9 million, inclusive of VAT. In 2014, we also resolved to pursue a number of projects for a total of US\$9.3 million, inclusive of VAT, to further enhance the plant's efficiency:

- > renovating the air compressor;
- > installing a synthesis gas dehydration system; and
- > upgrading the syngas compressor turbine.

In 2014, the Group completed a project to expand the capacity of AK-72 No. 1 nitric acid plant, with a view to boosting production of ammonium nitrate, for which nitric acid is used as a feedstock. The investments totalled US\$7.0 million, inclusive of VAT.

In 2014, we approved a large-budget investment project to re-equip the ammonium nitrate plant, which will help increase its daily output and improve operational stability. The project's budget is US\$4.0 million, inclusive of VAT. At the same time, we launched the first phase of a project to renovate trunk gas pipelines to improve reliability of gas supplies to the facility. The budget for the project's Phase 1 is US\$5.6 million, inclusive of VAT.

Azot Branch

Investments: US\$33.1 million

In 2014, investments at Azot Branch were made primarily in projects to increase production, reduce raw materials consumption, develop transport infrastructure and improve environmental safety.

In 2014, we implemented a project to increase the output of potassium nitrate, a high-margin product which will improve the enterprise's product range diversification. The investments amounted to US\$1.9 million, inclusive of VAT.

In addition, a set of upgrade initiatives were implemented on ammonia plants 1A and 1B, aimed primarily to increase output and improve production efficiency. In 2014, Azot Branch continued implementing a project to renovate Beraton biological treatment facilities. In particular, we took steps to reduce the quantity and concentrations of pollutants in waste water, and developed project documents for renovation of treatment facilities and the intake conduit over 7 km long. The project financing in 2014 was US\$1.5 million, inclusive of VAT.

During the year, Azot Branch also started building its own shunting yard near Zayachya Gorka railway station. Investments in 2014 totalled US\$2.4 million, inclusive of VAT.

PMU

Investments: US\$5.7 million

In 2014, we continued the ammonia plant upgrade programme at PMU to increase output, reduce raw materials consumption and mitigate the impact of weather conditions on uninterrupted plant operation. Project completion is expected in 2015. In 2014, we resolved to implement two extra projects to improve the ammonia plant's performance:

- > upgrading the natural gas compressor; and
- > stabilising the plant's performance.

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 will total about US\$3.2 million, inclusive of VAT.

A decision was taken in 2014 to prepare a project to upgrade the urea plant to increase its capacity to 2,700 tonnes per day. As part of the project, US\$7.9 million, inclusive of VAT, will be allocated for the development of design documents.

VMF

Investments: US\$3.6 million

In 2014, URALCHEM and Uralkali, PJSC started developing potassium chloride granulation technology and construction of a pilot plant at VMF. The pilot plant trials proved the effectiveness of the technology, and an R&D project was initiated to develop the technology to a commercial scale.

In 2014, VMF took steps to improve the quality of its water-soluble MAP, including the installation of an additional filter and a new evaporator, and optimisation of process conditions. As a result, the Group improved the product quality and fully met customer needs.

URALCHEM-TRANS

In 2014, URALCHEM further invested in building up its rolling stock. The Group signed contracts to acquire 200 new ammonia tank cars on a finance leasing basis. In addition, we resolved to initiate a project for paint-spraying booth construction to reduce rail car painting costs and combine painting with scheduled repair.

Liquid ammonia transshipment terminal in Ventspils

In 2014, URALCHEM acquired a controlling 55% stake in SIA Ventamonjaks, the largest liquid ammonia transshipment terminal on the Baltic Sea, with a capacity of 1 million tonnes per year, located in the ice-free port of Ventspils. The acquisition helped improve logistics cost control and ensure reliable supplies across the entire plant-to-end consumer transportation chain (see more details on the project on page 32).

The acquisition fits in with the Group's strategic objective of ensuring logistics security and efficiency of product supplies. A year earlier, URALCHEM constructed the first phase of a 2 million tonnes-per-year bulk fertilizer transshipment terminal in the port of Riga. The terminal is intended to service all classes of vessels used in the Baltic Sea for mineral fertilizer transshipment.

R&D and innovations

The Group heavily invests in research and R&D projects, seeking to introduce unique technologies at its enterprises to improve 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. As at the end of 2014, the Group had more than 100 R&D employees. Spending on R&D and innovations totalled US\$57.3 million in 2014, a 3% increase year-on-year.

In R&D, we collaborate with a number of Russian and foreign research centres, institutes and organisations, including Lomonosov Moscow State University, Russian State Agricultural University, Penza State University, Novosibirsk State University, Gvozdev Research Institute of Concrete and Reinforced Concrete, CERIB (France), Geneseeds Recusos Geneticos LTDA (Brazil), ADUAI Consultoria LTDA (Brazil), Inifap (Mexico) and others.

Key research areas in 2014 included:

- > development of potassium nitrate production process based on potassium chloride conversion in nitric acid solution. The key challenge was preventing the accompanying release of highly toxic and corrosive nitrosyl chloride and chloride. This was the main obstacle to scaling up the method to commercial production. Conversion at low temperatures and in certain conditions to enable conversion to take place within acceptable time periods and without the release of nitrosyl chloride and chloride was proposed as a solution. The developed technology solution enables production of potassium nitrate with a chloride ion content of less than 0.1%;
- > development of a technology to produce granulated potassium chloride. Owing to its spheric-shaped granules (unlike the conventionally pressed products), the fertilizer produced using this technology offers a number of unique consumer properties for fertilizer blend producers, our key customer group: blended fertilizers do not segregate in transport, and all components of the blend are spread accurately during application;
- > development of a technology to separate REM phosphogypsum concentrate into groups and obtain heavy, medium and light groups. The technology is the next phase of a larger project Technology for Phosphogypsum Integrated Processing to Obtain High-Purity Gypsum and Extract REM, launched in 2012.

Sustainable efficiency growth

Lower output in the phosphate segment and price decline in the nitrogen segment in 2H 2014 versus 2013 were key factors affecting URALCHEM's financial performance in 2014. The latter factor is specifically important considering that the second half of the year is a high season of export sales to Latin America which accounts for 32% Group revenue. Russian rouble devaluation in Q4 2014 also had a noticeable effect on the Group's financial results.

During the reporting year, we continued to pursue our strategy of improving operating efficiency. URALCHEM undertook a number of initiatives to reduce/cut costs in its core business and withdraw non-core assets from the Group. In 2014, URALCHEM acquired a transshipment terminal in the Free Port of Ventspils in Latvia, and worked further to integrate the Riga fertilizer terminal in its business operations.

Key financial indicators

	2014	2013	2012
Commercial output, '000 tonnes	5,645	6,039	6,024
Growth rate, %	-6.5%	0.3%	18%
Revenue, US\$m	2,028	2,265	2,423
Growth rate, %	-10%	-7%	16%
EBITDA, US\$m	923	632	834
Growth rate, %	46%	-24%	11%
Net profit/(loss), US\$m	-1,819	261	664
Net profit margin	-90%	12%	27%
Net debt, US\$m	4,384	4,552	845
Net debt/EBITDA	4.7	7.2	1.0
Revenue per employee, US\$ '000	197	197	197
Growth rate, %	0%	0%	7%
EBITDA per employee, US\$ '000	90	55	68
Growth rate, %	64%	-19%	2%
EBITDA margin, %	46%	28%	34%

In 2014, URALCHEM's revenue dropped by 10% year-on-year to US\$2,028 million. Key factors driving the revenue decline were lower output in the phosphate segment, price decline during the high season of export sales, and Russian rouble devaluation. A substantial share of the Group's revenue is attributable to the Russian market, with the cash flow converted into US\$ equivalent at a rate higher than the 2013 exchange rate.

EBITDA was US\$923 million, up 46% year-on-year. The substantial growth against the backdrop of declining revenue was due to the depreciation of the Group's functional currency, since the costs are mostly denominated in roubles.

In 2014, the Group delivered a negative financial result of US\$1,819 million under IFRS caused by revaluation of the US\$4.5 billion debt created by a long-term loan raised to purchase shares in Uralkali, PJSC. The loss is on paper only and attributable to the Russian rouble devaluation and revaluation of the Group's current currency liabilities in roubles as at the reporting date to comply with IFRS requirements. With revaluation not taken into account, the Group's profit would have amounted to US\$644 million.

Revenue per employee has been steady throughout the last three years. The revenue decline is set off pro rata by staff optimisation in the mineral fertilizer business – the Group's core business. URALCHEM has been gradually divesting its non-core businesses and projects from the Group, which resulted in a 10% reduction of the actual headcount. In the coming years we will continue to focus on our core assets, where we have strong expertise allowing us to create the highest added value.

EBITDA per employee grew nearly two-fold to US\$90 thousand, boosted by EBITDA growth and staff optimisation.

In 2014, EBITDA margin reached the Group's historic peak of 46%, the final measurement of business operating efficiency, which makes URALCHEM an industry leader.

⁸ This financial review is based on the audited consolidated IFRS financial statements of URALCHEM, OJSC for the year ended on 31 December 2014.

Revenue by product

US\$m	2014	2013	2012	Growth rate 2014/2013	Growth rate 2013/2012	2014 revenue	2013 revenue
Revenue by product:	2,028	2,265	2,423	-10%	-7%	100%	
Fertilizers	1,959	2,179	2,333	-10%	-7%	97%	96%
Mineral fertilizers	1,520	1,761	1,889	-14%	-7%	78%	81%
Ammonia	365	334	359	9%	-7%	18%	15%
Inorganic acids	21	31	33	-32%	-6%	1%	1%
Other fertilizers	53	53	52	0%	2%	3%	3%
Other businesses operations	69	86	90	-20%	-4%		

Mineral fertilizer sales account for the major portion of URALCHEM's revenue. 2014 saw little change in the revenue breakdown driven by a 9% increase in the ammonia share. The change is attributable to the market environment in Q4 2014, when the ammonia price increased up to US\$600 per tonne to reach the last three years' historic peak. On the back of high prices, we decreased the production of bulk fertilizers and increased ammonia production generating additional marginal profit throughout Q4 2014.

In 2014, the share of nitrogen fertilizers in the mineral fertilizer sales revenue went up against lower phosphate fertilizer sales.

Revenue from mineral fertilizer sales

US\$m	2014	2013	2012
Revenue: mineral fertilizers	1,520	1,761	1,889
Nitrogen fertilizers	1,289	1,293	1,346
Share of nitrogen fertilizers, %	85%	73%	71%
Phosphate fertilizers	35	213	286
Share of phosphate fertilizers	2%	12%	15%
Complex fertilizers	196	255	257
Share of complex fertilizers, %	13%	15%	14%

Cost of production

US\$m	2014	2013	2012	Growth rate 2014/2013	Growth rate 2013/2012	Cost of production in 2014	Cost of production in 2013	Cost of production in 2012
Cost	780	1 052	1 023	-26%	3%	100%	100%	100%
Raw materials	477	667	650	-28%	3%	61%	63%	63%
Energy and utilities	128	157	141	-18%	11%	16%	15%	14%
Staff costs	92	121	117	-24%	3%	12%	12%	11%
Depreciation and amortization	70	81	78	-14%	4%	9%	8%	8%
Repair and maintenance	9	14	8	-36%	75%	1%	1%	1%
Other	4	12	29	-67%	-59%	1%	1%	3%

The cost of production movements in 2014 were primarily affected by the Russian rouble devaluation. The Group's costs are mostly denominated in Russian roubles, and the rouble devaluation at the end of the reporting period resulted in nominal reduction of the US\$ equivalent followed by reduction of 26% in the US\$ equivalent costs. The production cost breakdown remained almost unchanged: the Group spent about 61% on raw materials, about 16% on energy and utilities, while staff costs accounted for about 12% of the cost of production.

Financial review

Sustainable efficiency growth

continued

Cost of raw materials

US\$m	2014	2013	2012	Growth rate in 2014/2013	Growth rate in 2013/2012	Cost of production in 2014	Cost of production 2013	Cost of production 2012
Cost of raw materials	477	667	650	-28%	3%	100%	100%	100%
Natural gas	362	403	359	-10%	12%	76%	60%	55%
Phosphate rock	37	129	152	-71%	-15%	8%	19%	23%
Potassium chloride	17	32	46	-47%	-30%	3%	5%	7%
Sulphur	3	20	24	-85%	-17%	1%	3%	4%
Other	58	83	69	-30%	20%	12%	13%	11%

In 2014, the share of natural gas costs grew primarily due to higher prices of natural gas, the basic raw material for nitrogen fertilizer production, and reduction of apatite, sulphur and potassium chloride costs on the back of lower phosphate fertilizer production output, and the respective reduction of total costs.

URALCHEM's selling and administrative expenses went down in 2014. The US\$ equivalent of selling and administrative expenses – except for the cost of freight and transshipment – decreased due to the rouble devaluation. Foreign currency-denominated freight and transshipment costs reduced primarily due to lower charter transportation costs and a number of optimisation initiatives in vessel chartering.

Selling and administrative expenses

US\$m	2014	2013	2012	Growth rate 2014/2013	Growth rate 2013/2012
Selling and administrative expenses	562	678	633	-17%	7%
Including:					
Selling expenses	426	524	498	-19%	5%
Administrative expenses	136	154	135	-12%	14%

US\$m	2014	2013	2012	Growth rate 2014/2013	Growth rate 2013/2012
Selling expenses	426	524	498	-19%	5%
Transportation:	339	429	416	-21%	3%
Railway tariff	180	217	210	-17%	3%
Freight and transshipment	113	153	138	-26%	11%
Rail car lease	36	37	44	-3%	-16%
Other	10	22	24	-55%	-8%
Staff costs	30	35	27	-14%	30%
Depreciation and amortization	22	18	15	22%	20%
Advertising and marketing	1	9	10	-89%	-10%
Customs duties	0	0	2	0%	-100%
Other	34	33	28	3%	18%

The Group's operating cash flow grew by US\$137 million in 2014 to US\$780 million, or up 21% year-on-year. The net operating cash flow remained flat versus 2013 due to servicing of the loan taken in late 2013 to purchase shares in Uralkali, PJSC, the factor that was non-existent in 2013. The Group made payments towards the interest on the loan throughout 2014, totalling US\$262 million of interest.

US\$m	2014	2013	2012
Cash generated from operations (before income tax and interest paid)	780	643	843
Growth rate	21%	-24%	
Net cash generated from operating activities	460	473	664
Growth rate	-3%	-29%	
Net cash used in investing activities	-210	-3,916	-390
Growth rate	-95%	904%	
Net cash (used in)/generated from financing activities	-179	3,397	-367
Growth rate	-105%	-1026%	
Net increase/decrease in cash and cash equivalents	71	-46	-93
Growth rate	-254%	-51%	
Cash at the beginning of the year	116	178	252
Growth rate	-35%	-29%	
Effect of exchange rate differences	10	-16	19
Growth rate	-163%	-184%	
Cash at the end of the year	197	116	178
Growth rate	70%	-35%	

US\$210 million net cash flow used in investing activities included US\$112 million used in the investment programme and EUR55 million invested in the acquisition of the ammonia terminal in the port of Ventspils.

In 2014, net cash flow used in financing activities included US\$27 million of loan repaid to VTB Bank, OJSC under the repayment schedule and restructuring of the Group's total debt. URALCHEM also paid US\$100 million of dividends from profits generated in 2013. The resulting net cash flow totalled US\$71 million which led to an increase of the Group's cash in bank by the end of 2014.

The Group's balance sheet shows a decrease in equity affected by macroeconomic factors. With the effect of the rouble devaluation excluded from debt calculations, the Group's 2014 equity would have amounted to US\$1,567 million.

US\$m	2014	2013	2012
Total assets, including:	3,808	5,807	2,169
Non-current assets	3,322	5,294	1,596
Current assets	486	513	573
Equity, including:	-899	827	772
Retained earnings	-1,061	763	660
Additional paid-in capital	75	73	63
Total liabilities	4,707	4,980	1,397
Non-current liabilities	4,523	4,044	986
Current liabilities	184	936	411
Equity and liabilities	3,808	5,807	2,169

As at the end of the reporting period, URALCHEM's total debt was 2% lower due to partial repayment of the outstanding bank loans.

US\$m	2014	2013	2012
Total debt	4,581	4,668	1,023
Growth rate	-2%	356%	

Environmental protection

Our commitment to environmental safety remains strong. The Group is compliant with environmental law and is taking a number of steps to mitigate the adverse environmental impact of its operations.

Our environmental efforts are mainly focused on planning and implementing environmental initiatives across all our entities to maximise nature conservation in the regions where we operate and promote energy and resource efficiency.

Environmental policy

All our companies have in place internal environmental policies that set out the Group's continued priorities: to comply with environmental laws and consistently reduce our environmental footprint. They also highlight the need for ongoing environmental monitoring of our operations.

These environmental policies guide our companies in their efforts to 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's 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.

Compliance with international standards

All production facilities of URALCHEM Group have in place an integrated management system certified to ISO 14001:2004. The management systems of Azot Branch and MFP KCCW are also certified to GOST R ISO 14001-2007.

The Group ensures compliance with European legislation on the circulation of chemical substances and all applicable standards, performing required checks on the contents of exported products and their toxic and ecotoxic properties.

Labelling

We strictly comply with the European REACH regulation on classification, packaging and labelling of chemicals and their mixtures, binding on all EU member states (EU Regulation 1272/2008/EC).

REACH aims to promote high healthcare and environmental standards across the EU while making the EU's chemical industry more competitive through stricter safety requirements and R&D incentives. Products delivered to other countries are also subject to the Globally Harmonised System for Classification and Labelling of Chemicals (GHS), regulations of importing countries and customer preferences.

GHS includes the following elements:

- > harmonised criteria for classifying substances and mixtures according to their health, environmental and physical hazards;
- > harmonised hazard communication elements, including requirements for labelling and safety data sheets.

As part of compliance with these requirements, our experts monitor chemicals classification on an ongoing basis, run relevant product studies and update product labels and safety data sheets (SDS) where necessary.



RUB284 million

disbursed by URALCHEM in 2014 to implement environmental initiatives

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.

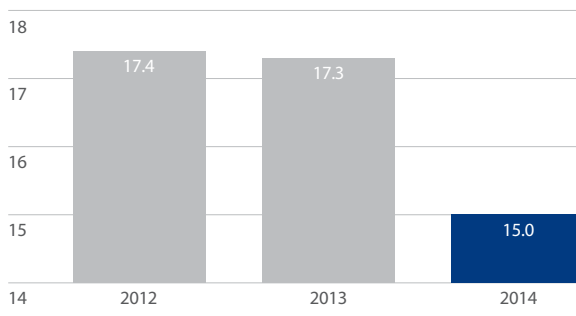
To ensure safer waste gas treatment, MFP KCCW renovated the relevant systems and installed necessary ductwork, extraction equipment and heat exchange coils. We continue floodplain reservoir clean-ups and ground water treatment in the chalk tailings storage facility, including the floodplain lakes of Bobrovoye and Berezovoye.

In the reporting period, Azot Branch replaced its filtering elements to further cut its emissions.

PMU repaired its emission treatment facilities and replaced filters as part of its air protection efforts.

Initiatives implemented in 2014 led to a 13.4% year-on-year cutback in emissions.

Air emissions by URALCHEM Group in 2012-2014, '000 tonnes



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. MFP KCCW has launched treatment of ground waters and floodplain reservoir clean-ups in the area of its chalk tailings storage facility. It has also fully commissioned its water treatment facilities to improve the wastewater quality and minimise its discharge.

To reduce its negative impact on water resources, Azot Branch has upgraded its water circulation facilities VOTs Nos. 6 and 7 and installed condenser refrigerators; installed and launched a centrifugal carbamate pump in the urea unit; upgraded the alkali discharge facility; and designed a project for collecting water from the irrigation system.

Waste disposal

URALCHEM Group implements a consistent programme to reduce the negative impact on the environment from its production and consumer waste. The Group's environmental policy is focused on two key areas in waste reduction:

- > maximising waste recycling within our companies and waste transfer for use by third parties;
- > waste processing and neutralisation by waste treatment companies.

In 2014, to reduce the amount of waste disposed of in waste landfills MFP KCCW installed and launched a thermal destruction plant to dispose of (thermally destroy) various industrial, domestic and other waste with a throughput capacity of up to 500 kg per hour. The facility processes more than 15 types of industrial and solid domestic waste, including waste containing oil products. As a result of the plant launch, the amount of waste declined to 3%-5% of the input amount.

Sustainability

Environmental protection

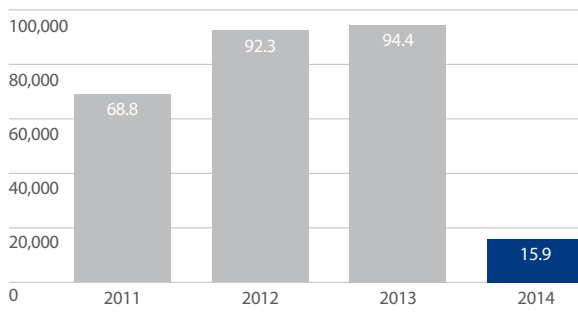
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Azot Branch has brought its temporary industrial waste storage sites into compliance with statutory requirements and set up storage facilities for metal scrap and waste oils.

PMU has arranged for collection and transfer of waste for neutralisation and recycling.

The Group has a dedicated unit responsible primarily for targeting prospective consumers of the Group's industrial waste. In 2014, we launched a dedicated online platform to sell components obtained from our industrial waste to interested parties.

Waste disposal by URALCHEM companies in 2011-2014, '000 tonnes



The sharp decline in waste disposal over the reporting period was mainly due to partial suspension of production at VMF.

Energy and resource conservation

In energy and resource conservation, the Group mainly focuses on more efficient consumption of resources used as feedstock for production.

To address this task an energy and resource conservation programme was prepared in the reporting period, to be run across the Group until 2019. In 2014, the Group companies completed eleven priority initiatives under the programme aimed at retrofitting core process equipment to reduce specific consumption of natural gas and power, and increase output.

These steps led to year-on-year cuts in energy consumption per tonne of output, including:

- > cuts in natural gas consumption by 26 Nm³ per tonne of ammonia;
- > cuts in natural gas consumption by 2 Nm³ per tonne of nitric acid;
- > cuts in power consumption by 2 kWh per tonne of nitric acid.

In 2014, the Group also completed the following energy saving projects:

- > introduction of frequency control systems for electrical equipment;
- > shift to more energy efficient lighting equipment;
- > replacement of worn thermal equipment insulation;
- > retrofit of heat exchange equipment;
- > retrofit of heating systems.

In 2014, the Group cut its water consumption by 3%.

We are working on retrofitting our demineralisation plants fed by river water. We have designed a series of projects aimed at water conservation and improved wastewater treatment to be implemented by 2019, including introduction of chemical water treatment systems and retrofitting of water cooling systems.

By 2019, The Group is planning to invest RUB732 million in energy saving initiatives.

Energy surveys

We are conducting regular energy surveys to inform energy saving initiatives. Our key focus is on low-cost or medium-cost rapid-payback projects; however, we also consider projects with payback periods of more than three years provided they offer additional environmental or labour safety benefits, and increase the reliability of energy and process facilities.

In 2014, we ran eleven surveys, which resulted in relevant initiatives and adjustments to our energy and resource conservation programme until 2019.

Consumption of key energy resources

The table below contains details on URALCHEM Group's natural gas and power consumption in 2013-2014.

	Volume, physical value		Volume, monetary value, '000 roubles		Change in volume, physical value, 2014/2013
	2014	2013	2014	2013	
MFP KCCW					
Natural gas, '000 m ³	1,502,176	1,485,911	5,680,616	5,209,437	+1%
Power, '000 kWh	553,762	529,300	1,335,715	1,268,115	+1%
Azot Branch					
Natural gas, '000 m ³	1,557,061	1,599,278	5,339,971	5,091,184	-3%
Power, '000 kWh	425,309	430,043	828,079	940,232	-1%
PMU					
Natural gas, '000 m ³	760,900	722,065	2,523,266	2,220,282	+5%
Power, '000 kWh	109,010	105,841	262,448	242,599	+3%
VMF					
Natural gas, '000 m ³	78,786	83,848	336,013	334,514	+4%
Power, '000 kWh	118,654	265,506	149,766	463,924	-11%
URALCHEM Group Total					
Natural gas, '000 m ³	3,898,923	3,891,102	13,879,866	12,855,417	0%
Power, '000 kWh	1,206,735	1,330,690	2,576,008	2,914,870	-9%

Plans for 2015

In 2015, we are planning to continue renovating our emission treatment and ventilation facilities and water circulation systems and facilities, as well as streamlining our water treatment operations, and production and post-consumer waste management.

All the above energy and resource conservation measures will eventually enhance the operating performance of the Group companies.

Sustainability

Our people



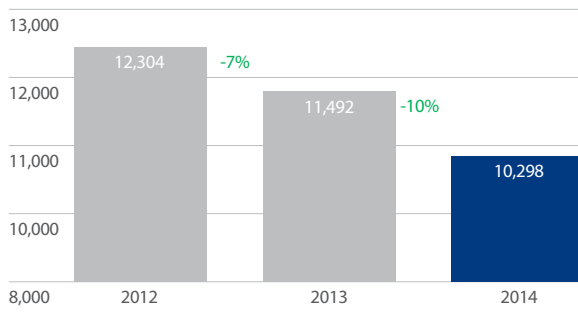
10,298
average headcount in 2014

We are confident that URALCHEM's success is mainly driven by our employees, whose daily hard work contributes to the Group's goals. Therefore, we are committed to providing our employees with everything they need to work in a safe environment, enhance their professional skills and pursue their careers in URALCHEM, one of the country's largest businesses.

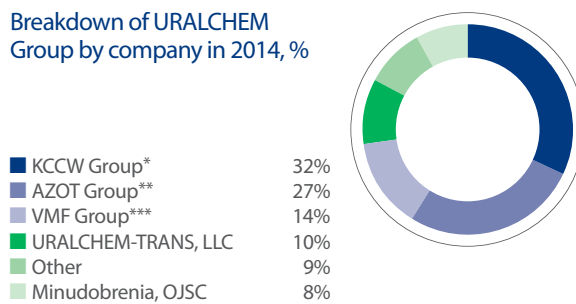
We invest considerable effort in promoting professional growth and providing social support for our employees across the Group. Our business could never grow without their expertise, skills and passion. Therefore, the Group places a strong emphasis on better human resources management and implements a range of initiatives to educate, support and retain talent across the Group. We run social programmes designed in close contact with trade unions to better accommodate the interests and preferences of our employees. In addition to statutory benefits, our employees are offered additional social benefits, a safe working environment and opportunities for career advancement.

URALCHEM is currently one of the largest employers in the Russian mineral fertiliser market. In 2014, the Group's average headcount was 10,298.

URALCHEM Group headcount in 2012-2014, people



Breakdown of URALCHEM Group by company in 2014, %



* MFP KCCW, OJSC; PKNC, LLC; RMZ KCCW, LLC; KCCW ESO, LLC

** Azot Branch of Uralchem, OJSC in Berezniki; Azot Clinic, LLC; AZOTPROEKT, LLC

*** Voskresensk Mineral Fertilizers, OJSC; Health Resort Dubki, LLC; Recreation Centre Berezovka, LLC

Employee engagement survey

In autumn 2014, we took part in an employee engagement survey that was conducted by an external provider, AON Hewitt, and covered 7,616 employees of the Group. In 2014, the overall engagement index in URALCHEM grew 11%, while the pay satisfaction index among employees was up 4%.

RUB300 million

was allocated by URALCHEM Group in 2014 to finance additional social guarantees for its employees, on top of statutory benefits.

Remuneration

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. In 2014, we started a project to set up a centralised remuneration management model. The project mainly focuses on enhancing the correlation between the level of remuneration and performance, while building a transparent incentive system that would be easily understood by employees and efficient in terms of management. In 2014, we reviewed the remuneration models in place across the Group and identified the key areas for building a uniform approach.

We offer our employees competitive market-level salaries. Key employees in pivotal roles that are critical to the Group's success and business stability are paid above market levels. We regularly revise the remuneration levels to reflect the labour market conditions, inflation growth across the country, and our operating results. On 1 December 2014, we raised the salaries of all URALCHEM Group employees by 5% to match cost-of-living increases, except for the Moscow office staff and top managers of the Group enterprises. In 2014, the average salary across the Group grew 17.5% from RUB33 thousand to RUB40 thousand which is above the market average.⁹

Under URALCHEM Group's incentive scheme, bonuses are paid both for individual performance and achievements, and for meeting team and Group-wide targets. Our average fixed/variable pay ratio is 70/30.

Individual performance against targets is evaluated under the Management by Objectives (MBO) programme. In 2014, we expanded this programme to cover 530 employees (117 employees more than in 2013).

In addition, in 2014, most of our production facilities implemented a bonus scheme to reward above target output. The scheme encourages employees to meet and exceed production targets and, consequently, enhance labour productivity. The bonus is paid on a monthly basis.

Collective bargaining agreements and relations with trade unions

Over 80% of the Group's employees are covered by collective bargaining agreements, which are made in line with the overall chemical industry agreement, guarantee their social and employment rights and protect their professional interests. Apart from working conditions, collective bargaining agreements provide for social benefits and financial aid to employees: lump sum and other allowances, and additional paid vacation days. Local trade union organisations at Azot Branch, PMU, MFP KCCW and VMF, the Group's four plants, actively engage in discussions over the pay structure. Trade union leaders are part of a project team established to design and implement a centralised remuneration system across the Group, and are involved in discussions on salary rates, HR decisions, and other matters. URALCHEM provides financial support to social programmes run by trade unions.

We also maintain contacts with the Russian Union of Industrialists and Entrepreneurs and are regularly involved in the discussion on an industry-wide tariff agreement.

⁹ According to PWC, salaries grew 5% across Russia in 2014.

Social security guarantees and benefits

In addition to statutory benefits, URALCHEM Group's employees are offered extra benefits and allowances, including free meals, voluntary medical insurance policies, allowances for special occasions (weddings, birth of children, etc.), additional paid vacation days, etc.

Allowances

The Group pays lump sum allowances to newly recruited high potential graduates of secondary and higher education institutions or servicemen discharged from military service, retirement and annual paid vacation allowances, as well as allowances to cover expensive surgery or medical treatment, in the event of death of close relatives, and in a number of other situations.

We also reimburse for 50% of the cost of certain healthcare services (subject to medical referral) and 100% of medical examination costs for pregnant women. We offer additional paid vacation days to pregnant women, to parents of children in their first year at primary school (6–7 years), to employees who are getting married, or in case of death of close relatives

Healthcare

Our corporate healthcare programmes include voluntary medical insurance for outpatient, dental and inpatient care, therapeutic procedures, regular medical examinations in enterprises' first aid rooms, recreation and preventive care at health resorts and therapy centres, and seasonal vaccination. URALCHEM offers annual programmes for its employees at health resorts and wellness centres. In the reporting year, 523 employees took part in the recreational and healthcare programmes financed by the Group.

Housing benefits

In 2014, the Group's production facilities introduced long-term programmes to reimburse their employees for interest paid on home acquisition or construction loans. In the reporting period, the Group paid over RUB4.2 million to 86 employees and their families in Perm and Kirovo-Chepetsk to cover loan interest. In late 2014, a house was commissioned in Kirovo-Chepetsk, with a section containing 70 one-bedroom flats intended for young employees of MFP KCCW. Our housing rent programme allows young employees, whether residents or non-residents of Kirovo-Chepetsk, to rent corporate flats.

Recreational activities and presents for children

We offer an annual recreational programme for the school-age children of URALCHEM's employees. In 2014, the Group financed 70% to 80% (RUB10 million) of the cost of children's camp and health resort vacations for 633 children.

Support to veterans

The Group has voluntarily committed to support non-working retirees and veterans. We provide them with financial and other support and offer social care and healthcare programmes. In 2014, the Group budgeted RUB23.5 million to finance therapeutic treatment at health resorts, Victory Day events, financial aid and general support to the Councils of Veterans and the Association of Veterans of Labour.

RUB73 million

allocated for
staff training in 2014

Education and training

URALCHEM has in place an integrated professional advancement programme that covers all categories of workers, engineering and technical specialists, and managers. It mainly focuses on building a talent pool that would drive the Group's growth in the longer run. The programme relies heavily on internal resources of the companies, where employees enrol in retraining, cross-training and professional development programmes.

We place a particular emphasis on the professional development of our young workers and specialists. The Group companies develop partnerships with secondary and higher education establishments that offer targeted training of highly skilled professionals in specific areas.

Professional training

The Group's professional development system has three pillars:

- > mandatory professional training for workers and specialists;
- > job-specific training;
- > leadership development.

In 2014, we launched a project to promote a corporate succession programme that seeks to create and implement professional standards. We have drafted a consolidated list of the most needed professions across the Group, and worked out professional performance standards for seven of these professions: maintenance fitter; chemical production operator (synthesis control room operator); control room operator; metrologist; gas/electric welder; substation maintenance electrician; and electric equipment repair and maintenance electrician. Our professional standards – from requirements for employees, training programmes, and descriptions of standard procedures for knowledge and skills tests for relevant employees – cover about 3,500 employees of the Group.

Mandatory professional training for workers and specialists at URALCHEM is provided on a regular basis through external education establishments and internal licensed training centres. Such centres operate at PMU and VMF. A strategy for promoting internal training centres was developed and has been consistently implemented since 2013. In the final phase of its project to establish an internal training centre, Azot Branch has brought the centre's facilities and equipment in line with the requirements of licensing authorities and obtained a training license. In 2015, MPF KCCW started building its own internal training centre.

Apart from mandatory professional training for workers and specialists, we also run a regular leadership development programme for managers. It focuses on enhancing corporate performance by upgrading the management skills of first-line and middle managers. The programme is mandatory for current and newly employed managers:

- > in 2014, 231 managers were trained under the leadership development programme for production managers, comprising 21 training modules – almost double the figure of 2013, when the programme included 13 training modules and covered 142 employees.
- > a module-based training programme for managers reporting directly to top managers was developed by Impuls and started in 2014, with the first training course (Project Management) launched in December and completed by 50 managers.

Additionally, workshops on building business cases for management decisions in outsourcing projects were held in 2014 for employees from various functions of the Moscow office and regional entities of URALCHEM involved in relevant projects.

Since 2013, apart from on-site training, we have been actively promoting distance learning. In 2014, our employees were offered an opportunity to learn English via the English First web platform and undertake a number of courses, such as MS Office Software Products and a Chemistry for Non-specialists Corporate Course.

In 2014, URALCHEM's top managers, including Board members, continued their training under the Executive Development Programme at INSEAD (France), one of Europe's leading business schools.

A total of 7,182 employees were trained in the reporting period, with 150 hours of training per employee on average. In 2014, we allocated a total of RUB73 million for staff training.

Succession planning

For two years, 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. Successors start active training only if the relevant positions are likely to be vacated soon.

On completion of the first stage of the succession programme in 2014, 13 out of 39 successors were appointed to key management and specialist positions, and 34 out of 97 successors to key worker positions.

Increasing the share of young employees in the overall headcount by engaging talented young people

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

These programmes provide for:

- > selecting and supporting relevant specialists as early as at the training stage by forming dedicated study groups in industry-specific educational establishments;
- > signing agreements with companies to train specialists who must commit to join the company upon completion of their training;
- > setting up individual scholarships financed by relevant companies;
- > paying interns during their on-the-job training;
- > managing graduation projects.

URALCHEM offers young professionals attractive employment terms to embark on their careers. Young specialists are assigned to experienced mentors for smooth onboarding. An individual onboarding programme is prepared for each young specialist. For example, when taking on university graduates in worker positions, Azot Branch pays them an allowance to make up for the gap between their salary and the branch-average pay level over their first year of employment. It 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.



490 students

received training in internship positions at our production sites in 2014

The Group views strategic partnerships with educational establishments as a key component of its social policy. We run projects aimed at supporting all levels of the education system – primary and secondary, college and postgraduate. Relationships with higher education establishments focus, among other things, on support in training highly skilled chemical industry professionals. Our partners include Vyatka State University, Ivanovo State University of Chemistry and Technology, Perm National Research Polytechnic University, Lomonosov Moscow State University, and others.

In 2014, we continued our internship programme for university students, with internship positions offered across the plants. In 2014, 490 students from 23 educational establishments received training in internship positions at our production sites, and 158 university graduates were employed by the Group.

Since 2013, our production facilities have run a Retirement Benefit Programme for employees who have reached the retirement age and gave advance notice of their decision to leave, for the company to train a successor. These employees are paid an amount of up to six times their salary depending on the length of service with the company. In 2014, payments under this programme totalled RUB63 million. The programme seeks to increase the share of young employees: in 2014, the average age of employees across the Group was one year down at 42 years (40 years for nitrogen facilities). The share of retirement age production staff in the total headcount went down 10% to 8% in 2013 and to 6.5% by the end of 2014.

Corporate culture and internal communications

We seek to improve staff engagement in driving the Group's performance. For us, an engaged employee is a person who is committed to perform to the highest standards and do their best to drive self-development and corporate growth. In 2014, we further developed our internal communication system and improved communication channels between managers and staff. At regular meetings, our managers discuss key events and performance with production site teams and drive the development of action plans.

Healthy lifestyles and corporate events are an integral part of the Group's HR policy. For example, in May 2014, URALCHEM held its 2nd Corporate Olympics at municipal sports facilities in Kirovo-Chepetsk. About 150 employees took part in the event. The competitions included table football, volleyball, swimming, table tennis, ropes course, darts and arm wrestling.

In October 2014, Formula of Youth, our corporate youth movement, held its Second Annual Conference. The movement's mission is to pool the efforts of Youth Councils and young employees of the Group in implementing activities in social charity, applied research and teambuilding. The conference was attended by 35 young employees from across URALCHEM. We are committed to providing the young people joining us with a truly exciting and engaging workplace.

It is essential for us to acknowledge our long-service employees and best performers. Each year we nominate our best people for the industry awards of the Russian Chemists Union. In 2014, twenty employees of the Group were awarded First and Second Class Orders of Merit for achievements in the chemical industry and Diplomas of the Russian Chemical Workers Union and the Russian Chemists Union for Contribution to the Development of the Chemical Industry in Russia. A total of about two hundred people from across the Russian chemical and petrochemical industries are nominated annually, and not more than one hundred receive the awards.

Winners are invited to the award ceremony held in Moscow.

Our people

continued

In late 2014, 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. In 2014, our Employee of the Year acknowledgement programme was extended to all production sites across the Group, with 65 of our production employees winning the programme awards in such categories as the Group’s Employee of the Year, Manager of the Year, Specialist of the Year, and Worker of the Year.

Occupational health and safety (OHS)

By 2014, we had developed and implemented a new occupational health and safety management system and implemented a number of OHS initiatives. These steps led to a lower rate of occupational injuries at the Group’s production facilities.

We always remain committed to ensuring the safety and health of our employees. For this purpose we are implementing a range of initiatives to prevent occupational injuries and diseases. All our entities comply with OHS rules and regulations, and OHS industry standards, while harmonising internal standards for individual protective equipment, and incident-alert and investigation procedures.

In 2014, URALCHEM continued developing and implementing unified OHS requirements across its production sites, and standardising its OHS management processes.

All production facilities of URALCHEM are certified to OHSAS 18001:2007. In addition, all our companies share a harmonised OHS Policy and mandatory Key Safety Rules. The Occupational Health and Safety Management System Regulation has been developed and implemented by URALCHEM, OJSC.

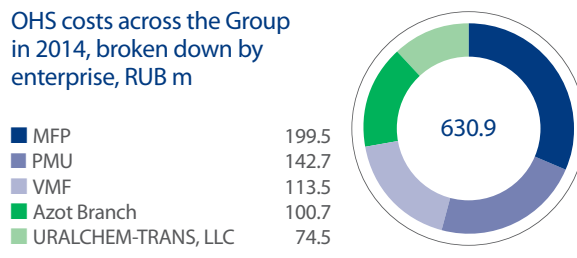
We run mandatory medical check-ups for employees engaged in hazardous or transport-related activities or who are exposed to potentially harmful elements. Employees are not allowed to do their work unless they have passed such an examination and proven that they have no health restrictions. We consider occupational health and safety our top priority. The Group runs regular internal OHS audits to prevent and promptly identify potential irregularities. Moreover, we regularly run organisational and technical procedures to manage the reliability of equipment operated at hazardous production facilities, including:

- > occupational safety checks;
- > follow-up measures;
- > technical examinations.

In the reporting period, we focused on Special Assessment of Working Conditions (SAWC). Additionally, all companies of the Group updated their occupational health rooms and outposts with OHS posters, diagrams and guidelines, and ran regular OHS trainings and briefings using visual aids and videos.

Over the last three years, the Group’s total OHS costs exceeded RUB1.8 billion, including RUB631 million in 2014.

OHS costs across the Group in 2014, broken down by enterprise, RUB m

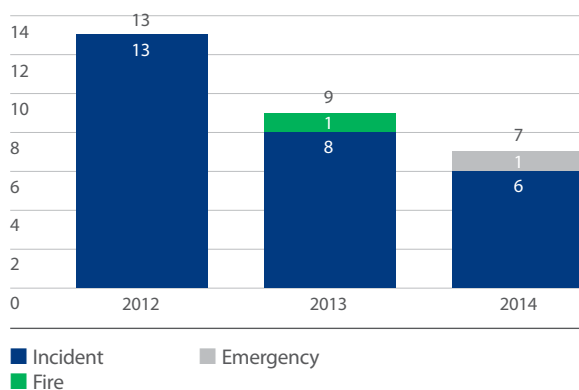


In 2014, we had an emergency at a flare unit at one of the Group’s production sites. After the emergency, a special commission promptly ran a full investigation, while unscheduled checks of all flare units were also carried out at our enterprises.



In 2014, the Lost Time Injury Frequency Rate (LTIFR)¹⁰ was **twice as low** as in 2012

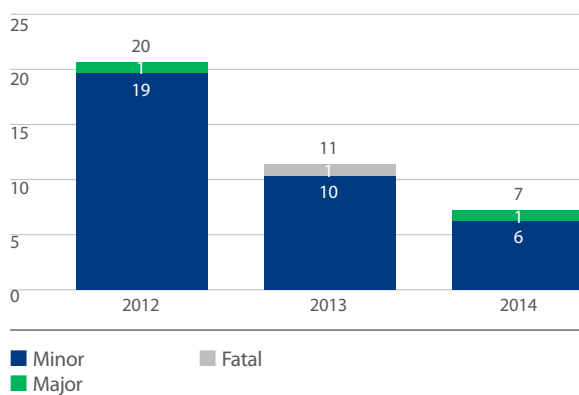
Major and significant incidents across the Group, 2012-2014



By thoroughly investigating all incidents and taking all necessary corrective and preventive steps we were able to lower the incident rates across the Group in 2014.

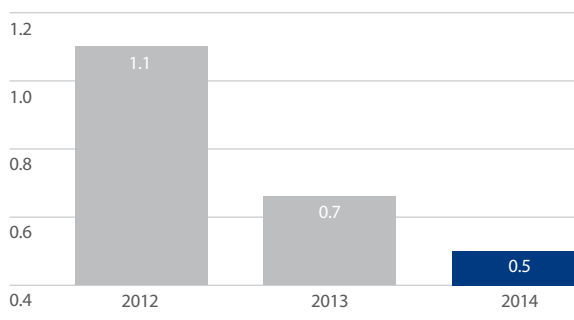
The consistent efforts taken by URALCHEM Group in OHS management result in steady annual declines in the accident and occupational injury rates. Thus, a mere seven accidents occurred at the Group's production facilities in 2014 as compared to eleven in 2013 and twenty in 2012. Each accident triggers a thorough internal investigation within URALCHEM, the results of which inform the measures developed and implemented to prevent similar accidents in the future.

Occupational accidents across the Group in 2012-2014



In 2014, the Lost Time Injury Frequency Rate (LTIFR)¹⁰ was twice as low as in 2012. The rate was reduced mostly due to accident follow-up investigations, reports and actions, stronger control by the management of URALCHEM, OJSC over its production sites, and harmonised safety standards developed and implemented by the Group.

Lost Time Injury Frequency Rate (LTIFR) in 2012-2014



In 2014, the Group also introduced advanced personal protective equipment and designed a Group-wide corporate style for work wear.

In 2015, we are planning to run a Special Assessment of Work Conditions at most workplaces across the Group enterprises to identify areas of improvement and take action to improve working conditions for our employees. Going forward, we will continue taking steps to minimise injury rates, foster a safety culture among employees, visualise hazards and hazardous areas, monitor and review the performance of our OHS management system, and automate OHS processes.

¹⁰ 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.

Social investments

URALCHEM runs a number of charitable projects and provides sponsorships 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, run educational and cultural initiatives, and actively engage with young people.

Our charitable programmes were highly acclaimed in 2014 as we were ranked among Russian corporate charity leaders by Vedomosti, Russia’s leading business daily. The Corporate Charity Leaders of Russia survey run by the newspaper jointly with PricewaterhouseCoopers and the non-profit organisation Donors Forum covered 59 companies with an annual turnover exceeding US\$100 million. This rating features three chemical companies, including URALCHEM, OJSC.

Managing charitable activities

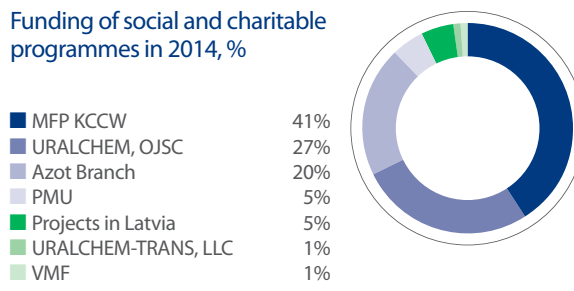
The Group’s charitable and sponsorship activities are grounded in the internal Policy on Charitable and Sponsorship Activities and are carried out in accordance with Russia’s Federal Laws On Charitable Activities and Charitable Organisations and On Advertising.

All charitable projects in relevant areas are planned and financed in line with the principles set out in the Policy on Charitable and Sponsorship Activities.

The budget for charitable projects is prepared on an annual basis as part of the Group-wide budgeting process and is subject to approval by URALCHEM, OJSC’s Chief Executive Officer. 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.

We do our best to keep up our charitable profile given the positive impact that our projects have on the Group’s core operations and local communities. We spent RUB234.5 million on charitable projects in 2014.

Funding of social and charitable programmes in 2014, %



Supporting and promoting sports

URALCHEM companies are implementing a number of 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 sponsors the Russian Swimming Federation, the Perm Territory Swimming Federation, the Perm Territory Boxing Federation, as well as judo, Greco-Roman wrestling, swimming and other competitions. Each year, the Group makes considerable investments in the development of children’s ice hockey and figure skating in Kirovo-Chepetsk.

Promoting swimming, particularly among youth, is a priority area of URALCHEM’s charitable activities. In the reporting period, MFP KCCW continued to provide financial support to the Kirov Region Swimming Federation. The plant is also a long-standing sponsor of the Yana Shamarova All-Russia Swimming Competition. In 2014, the competition brought together a record number of participants, with more than 500 swimmers aged under 13 coming from across the country.

In April 2014, URALCHEM acted as a partner to the Sixth Vladimir Selkov Cup All-Russia Swimming Competition held in Perm, with 290 athletes from 28 Russian regions competing in the event.

For four years now, MFP KCCW has been running the URALCHEM for Children programme, with funds in 2014 used to support children’s ice hockey and figure skating classes offered by sports schools in Kirovo-Chepetsk. Thanks to this programme, every young resident of the city has the opportunity to take such classes free of charge.



RUB234.5 million

was spent on charitable projects in 2014

KCCW branch allocated funds to hold the first football tournament among the amateur children's teams of Kirovo-Chepetsk. The winning team was awarded with a trip to a waterpark in Kazan.

Azot Branch, in Berezniki, maintains the city's Azot cultural and sports complex, comprising cultural, sports, and skiing centres. The Lenin Cultural Centre hosts three children's performance groups: Rosinka, Rovesnik and Assorti. The classes are free of charge for children of Azot Branch employees. Young athletes residing in Berezniki have free access to all classes offered at the Azot centre. In the reporting period, the Branch sponsored a number of sports events in Berezniki for both the company employees and local residents.

For many years, VMF has been supporting DROZD-Voskresensk, ANO (Autonomous Non-profit Organisation), the leading children's sports association in the region, comprising six secondary schools and two pre-school establishments. The association provides children with an opportunity to take judo, sambo, boxing, volleyball and rhythmic gymnastics classes.

Thanks to the plant's support of children's and youth sports in the areas where the Group operates, local young athletes deliver increasingly strong performances, while other children get more and more attracted to sports, with active lifestyles becoming widespread.

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.

Another particular highlight of our charitable activities in 2014 was the CaDetstvo project, run together with the Civil Society Development Foundation in the Volga Federal District under the patronage of Mikhail Babich, Plenipotentiary Representative of the Russian President 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 reporting period, URALCHEM continued its partnerships with educational establishments specialising in chemistry as part of the School – University – Business project: schools and lyceums were provided with funds for repairs, necessary systems and equipment for holding video-conferences with higher education establishments, equipment for chemistry and physics laboratories, and extra classes to train students for competitions and Olympiads.

The School No. 12 – MSU – URALCHEM project launched in Kirovo-Chepetsk seeks to drastically enhance school education quality and create a comfortable environment in the city for the young to live and study. The project provides for on-site and distance lectures for high school students by Moscow State University (MSU) professors, and training for students wishing to take part in industry-specific competitions and enrol at various departments of Moscow State University.

PMU sponsors School No. 132, which specialises in natural sciences and environmental subjects, and the Territorial Industrial College, by providing them with support on career guidance and training of skilled specialists.

URALCHEM has long-standing partnership links with Perm National Research Polytechnic University (PNRPU), which for many years has been the principal supplier of skilled professionals to the Group companies operating in the region, i.e. PMU and Azot Branch. In 2014, the student lounge area in the PNRPU's main building was fully renovated and redesigned in URALCHEM's corporate style, with all expenses covered by the Group. Now, future chemists can not only rest during breaks between classes but also read the list of main professions employed by the Group on information stands, and learn about employment opportunities offered by the Group and its social and youth policies.

In May 2014, URALCHEM became a partner of the 48th International Mendeleev Chemistry Olympiad, held in Moscow for high school students. The Olympiad brought together over 100 winners and runners-up of national chemistry competitions among high school students from 16 countries.

The UralChemists TV quiz for high school students, a joint project by URALCHEM, Minudobrenia, OJSC (Perm), the Perm Territory Ministry of Education, and State Broadcasting Company Perm, was held for a third consecutive year in 2014. The project not only enables those students who are good at chemistry to demonstrate their knowledge, but also helps others rediscover chemistry as an engaging and compelling subject.

Sustainability

Social investments

continued

In Latvia, URALCHEM provided financial aid to a major charitable foundation to support two secondary schools in Riga. The funds were used to improve school grounds, renovate school premises and equip chemistry classrooms.

Supporting disadvantaged social groups

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

We provide regular comprehensive support to WWII and Afghanistan War veterans, while maintaining relations with sponsored institutions that provide social care to senior citizens and disabled people. The Group employees make presents to kids from Group-sponsored orphanages for 1 September (the first day of the school year) and the New Year holidays.

In 2014, MFP KCCW initiated the Twelve Steps to Victory programme to highlight the 70th anniversary of the Victory in the Great Patriotic War. From May 2014 to May 2015, when the anniversary was celebrated, Kirovo-Chepetsk was hosting monthly events for war veterans, home front workers and veterans' widows.

The veterans' organisation at MFP KCCW is the largest of its kind in the Kirov Region, bringing together about 8,000 members. In 2014, veterans were provided with financial aid and funds for home renovations; a number of cultural events and tours were offered to them. The company provides financing to the Kirovo-Chepetsk section of the Russian Union of Afghanistan Veterans.

Azot Branch provides charitable aid to members of the company's Council of Veterans and reimburses them for health resort costs. Azot employees are actively involved in volunteering. In the reporting period, the company also provided financial support to the Russian Union of Afghanistan Veterans and the Russian "Chernobyl" Union. The company also ran joint projects with organisations and foundations that are engaged in children's healthcare, provide support to disabled children, and organise sports competitions for the physically challenged.

In 2014, Azot Branch employees were actively involved in a campaign to support Ukrainian refugees who settled in the Perm Territory. The activists provided clothes, food and other essentials at very short notice.

In the reporting period, VMF continued its cooperation with the local chapter of the Russian Red Cross. The company provided support to orphanages, children from needy families, and disabled people. Its employees also actively participated in Donor Days. VMF's team and management were awarded honorary certificates and letters of gratitude by the Red Cross for the many years of support to the organisation and for the aid provided to displaced persons from eastern Ukraine.

In 2014, VMF provided funds to the Khorlovo Special Corrective Boarding School to finance events it held for its residents, as well as to purchase sports and other equipment, and stationery supplies.

The company provides more than just financial support to social care institutions. VMF employees regularly visit a care centre for senior citizens and disabled people in Tsyurupa Settlement in the Voskresensk District sponsored by the company, where they socialise with the centre's residents and organise concerts and master classes in the arts.

In 2014, VMF continued financing the activities of its Council of Veterans that brings together more than 3,000 of the oldest chemists of Voskresensk.

Members of PMU's Council of Veterans are paid quarterly allowances. They are also paid allowances for complex surgeries and expensive medicines, for the International Day of Older Persons and for other red-letter days. PMU supports the involvement of veterans in the sporting and cultural life of the plant and the city.

As part of the events to mark 25 years since the withdrawal of Soviet troops from Afghanistan, PMU provided support to the Union of Veterans of the Industrialny District of Perm.



URALCHEM supports
tours of the best examples of
Russian culture and art in Latvia

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) held the city's Chemfest Festival of Festivals for the second year running. The one-day festival offers a series of major events held at multiple venues open to everybody, including the Kamskaya Bratina ethnohistorical festival, a festival of children's art, and performances by folk groups from across the Perm Territory.

VMF contributed to the construction of a monument to the Voskresenskiy District natives who died in World War II. The project will install memorial stones bearing the names of residents of the Voskresenskiy District who died during the war and many of whom worked at the Voskresensk Chemical Plant. The stones will be placed behind the existing stele with an eternal flame burning at its foot.

For a second consecutive year, URALCHEM introduces Latvians to the best examples of Russian culture and art. The Mariinsky Theatre made a successful tour of Latvia, performing its Enchanted Wanderer opera, while Igor Moiseyev's Ballet gave a concert in Jurmala as part of the Day of Russia celebrations.

Engaging with young people

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.

In 2014, MFP KCCW and the Administration of Kirovo-Chepetsk jointly organised a city-wide youth programme, The City of the Young. The programme's highlights that had the largest attendance included Open Stage – the city's first youth art festival, and a forum of young employees.

Azot Branch is a long-standing sponsor of the Leaders' League, a Perm Territory public association that runs a range of projects aimed at promoting socially significant initiatives by young people. In the reporting period, members of the Leaders' League launched environmental campaigns, volunteering activities to support senior citizens and disabled people, and Victory Day events in the city and across the Perm Territory.

In 2014, VMF provided support to the Aquarium Patriotic Upbringing Centre, which runs boot camps for high school students and students of boarding schools, as well as other patriotic projects.

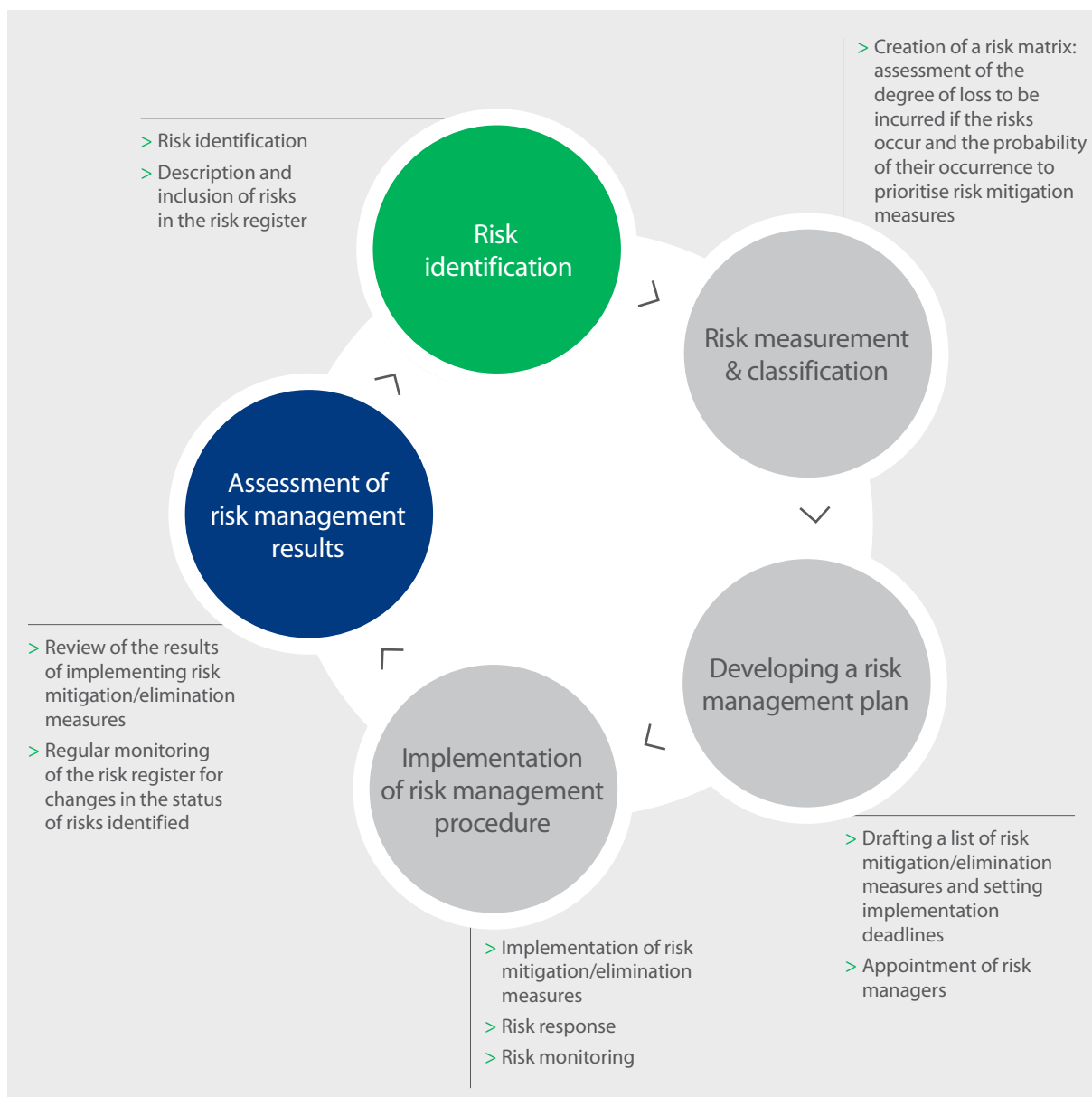
In 2014, the PMU youth association was granted an official status. The association focuses on joint projects with schoolchildren and students of industry-specific and sponsored educational establishments in Perm. These efforts cover several areas: applied and theoretical research, entertainment events, sports and patriotic education, and social causes.

Risk management

Integrated risk management system

Rapid changes in sales and commodities markets and especially the overall instability of the global economic and political situation require a clear understanding of the factors and developments with a potential impact on URALCHEM's operations and the achievement of its set targets. Development of its risk management system is, therefore, one of the Group's strategic priorities.

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 register. 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 register and ratings are regularly updated.

In 2014, we continued with our risk management efforts under COSO's Enterprise Risk Management Integrated Framework. We improved our risk management process, and formalised 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.

A risk manager is assigned to each risk and charged with developing an action plan to minimise the risk. Risk managers on a regular basis report on the progress in the area. All current and historical risk registers of the Group are stored on a special online portal accessible by all risk managers. The information available on the portal is regularly updated based on risk manager reports.

The Audit Committee of URALCHEM, OJSC's Board of Directors is responsible for monitoring and administering the risk management process across URALCHEM. The Committee reports to the Board of Directors on its performance twice a year. In addition, each quarter the Board of Directors reviews the Group's top 20 risks and assesses the efforts to minimise them.

Impact	US\$	Rating factor	Probability	Rating factor
Critical	over 50m	6	Already occurred in the past	5
Material	20-50m	4	Definite	4
Significant	5-50m	3	High	3
Noticeable	1-5m	2	Medium	2
Insignificant	under 1m	1	Low	1

Key risks for URALCHEM Group

We face a number of risks in our day-to-day operations. The key risks identified by URALCHEM in 2014 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.

Impact	Probability	Risk	2014 rating	2013 rating	Risk mitigation measures
Significant	● High	Risk of material estimated cost and budget overruns during the implementation of major investment projects	9	15	<p>Starting from 2013, the Group has made extensive efforts to strengthen its Investment Project Management block. A separate structural unit, Project Office, was established to manage investment projects.</p> <p>In making investment decisions, we assess the market situation, get an expert analysis of technical solutions, estimate project costs, as well as design and select projects that are the most attractive in terms of their economics. To prevent any time or budget overruns projects are reviewed at every milestone with assessment criteria adjusted accordingly.</p>

Risks

Integrated risk management system

continued

Impact	Probability	Risk	2014 rating	2013 rating	Risk mitigation measures
Critical	● Low	Discontinued operations at an enterprise as a result of having a hazardous facility operation licence revoked due to failure to meet the licence requirements	6	12	URALCHEM's production facilities are closely monitored for compliance with industrial safety requirements. Upgrades to production facilities and introduction of advanced production controls also greatly contributed to the risk minimisation.
Noticeable	● High	Substandard quality of products, resulting in damage to the Group's image and partner relationships	6	10	<p>The Group closely monitors the quality of its products.</p> <p>To minimise the risk we continuously monitor compliance with production process technologies and product transportation and storage requirements.</p>
Significant	● Medium	Inadequate intake of skilled staff and workforce ageing, increasing the risk of unscheduled or emergency shutdowns	6	15	<p>URALCHEM makes consistent efforts to attract young specialists and improve their skills to match our specific production requirements, including collaboration with educational establishments offering industry-specific education. We run programmes to attract young talent, provide mentoring and improve working conditions.</p> <p>URALCHEM reviews salaries annually, setting them at the levels of leading production companies in the areas where we operate. At the same time, targeted adjustment is made with respect to remuneration of employees holding key positions. These employees' salaries are set at levels above the market average.</p>

At the same time, the negative developments in the overall economic and political situation in 2014 increase the probability and, accordingly, the overall rating of the following risks:

Impact	Probability	Risk	2014 rating	2013 rating	Risk mitigation measures
Critical	● Already occurred in the past	Material foreign exchange losses (currency risk)	30	20	The Group has no influence over currency exchange rates. To minimise the risk URALCHEM steadily improves its operating and financial efficiency and cuts costs.
Critical	● High	Significantly worsened lending terms or acceleration of outstanding loans or credits due to changes in the economic conditions	18	6	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.
Material	● Definite	An adverse impact on the Group's operations from higher or new trade barriers in key foreign markets	16	12	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.

In 2014, we also identified new risks related to developments in the political situation and regulatory changes.

Impact	Probability	Risk	2014 rating
Material	● Medium	The imposition of restrictions against Russia by the European Union and the United States, namely sanctions to restrict sales of mineral fertilizers in foreign markets	8
Noticeable	● High	Higher employer tax burden due to the political and economic situation (solidarity tax, income tax, pension contributions, etc.)	6

URALCHEM Group's total risk score declined in 2014 from 966 to 891 points (-75 rating points), primarily due to the efficient risk management efforts.

This Annual Report does not describe all the risks that can affect the Company's operations. URALCHEM will disclose risks and mitigation efforts in accordance with applicable laws.

The Board of Directors

Considerable experience in the market with a proven track record of success

Composition of URALCHEM, OJSC's Board of Directors as of 31 December 2014:



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

Background and experience

Year of birth: 1968
Member of the Board of Directors since 2007.

Mr Mazepin has been the Chairman of the Board of Directors since 2007. Earlier, in 2005-2007, he served as CEO of Constructive Bureau, LLC. Prior to that, in 2002-2003, he was President of AK Sibur, OJSC. Beginning in the mid-1990s, Mr Mazepin held senior management positions in a number of government agencies and large companies, such as Tyumen Oil Company, Nizhnevartovskneftegas, Kuzbassugol Coal Company and the Russian Federal Property Fund. From 2008 to October 2014, Mr Mazepin was the Chairman of the Board of Directors of HaloPolymer, OJSC. Currently, he is also the Chairman of the Board of Directors of URALCHEM HOLDING P.L.C., Director of CI-CHEMICAL INVEST LIMITED, and the Deputy Chairman of the Board of Directors of Uralkali, PJSC.

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.

Owned shares

He does not have an ownership interest or ordinary shares in URALCHEM, OJSC, and he did not complete any transactions with shares in URALCHEM, OJSC in 2014.



Dmitry V. Konyaev
Chief Executive Officer

Background and experience

Year of birth: 1971
Member of the Board of Directors since 2007.

Mr Konyaev has been a member of the Board of Directors since 2007. From 2011 to March 2014, he was a member of the Strategy and Investment Committee, Nomination Committee, and Remuneration Committee; and starting from March 2014, he has been a member of the Strategy Committee, Investment Committee, and Nomination and Remuneration Committee. Currently, he acts as the Chief Executive Officer of URALCHEM, OJSC. 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, he 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). Mr Konyaev is a member of the Board of Directors of MFP KCCW, OJSC; Voskresensk Mineral Fertilizers, OJSC, Minudobrenia, OJSC, and Uralkali, PJSC, and acts as the Chairman of the Board at Riga fertilizer terminal.

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

Owned shares

He does not have an ownership interest or ordinary shares in URALCHEM, OJSC, and he did not complete any transactions with shares in URALCHEM, OJSC in 2014.



Dimitry V. Tatyaniin
Deputy Chairman of the Board
of Directors, Executive Director

Background and experience

Year of birth: 1967
Member of the Board of Directors since 2007.

Mr Tatyaniin has been a member of the Board of Directors since 2007. From 2011 to March 2014, he was a member of the Remuneration Committee; and starting from March 2014, he has been a member of the Nomination and Remuneration Committee. Currently, he acts as the Chief Legal Officer of URALCHEM, OJSC. 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. Mr Tatyaniin is also a member of the Board of Directors of Voskresensk Mineral Fertilizers, OJSC and

HaloPolymer, OJSC, and since 2012, he has been acting as the Chairman of the Board of Directors of Minudobrenia, OJSC.

Mr Tatyaniin 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.

Owned shares

He does not have an ownership interest or ordinary shares in URALCHEM, OJSC, and he did not complete any transactions with shares in URALCHEM, OJSC in 2014.



Yulia E. Orlovskaya
Non-Executive Director

Background and experience

Year of birth: 1972
Member of the Board of Directors since 2009.

Ms Orlovskaya has been a member of the Board of Directors since 2009, and Chairwoman of the Audit Committee since 2011. From 2011 to March 2014, she was the Chairwoman of the Remuneration Committee and a member of the Strategy and Investment Committee. Since March 2014, she has been the Chairwoman of the Strategy Committee and a member of the Investment Committee, and Nomination and Remuneration Committee. Currently, she acts as Adviser to the Chairman of the Board of Directors of URALCHEM, OJSC. In 2008-2009, she served as marketing director with GE Money Bank.

In 2005-2008, she 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.

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

Owned shares

She does not have an ownership interest or ordinary shares in URALCHEM, OJSC, and she did not complete any transactions with shares in URALCHEM, OJSC in 2014.



Mikhail V. Genkin
Executive Director

Background and experience

Year of birth: 1967
Member of the Board of Directors since 2007.

Mr Genkin has been a member of the Board of Directors since 2007. From 2011 to March 2014, he was a member of the Strategy and Investment Committee and Nomination Committee; from March to October 2014, he was a member of the Nomination and Remuneration Committee; starting from March 2014, he has been a member of the Strategy Committee and Investment Committee, and starting from November 2014, he has also been a member of the Audit Committee. Currently, he acts as the Director for Business Development of URALCHEM, OJSC.

Before that, he held a number of executive positions with chemical companies, such as National Gas Company and Sibur, OJSC. Mr Genkin is the Chairman of the Board of Directors of HaloPolymer, OJSC and Voskresensk Mineral Fertilizers, OJSC, and a member of the Board of Directors of MFP KCCW, OJSC and Minudobrenia, OJSC.

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

Owned shares

He does not have an ownership interest or ordinary shares in URALCHEM, OJSC, and he did not complete any transactions with shares in URALCHEM, OJSC in 2014.



Andrey S. Pakhomenkov
Executive Director

Background and experience

Year of birth: 1977
Member of the Board of Directors since 2013.

Mr Pakhomenkov has been a member of the Board of Directors since 2013. From 2013 to March 2014, he was a member of the Strategy and Investment Committee, and since March 2014, he is a member of the Strategy Committee and Investment Committee. Currently, he acts as the Chief Financial Officer of URALCHEM, OJSC. Beginning in 2009, he held a number of executive positions with the financial directorate of URALCHEM, OJSC. In 2008-2009, he was Director of the Treasury Department with HC URALCHEM, LLC. In 2007-2008, he was head of the Treasury

and Currency Control Department with Wimm-Bill-Dann Beverages, OJSC. Mr Pakhomenkov acts as the Chairman of the Board at SIA Ventamonjaks since 2014. He is also a member of the Board of Directors of Minudobrenia, OJSC and Voskresensk Mineral Fertilizers, OJSC.

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

Owned shares

He does not have an ownership interest or ordinary shares in URALCHEM, OJSC, and he did not complete any transactions with shares in URALCHEM, OJSC in 2014.



Petr V. Krupnov
Independent Director

Background and experience

Year of birth: 1962
Member of the Board of Directors since 2011.

Mr Krupnov has been a member of the Board of Directors since 2011. From 2013 to March 2014, he was the Chairman of the Strategy and Investment Committee and Remuneration Committee, and starting from March 2014, he has been the Chairman of the Investment Committee and the Chairman of the Nomination and Remuneration Committee. He is also a member of the Audit Committee and Strategy Committee. In 2012-2013, he was head of the Ufa Branch of United Petrochemical Company, OJSC. In 2010, he acted as an Adviser to the President of SIBUR, LLC.

In 2003-2010, he acted as the Chief Executive Officer of Sibur-Neftehim, OJSC. In 2002-2003, he was head of SIBUR-Tyumen, OJSC. For ten years before that, he held a number of executive positions with PA Polymir, a Belarussian company. Starting from October 2014, he serves as the CEO of NORCHEM, LLC.

Mr Krupnov graduated from the LKSMB Novopolotsk Technical Institute.

Owned shares

He does not have an ownership interest or ordinary shares in URALCHEM, OJSC, and he did not complete any transactions with shares in URALCHEM, OJSC in 2014.

Corporate governance system

In 2014, we continued to improve the performance of URALCHEM Group companies' management bodies as part of the further development of our corporate governance system.

An efficient corporate governance framework contributes to the Group's strategic goals. We are guided by the best practices in our consistent efforts to improve our corporate governance system to ensure maximum protection of shareholder interests and the Group's business needs.

We are confident that efficient corporate governance improves the economic performance of URALCHEM, OJSC, increases the market value of its shares, and boosts the investment appeal of its business.

URALCHEM, OJSC's corporate governance system relies on the following principles:

- > treating shareholders equally and observing their rights and interests;
- > strategic management of activities of the controlled business entities by the Board of Directors;
- > maintaining an effective internal control and audit system;
- > maintaining information and financial transparency;
- > complying with business conduct standards.

The URALCHEM's corporate governance system is governed by its incorporation and internal documents, available on our website at: http://www.uralchem.ru/rus/to_shareholders_and_investors/information_disclosure/. The Articles of Association and internal documents of the Group's companies are updated and amended to reflect changes in applicable laws, improve corporate procedures, and enhance the quality of management decisions. In 2014, we approved new versions of the Articles of Association, Regulation on the General Meeting of Shareholders, Regulation on the Board of Directors, Regulations on Committees at the Board of Directors, and Regulation on the Dividend Policy of URALCHEM, OJSC.

Governing bodies

The governing bodies of URALCHEM, OJSC are as follows:

- > the General Meeting of Shareholders;
- > the Board of Directors;
- > the Chief Executive Officer (sole executive body).

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of URALCHEM, OJSC. The annual General Meeting of Shareholders is held at least once a year between 1 March and 30 June. An extraordinary General Meeting of Shareholders is convened by a resolution of the Board of Directors passed at the Board's own initiative or at the request of the Revision Commission, Auditor or any shareholder (shareholders) owning at least 10% of voting shares in URALCHEM, OJSC. The procedures for convening and holding the General Meeting of Shareholders is set out in the Articles of Association and Regulation on the General Meeting of Shareholders of URALCHEM, OJSC.

In 2014, one annual and three extraordinary General Meetings of Shareholders were held, passing resolutions on the following matters:

- > approval of a new version of the Articles of Association;
- > approval of the annual report and annual accounting statements for 2013;
- > profit distribution;
- > election of the Board of Directors;
- > election of the Revision Commission;
- > approval of the Auditor;
- > approval of new versions of the Regulation on the General Meeting of Shareholders and Regulation on the Board of Directors;
- > approval of major transactions.

The General Meeting of Shareholders is held by way of joint attendance, allowing shareholders to meet members of the Company's management and control bodies in person and ask questions.

The duties of a ballot commission at the General Meeting of Shareholders are performed by Closed Joint Stock Company Computershare Registrar, the Company's registrar as at December 31 2014.

Voting at the General Meeting of Shareholders is held on a "one share, one vote" basis except for the cumulative vote to elect members of the Board of Directors.

Subsidiaries management

URALCHEM, OJSC strives to build a vertically-structured corporate governance system for all its controlled companies. The system relies on a single decision-making and implementation framework, specifically:

- > URALCHEM, OJSC acts as the sole executive body of MFP KCCW, OJSC and Minudobrenia, OJSC, the Group's most important production assets;
- > companies that are strategically important to URALCHEM, OJSC have the status of "priority controlled entities".

Board of Directors

The Board of Directors is a collegial management body responsible for the general management of URALCHEM, OJSC activities, except for the matters referred to the General Meeting of Shareholders. Activities of the Board of Directors are governed by applicable laws, the Articles of Association and the Regulation on the Board of Directors.

The authority of URALCHEM, OJSC's Board of Directors as set out in the Articles of Association is much broader than set out in applicable laws, which is primarily due to the tasks assigned to this management body. The Board of Directors is responsible for providing strategic management and establishing single corporate governance principles across URALCHEM Group's companies.

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, providing shareholders with information on candidates to the Board of Directors to get an idea of their personal and professional skills.

Throughout 2014, URALCHEM, OJSC's Board of Directors remained unchanged, and the General Meeting of Shareholders held on 30 June 2014 re-elected all seven members of the Board, including one independent director:

- > Dmitry A. Mazepin;
- > Yulia E. Orlovskaya;
- > Dmitry V. Konyaev;
- > Mikhail V. Genkin;
- > Dimitry V. Tatyatin;
- > Andrey S. Pakhomenkov;
- > Petr V. Krupnov.

Members of the Board of Directors have impeccable business and personal reputations, as well as skills, expertise and experience to make critical managerial decisions.

The Company seeks to maintain a balanced Board of Directors in terms of qualifications, expertise, and the business skills of its members. The Board should also have the trust of investors and ensure the most efficient arrangement of its activities, including by way of establishing committees of the Board of Directors.

The procedures for convening and holding meetings of the Board of Directors are defined in the Company's Articles of Association and the Regulation on URALCHEM, OJSC's Board of Directors. The process of preparing and holding meetings of the Board of Directors is designed to ensure that its members are granted timely access to the full information required to take well-informed decisions.

Corporate governance system

continued

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, OJSC's Board of Directors (for his brief biography see page 62).

Activities of the Board of Directors in 2014

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, OJSC, 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 by establishing reasonable times for providing advance notice of the meeting, and providing an opportunity to look at the Board's work plan and the opinions of the Board Committees on the agenda items in advance of the meeting. When meetings are held in person, written opinions of the non-attending Board members are counted for the purpose of quorum and voting results.

In 2014, the Board of Directors held 87 meetings, including 77 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 transactions of URALCHEM, OJSC where required by the Articles of Association, approve and oversee implementation of investment projects, approve URALCHEM, OJSC's participation or termination of participation in other entities, and approve significant internal documents.

The format of the Board of Directors meeting depends on the importance of items on the agenda. At its physical meetings held once per month, the Board of Directors considers the most significant matters related to the Group's effective development. The Board of Directors is also responsible for systemic oversight of the Group's development activities and the implementation of its strategy, tasks and objectives by the management of URALCHEM, OJSC and its subsidiaries.

The Board of Directors regularly develops its work plans and evaluates its performance.

In 2015, the Board of Directors will continue to build the most efficient corporate governance and risk management systems and methods, and ensure prompt adjustment of the Group's development strategy in relation to any potential developments in the domestic or global economic situation.

87

meetings the
Board of Directors
held in 2014

Committees of the Board of Directors

To provide for 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.

In January-March 2014, the following Committees of the Board of Directors were active:

- > Strategy and Investment Committee;
- > Nomination Committee;
- > Remuneration Committee;
- > Audit Committee.

In March 2014, the existing Committees of URALCHEM, OJSC's Board of Directors underwent the following changes:

- > the Strategy and Investment Committee was replaced by two committees – the Strategy Committee and the Investment Committee;
- > the Nomination Committee was combined with the Remuneration Committee to form a Nomination and Remuneration Committee.

In the reporting year, the Board of Directors' Committees held 73 meetings, including 3 meetings of the Nomination Committee, 10 meetings of the Remuneration Committee, 17 meetings of the Nomination and Remuneration Committee, 5 meetings of the Strategy and Investment Committee, 13 meetings of the Investment Committee, 11 meetings of the Strategy Committee, and 14 meetings of the Audit Committee. The Committees conduct an annual review and assessment of their performance. Reports on the Committees' activities are discussed and approved at physical meetings of the Board of Directors and are included in the Board of Directors' annual general reports on its activities.

All four Committees are chaired by Non-Executive Directors, which allows the Committees to perform the tasks within their areas of authority as efficiently as possible. This also ensures compliance with the best corporate governance practices.

Audit Committee

The Audit Committee's main purpose is to provide regular monitoring and ensure the greatest possible transparency of the Group's financial and business activities, including core business processes related to cash flows.

The Committee's authority covers matters related to internal and external audit, control of financial and business activities, preparation of financial statements and monitoring of the internal control system. The Audit Committee relies on the Regulation on the Audit Committee, the current version of which was approved by URALCHEM, OJSC's Board of Directors on 20 March 2014.

Membership of the Committee as at 31 December 2014:

- > Yulia E. Orlovskaya, Chairwoman of the Committee, Non-Executive Director;
- > Petr V. Krupnov, Independent Director;
- > Mikhail V. Genkin, Executive Director.

Strategy Committee

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.

The Committee covers matters related to the provision of recommendations on setting business priorities, strategic objectives and key principles of strategic development for the Group, as well as to oversight of strategy implementation, performance review of URALCHEM's companies, and development of proposals for inclusion in the business plan. The Strategy Committee relies on the Regulation on the Strategy Committee, the current version of which was approved by URALCHEM, OJSC's Board of Directors on 20 March 2014.

Membership of the Committee as at 31 December 2014:

- > Yulia E. Orlovskaya, Chairwoman of the Committee, Non-Executive Director;
- > Petr V. Krupnov, Independent Director;
- > Dmitry V. Konyaev, Executive Director;
- > Andrey S. Pakhomenkov, Executive Director;
- > Mikhail V. Genkin, Executive Director.

Corporate governance system

continued

Investment Committee

The Investment Committee's main purpose is to ensure efficient performance of the Board of Directors in its decision-making on investment management.

The Committee is tasked with drafting and providing the Board of Directors with recommendations on enhancing the Company's investment appeal, improving investment activity, performing reviews of procurement and sales activities outside bidding procedures, and ensuring well-informed decision-making. The Committee relies on the Regulation on the Investment Committee of URALCHEM, OJSC, the current version of which was approved on 20 March 2014.

Membership of the Committee as at 31 December 2014:

- > Petr V. Krupnov, Chairman of the Committee, Independent Director;
- > Dmitry V. Konyaev, Executive Director;
- > Yulia E. Orlovskaya, Non-Executive Director;
- > Andrey S. Pakhomenkov, Executive Director;
- > Mikhail V. Genkin, Executive Director.

Nomination and Remuneration Committee

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.

The Committee's authority covers the review and approval of candidates for the positions of CEO, heads of key business units and branches of URALCHEM, OJSC, as well as matters related to the succession strategy, to remunerations and compensations, and bonus schemes for the Directors and top managers of URALCHEM, OJSC and its priority controlled business entities.

The Committee relies on the Regulation on the Nomination and Remuneration Committee of URALCHEM, OJSC's Board of Directors, the current version of which was approved on 20 March 2014.

Membership of the Committee as at 31 December 2014:

- > Petr V. Krupnov, Chairman of the Committee, Independent Director;
- > Dmitry V. Konyaev, Executive Director;
- > Yulia E. Orlovskaya, Non-Executive Director;
- > Dimitry V. Tatyandin, Executive Director.

Chief Executive Officer

The Chief Executive Officer, the sole executive body of URALCHEM, OJSC, is elected by its Board of Directors and manages its day-to-day activities. In January 2014, Dmitry V. Konyaev was elected Chief Executive Officer of URALCHEM, OJSC for an additional three-year term (for his brief biography see page 62).

Remuneration of Directors¹¹

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. The total amount of remuneration and compensation for expenses paid to members of URALCHEM, OJSC's Board of Directors in 2014 was RUB222.276 million, as follows:

Remuneration type	Amount, RUB thousand
Remuneration for service on the Board of Directors	4,416
Salary	140,592
Bonuses	75,865
Compensation for expenses related to acting as member of the Board of Directors	1,403

¹¹ Except for the CEO.

Audit and control

Internal control

URALCHEM Group's system of internal control over its financial and business activities is designed to:

- > improve the efficiency of the Group's financial and business activities;
- > ensure reliable reporting and information;
- > ensure compliance with applicable laws, incorporation documents and other documents of the Company.

The Revision Commission, made up of three members, oversees URALCHEM, OJSC's financial and business activities. The following members of the Revision Commission were elected at the General Meeting of Shareholders on 30 June 2014:

- > Mariya A. Kuzmina, Chairwoman;
- > Andrey V. Ermizin;
- > Yulia V. Bulantseva.

The Revision Commission's authority is specified in the laws and the Articles of Association of URALCHEM, OJSC.

The Revision Commission audits (reviews) the financial and business activities of URALCHEM, OJSC at its own initiative, under resolutions of the General Meeting of Shareholders or the Board of Directors or at the request of a shareholder (shareholders) jointly holding at least 10% of the voting shares.

In 2014, no remuneration for service on the Revision Commission was paid to its members.

In the reporting year, in addition to URALCHEM, OJSC's Revision Commission, internal control over URALCHEM Group's financial and business activities was also performed by:

- > the Board of Directors and the Audit Committee of URALCHEM, OJSC;
- > the Chief Executive Officer of URALCHEM, OJSC;
- > the branch directors of URALCHEM, OJSC;
- > the Internal Audit and Control Department of URALCHEM, OJSC;
- > the sole executive bodies of URALCHEM, OJSC's subsidiaries;
- > the Revision Commissions of URALCHEM, OJSC's subsidiaries.

Activities of the internal control bodies of URALCHEM Group companies are governed by their incorporation documents and relevant internal documents.

The internal control bodies are designed to assist in supporting the key objectives of URALCHEM Group, including the implementation of the Group's strategy, improving its profitability and competitiveness, and maintaining its stable financial and business condition, as well as exercising the rights and protecting the lawful interests of shareholders of URALCHEM, OJSC and the shareholders or members of its subsidiaries, affiliates and controlled companies.

The internal control bodies and the Internal Audit and Control Department are located in the key regions where the Group operates: Kirovo-Chepetsk, Perm and Voskresensk. This on-the-ground coverage enables prompt responses to any changes in business processes at URALCHEM's enterprises, which is ensured through on-the-ground monitoring of the performance of internal control and risk management systems, and assessment of the potential impacts the risks existing at enterprises might have on the achievement of the Group's strategic objectives.

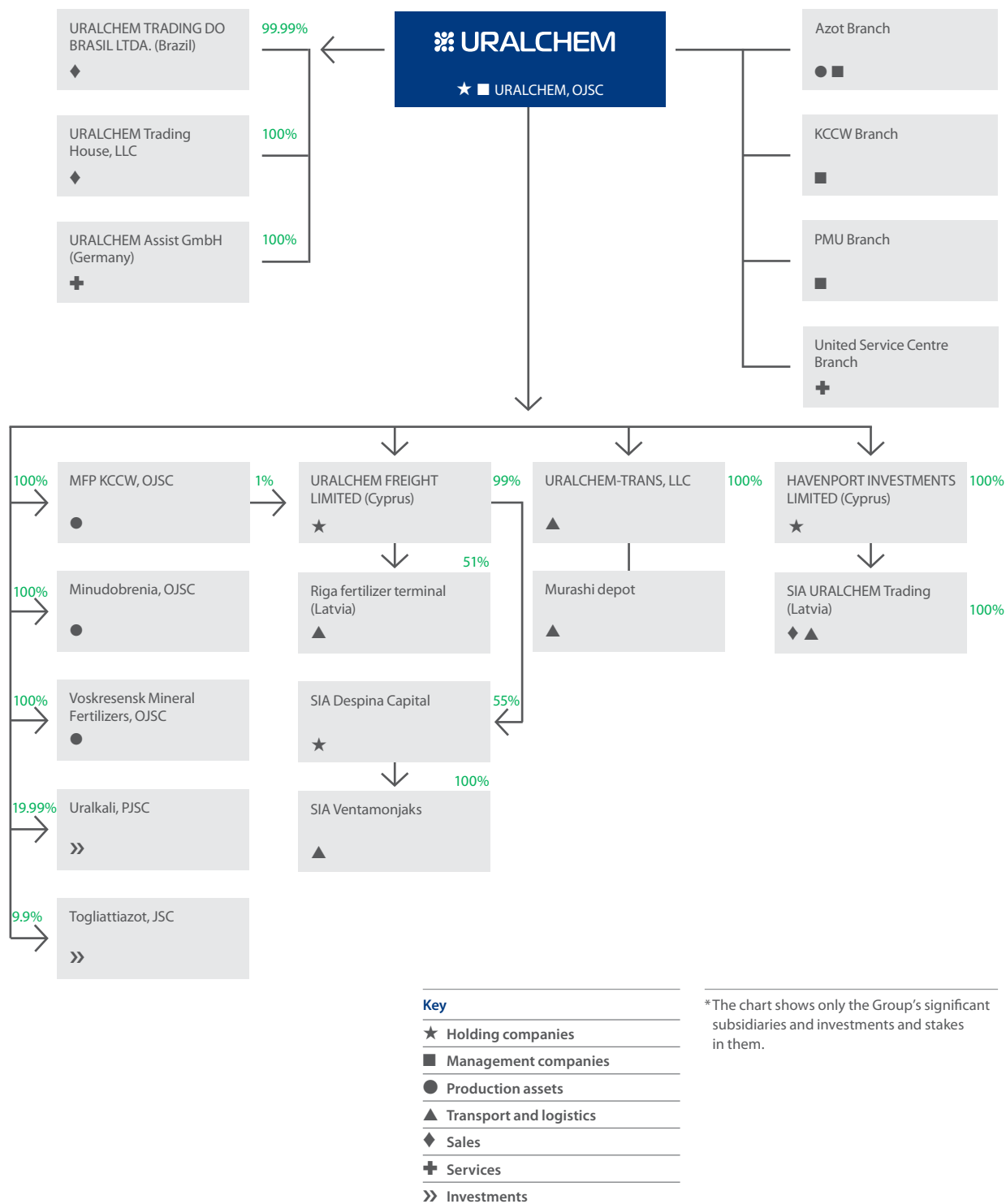
External Auditor

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, OJSC for 2014.

Corporate Governance

Shareholder information

The structure of URALCHEM Group's core assets as of 31 December 2014.*



Authorised capital

The authorised capital of URALCHEM, OJSC is RUB2,000,000,000 (two billion roubles). URALCHEM, OJSC issued 500,000,000 (five hundred million) ordinary registered uncertified shares with the par value of RUB4 (four roubles) each.

The shareholders of URALCHEM, OJSC as of 31 December 2014 are as follows:

- > URALCHEM HOLDING P.L.C. with 99.9999998% in the authorised capital;
- > CI-CHEMICAL INVEST LIMITED with 0.0000002% in the authorised capital.

Dividend policy

The Company's dividend policy, including the procedure for determining the dividend amount and paying dividends, is set out in the Regulations on the Dividend Policy of URALCHEM, OJSC, the new version of which was approved by URALCHEM, OJSC's Board of Directors on 19 December 2014. 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, and proceeds from acknowledgement of the need to increase capitalisation and regularly pay dividends to its shareholders based on the net profit amount and the Company's development requirements.

The Regulations on the Dividend Policy 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 new version of the Regulations was approved taking into account changes in the law and in the Company's Articles of Association, in particular:

- > the procedure for determining the dividend amount is detailed;
- > the dividend payment procedure and timing are clarified;
- > the procedure for determining the persons entitled to receive dividends is changed; and
- > the procedure for notifying shareholders of the dividend policy is detailed.

Dividends are distributed from URALCHEM, OJSC's net income as per RAS accounts. Dividends may be paid out from retained earnings brought forward from previous years. The General Meeting of Shareholders of URALCHEM, OJSC decides on dividend payments based on advice from its Board of Directors. Dividend amounts may not exceed the amounts recommended by the Board of Directors.

Report on the dividends to be declared/paid out by URALCHEM, OJSC

On 30 June 2014, the General Meeting of Shareholders passed the following resolution: taking into account interim dividends paid (declared) on ordinary registered uncertified shares of URALCHEM, OJSC for the nine months of the 2013 financial year in the total amount of RUB3,475,000,000 (three billion four hundred and seventy-five million roubles), or RUB6.95 (six roubles and ninety-five kopecks) per ordinary registered uncertified share of URALCHEM, OJSC. Dividends for the 2013 financial year on ordinary registered uncertified shares of URALCHEM, OJSC shall not be paid (declared).

No resolutions were passed on declaring interim dividends in 2014.

Dividend tax

URALCHEM, OJSC acts as a tax agent when it distributes earnings to shareholders according to their holdings. URALCHEM, OJSC 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.

Related-party and major transactions

In 2014, URALCHEM, OJSC concluded a number of transactions classified as related-party transactions under the Federal Law On Joint Stock Companies. The transactions are listed in Appendix 1 on page 72. Under the Federal Law On Joint Stock Companies, approval of such transactions falls under the authority of the General Meeting of Shareholders or the Board of Directors depending on the amount of the transaction in question and other regulatory requirements.

All related-party transactions of URALCHEM, OJSC were approved by its Board of Directors to prevent conflicts of interest arising from their conclusion.

See Appendix 2 on page 73 for a list of transactions URALCHEM, OJSC concluded in 2014 and classified as major transactions according to the Federal Law On Joint Stock Companies.

Appendices

Appendix 1

Related-party transactions

	Material terms	Approving management body	Related party
1	<p>Contract for research and commissioning between URALCHEM, OJSC as the Contractor and Uralkali, OJSC as the Client, whereunder the Client authorises and the Contractor undertakes to perform the work as stated in the terms of reference within the agreed timeline.</p> <p>The Contract price equals the cost of work and is US\$2,500,000 in the Russian rouble equivalent at the exchange rate of the Central Bank of the Russian Federation on the date of the Contract.</p> <p>Date of the Contract: 5 November 2014.</p>	<p>Approved by the resolution of URALCHEM, OJSC's Board of Directors on 31 October 2014, minutes No. 242 dated 31 October 2014.</p>	<p>Dmitry A. Mazepin and Dmitry V. Konyaev, members of URALCHEM, OJSC's Board of Directors, who are also members of the Board of Directors of Uralkali, OJSC, a party to the transaction.</p>
2	<p>Addendum No. 9 to Supply Contract No. 5761/2010/OZ dated 28 December 2010 between URALCHEM, OJSC as the Buyer and Uralkali, PJSC as the Supplier, increasing 2015 potassium chloride supplies to 21,901 tonnes (+10% at the Buyer's option).</p> <p>The indicative contract price for 2015 is RUB202,440,000, inclusive of VAT.</p> <p>Addendum date: 26 November 2014.</p>	<p>Approved by the resolution of URALCHEM, OJSC's Board of Directors on 18 December 2014, minutes No. 251 dated 19 December 2014.</p>	<p>Dmitry A. Mazepin and Dmitry V. Konyaev, members of URALCHEM, OJSC's Board of Directors, who are also members of the Board of Directors of Uralkali, PJSC, a party to the transaction.</p>

Appendix 2

Major transactions

	Material terms	Approving management body
1	<p>Addendum to the Incorporated Guarantee Loan Agreement.</p> <p>Parties to the transaction: URALCHEM, OJSC and MFP KCCW, OJSC as the Borrowers, Beneficiaries and Guarantors, VTB Capital Plc as the Lender (the Original Lender), VTB Capital Plc as the Loan Agent, VTB Capital Plc as the Documentary Agent, and Voskresensk Mineral Fertilizers, OJSC; URALCHEM Trading House, LLC; Minudobrenia, OJSC; URALCHEM HOLDING P.L.C., and SIA URALCHEM Trading as the Guarantors.</p> <p>The Addendum extends the loan availability period for disbursements under specific loans within the Loan Agreement: until 31 March 2014 for URALCHEM, OJSC as the Borrower (disbursement limit – US\$400 million), and until 11 February 2014 for MFP KCCW as the Borrower (disbursement limit – US\$200 million).</p> <p>The maturity period of the Loan is 84 months.</p> <p>As at the date of the Addendum, the transaction value under the Loan Agreement, taking account of the above Addendum, 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\$6.3 billion (rounded) or about RUB218.4 billion (rounded) at the Bank of Russia’s exchange rate on 7 February 2014.</p> <p>Addendum date: 7 February 2014.</p>	<p>Approved by the resolution of URALCHEM, OJSC’s Board of Directors on 6 February 2014, minutes No. 180 dated 6 February 2014.</p>

Appendices

Appendix 2

continued

Material terms	Approving management body
<p>2 Addendum to the Incorporated Guarantee Loan Agreement.</p> <p>Parties to the transaction: URALCHEM, OJSC and MFP KCCW, OJSC as the Borrowers, Beneficiaries and Guarantors, VTB Capital Plc as the Lender (the Original Lender), VTB Capital Plc as the Loan Agent, VTB Capital Plc as the Documentary Agent, Voskresensk Mineral Fertilizers, OJSC; URALCHEM Trading House, LLC; Minudobrenia, OJSC; URALCHEM HOLDING P.L.C., and SIA URALCHEM Trading as the Guarantors.</p> <p>The Addendum amends the terms of the current Loan Agreement, specifically:</p> <p>1) the loan availability period for disbursements under specific loans within the Loan Agreement is extended until 30 April 2014 for URALCHEM, OJSC as the Borrower (disbursement limit – US\$400 million);</p> <p>2) from the Addendum date through to the final date of the loan availability period, the commitment fee for URALCHEM, OJSC as the Borrower (disbursement limit – US\$400 million) shall be 0.6 percent per annum of the Lender's available commitment;</p> <p>3) the time for submission to the Lender of the consolidated IFRS financial reports of URALCHEM Group for Q1 and Q3 of each financial year shall be extended from 45 to 60 days.</p> <p>The maturity period of the Loan is 84 months.</p> <p>As at the date of this Addendum, the transaction value under the Loan Agreement, taking account of the Addendum dated 7 February 2014 and this Addendum, 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\$6.3 billion (rounded) or about RUB 222.5 billion (rounded) at the Bank of Russia's exchange rate on 3 April 2014.</p> <p>Addendum date: 3 April 2014.</p>	<p>Approved by the resolution of URALCHEM, OJSC's Board of Directors on 31 March 2014, minutes No. 193 dated 31 March 2014.</p>

Material terms	Approving management body
<p>3 Addendum to the Incorporated Guarantee Loan Agreement.</p> <p>Parties to the transaction: URALCHEM, OJSC and MFP KCCW, OJSC as the Borrowers, Beneficiaries and Guarantors, VTB Capital Plc as the Lender (the Original Lender), VTB Capital Plc as the Loan Agent, VTB Capital Plc as the Documentary Agent, Voskresensk Mineral Fertilizers, OJSC; URALCHEM Trading House, LLC; Minudobrenia, OJSC; URALCHEM HOLDING P.L.C., and SIA URALCHEM Trading as the Guarantors.</p> <p>Pursuant to the Addendum:</p> <p>1) the adjusted loan availability period for disbursements under specific loans within the Loan Agreement for URALCHEM, OJSC as the Borrower (disbursement limit – US\$400 million) shall be 21–23 July 2014;</p> <p>2) from the Addendum date through to the final date of the loan availability period, the commitment fee for URALCHEM, OJSC as the Borrower (disbursement limit – US\$400 million) shall be 1.5 percent per annum of the Lender’s available commitment;</p> <p>The maturity period of the Loan is 84 months.</p> <p>As at the date of this Addendum, the transaction value under the Loan Agreement, taking account of the Addendum dated 7 February 2014, the Addendum dated 3 April 2014, and this Addendum, 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\$6.3 billion (rounded) or about RUB 225 billion (rounded) at the Bank of Russia’s exchange rate on 30 April 2014.</p> <p>Addendum date: 30 April 2014.</p>	<p>Approved by the resolution of URALCHEM, OJSC’s Board of Directors on 30 April 2014, minutes No. 200 dated 30 April 2014.</p>

Appendix 3

Net asset position of URALCHEM, OJSC

Net asset position is derived from URALCHEM, OJSC's annual accounting (financial) statements for 2012, 2013, and 2014 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, OJSC's equity in 2012–2014

	2012	2013	2014
Equity, RUB '000	2,000,000	2,000,000	2,000,000

Changes in items included in URALCHEM, OJSC's NAV calculation in 2012–2014

Item, RUB '000	2012	2013	2014
Assets			
Intangible assets	54,555	50,625	9,144
Fixed assets	3,405,049	3,953,388	4,585,171
Construction in progress	400,467	565,223	393,479
Income-bearing investments in tangible assets	0	791	633
Long-term and short-term financial investments	39,283,200	147,177,710	126,284,860
Other non-current assets	953,740	5,433,762	23,775,658
Inventories	1,196,054	1,156,033	1,254,601
Input value added tax	381,229	483,581	432,842
Accounts receivable	4,956,498	1,206,961	922,437
Cash	407,102	416,866	4,393,461
Other current assets	235,068	157,930	185,623
Total assets included in the calculation	51,272,962	160,602,870	162,237,909
Liabilities			
Long-term loans and borrowings	27,128,731	137,515,654	235,190,461
Other non-current liabilities	168,209	203,587	254,184
Short-term loans and borrowings	3,017,599	4,034,900	1,778,767
Accounts payable	1,872,977	10,552,584	1,477,315
Distributions due to members (founders)	4,200,000	3,475,000	0
Provisions for future expenses	354,416	370,516	476,971
Other current liabilities	3,801	3,419	7,488
Total of liabilities included in the calculation	36,745,733	156,155,660	239,185,186
The Company's net asset value	14,527,229	4,447,210	-76,947,277

2) Analysis of the causes and drivers of the Company's net asset value falling below its equity value:

The key causes of the Company's net asset value falling below its equity value include:

- > the weakening rouble and RUB 98,456,747 thousand of net foreign exchange loss;
- > RUB 24,767,314 thousand of revaluation loss of financial investment (Uralkali, PJSC).

3) List of initiatives to bring the Company's NAV in line with its equity value:

The Company is considering the following initiatives to bring its NAV in line with its equity value:

- > reorganisation of MFP KCCW, OJSC through consolidation with URALCHEM, OJSC in 2014;
- > receipt of dividend payments/share of profit from subsidiaries.

Appendix 4

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

The Company complies with most of the principles and recommendations of the Corporate Governance Code.

Since the Company is not publicly traded, it is not required to comply with all of the principles and recommendations of the Corporate Governance Code. The Company's corporate policy is based on the following principles and recommendations of the Corporate Governance Code:

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
I. Shareholders' rights and equal terms and conditions in exercising these rights	
1.1 Company should ensure equal and fair treatment of all shareholders in exercising their rights to participate in the management of the company.	Yes The Company's corporate governance system and practice are based on equal terms and conditions for all shareholders of the same class (category), including minority and foreign shareholders, as well as their equal treatment by the Company. The Company discloses resolutions passed by the General Meeting of Shareholders according to the procedure established by the applicable Russian law and the Company's internal documents.
1.1.1 Company is recommended to ensure the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on items on the agenda of the general meeting, coordinate their actions, and voice their opinions on items considered.	Yes The Company has adopted the Regulation on the General Meeting of Shareholders which establishes the procedures for preparing, convening and holding the General Meeting of Shareholders (hereinafter, the "General Meeting").
1.1.2 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.	Yes Unless the Company's Articles of Association and Russian law provide for a longer period, the Company notifies its shareholders of the General Meeting and enables them to study materials that must be provided in preparation for the same no later than thirty (30) days prior to the date thereof. The information about the date of drawing up a list of persons entitled to participate in the General Meeting is disclosed by the Company in accordance with the applicable Russian law. The Company provides to its shareholders the most complete information on each item on the agenda. In addition to mandatory materials required by the Russian law and the Articles of Association, the Company provides additional materials to its shareholders.
1.1.3 In preparation for the general meeting and during the general meeting, shareholders should 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.	Yes See notes under 1.1.1., 1.1.2., 1.1.5., 1.1.6.
1.1.4. Shareholders should 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.	Yes See note under 1.1.1.

Appendices

Appendix 4

continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
1.1.5 Each shareholder should be enabled to freely exercise his/her voting right in the simplest and most convenient way.	<p>Yes</p> <p>The Company enables each shareholder to freely exercise his/her voting rights at the General Meeting in a way the shareholder considers the simplest and most convenient. The procedure for registering participants in the General Meeting does not hinder any shareholder's participation in the same, and is detailed in the Regulation on the General Meeting of Shareholders. The Company sets a reasonably sufficient registration period so that all shareholders wishing to participate in the meeting can get registered.</p> <p>The Company registrar keeps the share register and performs the functions of the ballot commission at the General Meeting. See also note under 1.1.1.</p>
1.1.6. The general meeting procedure established by the company should equally enable all persons attending the meeting to voice their opinion and ask questions.	<p>Yes</p> <p>When the General Meeting considers in a physical meeting matters related to the Company's financial and business operations, the Company takes all steps necessary to enable its shareholders to put questions to the sole executive body (Chief Executive Officer) and to any other officer of the Company charged with keeping accounting records, or, if such records are kept by an organisation or individual pursuant to an agreement with the Company, to the responsible employee of such an organisation or to such an individual, as well as to the Revision Commission.</p> <p>The Company takes all steps necessary to enable the participants in the General Meeting to freely communicate and consult with each other on items put to vote at the General Meeting.</p> <p>See also note under 1.1.1.</p>
1.2 Shareholders should be provided with equal and fair opportunities to participate in the company's profits through dividend payments.	<p>Yes</p>
1.2.1 The company should develop and introduce a transparent and clear mechanism for determining the dividend amount and paying dividends.	<p>Yes</p> <p>The Company has approved the Regulation on the Dividend Policy which establishes the procedure for determining the portion of the net profit allocated for dividend payments, and preconditions for dividends to be declared.</p> <p>When a decision is made to pay out (declare) dividends, shareholders are made aware of the importance of the timely notification to the Company of changes in their details required for dividend payments, as well as the implications and risks of the untimely notification to the Company of changes in such details.</p>

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
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.	Yes
1.2.3 The company should not allow the dividend rights of its existing shareholders to be impaired.	Yes
1.2.4 The company should strive to exclude any ways for its shareholders to receive profit (income) from the Company other than dividends and liquidation value.	Yes
1.3 The corporate governance system and practice should 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.	Yes See note under 1.3.1.
1.3.1 The company should 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.	Yes The Company's corporate governance system and practice are based on equal terms and conditions for all shareholders of the same class (category), including minority and foreign shareholders, as well as their equal treatment by the Company. Shareholders should not abuse their rights. Shareholders are not allowed to act with the intention to cause damage to other shareholders or to the Company, or to abuse shareholder rights in any other way. The Company recognises the importance of avoiding actions which lead or may lead to artificial redistribution of corporate control or give rise to the unjustified privileges of certain shareholders over others.
1.3.2 The company should not perform actions which lead or may lead to artificial redistribution of corporate control.	Yes
1.4 Shareholders should 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.	Yes The Company takes all steps in its power to provide its shareholders with reliable and effective methods of recording their rights in shares, as well as an opportunity to freely dispose of their shares without any hindrance, including through: 1) electing a registrar with good reputation, proven and reliable techniques enabling the most effective ways of recording rights to shares and exercising shareholder rights; 2) acting jointly with the registrar to update shareholder information contained in the share register.

Appendix 4

continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
II. Company's board of directors	
<p>2.1 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.</p>	<p>Yes</p> <p>The authority of the Board of Directors is determined by the applicable law and the Company's Articles of Association.</p> <p>The Board of Directors carries out strategic management of the Company, establishes the basic principles of, and approaches to, setting up a risk management and internal control system, controls the activities of the Company's executive bodies, and performs other key governance functions according to its authority determined by Russian law and the Company's Articles of Association.</p> <p>The procedure for nominating candidates to the Board of Directors, its members' status, and the procedure for convening and holding meetings of the Board of Directors and executing its resolutions are governed by the Regulation on the Company's Board of Directors.</p>
<p>2.1.1 The board of directors should be responsible for making decisions related to the appointment and removal of executive bodies, including due to their inadequate performance. The board of directors should 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.</p>	<p>Yes</p> <p>Pursuant to the Articles of Association, the Board of Directors makes decisions related to the appointment and removal of executive bodies and controls their activities, including:</p> <ul style="list-style-type: none"> > decisions on creating a sole executive body (Chief Executive Officer), terminating his/her powers ahead of due date, approving the terms of his/her employment contract, including remuneration and other payments; and > approval of candidates nominated for the position of the sole executive body of high-priority controlled business entities; <p>On a monthly basis, the Board of Directors reviews reports of the Company's Chief Executive Officer on the strategy implementation, paying special attention to results achieved. The regularity of reports is determined by the Board of Directors based on specific stages of the strategy implementation and the need for adjustment.</p>

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>2.1.2 The board of directors should 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.</p>	<p>Yes</p> <p>The Board of Directors determines the main long-term and medium-term targets of the Company's operations, and assesses and approves its key performance indicators and key business goals, as well as its strategy, Business Plan and the report on its execution.</p> <p>The Board of Directors takes all steps necessary to ensure that appropriate resources are available to work out the Company's strategy, determines the format in which the strategy description should be prepared, conducts discussions and ensures an objective assessment of the strategy planning process, and evaluates and approves the Company's development strategy.</p> <p>The Board of Directors assesses the strategy based on the Company's strengths and weaknesses, as well as the existing and projected economic and financial environment in which the Company operates. The Board of Directors participates in discussions of all material changes in the Company's previously approved strategy and Business Plans.</p>
<p>2.1.3 The board of directors should determine the principles of, and approaches to, setting up a risk management and internal control system in the company.</p>	<p>Yes</p> <p>The Board of Directors defines the Company's general policy on risk management and internal control. The Board of Directors assesses the Company's financial and non-financial risks, including operating, social, ethical, environmental and other non-financial risks, and identifies the risk level acceptable for the Company. In defining the risk management policy, the Board of Directors proceeds from the need to balance risks and benefits for the Company in general, taking into account statutory requirements and the Company's Articles of Association and internal documents.</p> <p>The Board of Directors approves documents determining the Company's internal financial and business control procedures.</p> <p>On a quarterly basis, the Board of Directors arranges a review and assessment of the risk management and internal control system. The regularity of reviews and assessments of the risk management and internal control system is based on the Company's actual operations, risks assumed, and changes in the way the Company operates. The results of such reviews and assessments are considered at meetings of the Board of Directors.</p> <p>The Chief Executive Officer organises risk management and internal control in the Company, regularly reports to the Board of Directors on the creation and functioning of the risk management and internal control system, and is responsible for its effectiveness.</p>

Appendix 4

continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>2.1.4 The board of directors should 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.</p>	<p>Yes</p> <p>The Company proceeds from the fact that the policy on remuneration due to and/or reimbursement (compensation) of costs incurred by members of its Board of Directors, Chief Executive Officer and other key executives should be based on the principles of transparency and accountability and should take into account the role of said persons in the Company's operations.</p> <p>Pursuant to the Company's Articles of Association, 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, implement the bonus system in respect of the Chief Executive Officer and his/her direct reports heading the Company's business units and branches, and approve, monitor, adjust and assess the achievement of key performance indicators (KPIs) by the said officers.</p> <p>The Company's Articles of Association determine the authority of the Board of Directors 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.</p> <p>The authority of the Board of Directors includes determining the amount of remuneration due to and/or approving reimbursements of costs incurred by members of committees of the Board of Directors who are not members of the Board of Directors, related to performance of their duties.</p>

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>2.1.5 The board of directors should play a key role in preventing, identifying and settling internal conflicts between the company's bodies, shareholders and employees.</p>	<p>Partial</p> <p>The Company takes all steps possible and necessary for preventing or settling a conflict (as well as mitigating its consequences) between the Company's body and its shareholder(s), as well as among shareholders, if such a conflict affects the Company's interests, including through out-of-court dispute settlement procedures.</p> <p>The Company proceeds from the fact that if a conflict affects or may at some stage affect the Company's executive bodies, it should be settled by the Board of Directors. A member of the Board of Directors whose interests are or may be affected by the conflict should not participate in settling such conflict.</p> <p>To prevent corporate conflicts, the Company is putting in place a system for identifying the Company's transactions involving a conflict of interest (in particular, personal interests of shareholders, members of the Board of Directors, and other bodies or employees of the Company). This system includes procedures to ensure that:</p> <ol style="list-style-type: none"> 1) updated information about related parties and affiliates of members of the Board of Directors and the Chief Executive Officer is received in a timely manner by the Company; 2) decisions are made that transactions involving a conflict of interest shall be entered into, or their terms and conditions shall be monitored by, persons having no conflict of interest and not influenced by persons having such conflict of interest.
<p>2.1.6 The board of directors should 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.</p>	<p>Yes</p> <p>The Company recognises the importance of the timely disclosure of reliable information about its operations, which is a most important tool in building long-term trust-based relations with its shareholders, helping increase the Company's value, raising capital on the most favourable terms possible, and maintaining the trust of stakeholders (partners, clients, suppliers, general public, government agencies).</p> <p>The Board of Directors determines the Company's information policy based on the need for the appropriate setup and efficient functioning of the information disclosure system, as well as the provision of access to the Company's information for shareholders.</p>

Appendices

Appendix 4

continued

	Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
2.1.7	The board of directors should control the company's corporate governance practice and play a key role in its significant corporate events.	<p>Partial</p> <p>The Company recognises the importance of control over the corporate governance practice by regularly reviewing the compliance of the Company's corporate governance system and corporate values with its goals, objectives, operations and risks.</p>
2.2	The board of directors should be accountable to the company's shareholders.	<p>Partial</p> <p>See notes under 2.2.1., 2.2.2.</p>
2.2.1	Performance of the board of directors should be disclosed and provided to shareholders.	<p>Partial</p> <p>Performance of the Board of Directors is disclosed and provided to shareholders in accordance with the applicable Russian law, the Company's Articles of Association and internal documents.</p> <p>The Company strives to present in its annual report and on its website information about the meetings of the Board of Directors and its committees held during the reporting year, information on the Board of Directors' performance in setting up an efficient risk management and internal control system, assessments of the performance of the Board of Directors and executive bodies, and reasons that led to decisions on the early termination of powers of the Company's executive bodies, if applicable.</p>
2.2.2	The chairman of the board of directors should be available to communicate with the company's shareholders.	<p>Partial</p> <p>The Company makes every reasonable effort to ensure that shareholders have the opportunity to put questions to the Chairman of the Board of Directors regarding the authority of the Board of Directors, as well as to inform him/her about their opinions (positions) on such matters in a convenient and unhindered manner, as required by the Company's internal documents.</p>
2.3	The board of directors should 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.	<p>Yes</p> <p>See notes under 2.3.1.–2.3.4.</p>

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>2.3.1 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.</p>	<p>Yes</p> <p>The Company makes every reasonable effort so that 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, are elected to the Board of Directors.</p> <p>The Company proceeds from the fact that the Board of Directors should be an efficient and professional management body capable of making unbiased judgements and resolving issues falling within its authority in a timely and efficient manner.</p> <p>The Company proceeds from the fact that a conflict of interest involving a member of the Board of Directors provides reasonable grounds for doubting that he/she would act in the Company's interests. Accordingly, the Company takes all possible steps to prevent electing to the Board of Directors a person who is a member, or holds positions in executive bodies, and/or is an employee of a legal entity competing with the Company.</p>
<p>2.3.2 The company's board of directors should 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.</p>	<p>Yes</p> <p>Members of the Board of Directors are elected as per a procedure that takes into account shareholders' opinions and ensures the compliance of the composition of the Board of Directors with statutory requirements, and the Company's objectives and corporate values.</p> <p>The Company proceeds from the fact that a good corporate governance practice provides for a preliminary discussion with shareholders of candidates nominated to the Board of Directors.</p> <p>The Company takes all steps necessary for shareholders to receive information about candidates for the Board of Directors, sufficient to get an idea of their personal and professional qualities, within the scope and as per the procedure established by the Articles of Association, the Regulation on the General Meeting of Shareholders, and the Regulation on the Board of Directors.</p> <p>The Company takes all measures necessary to provide to shareholders information on a candidate's compliance with the requirements set forth for independent directors.</p> <p>A candidate for the Board of Directors should provide his/her written consent to being nominated and elected to the Board of Directors, as well as to working on a committee (committees) of the Board of Directors, if the candidate's participation in the committee(s) is contemplated, except for cases of self-nomination.</p> <p>Information about candidates to the Board of Directors is provided as part of information (materials) for preparing for and holding the General Meeting.</p>

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continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
2.3.3 The board of directors should be balanced, including in terms of the qualifications of its members, their experience, knowledge and business qualities, and it should have the trust of shareholders.	Partial See notes under 2.3.1., 2.3.2.
2.3.4 The number of members on the company's board of directors should 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.	Partial The Company takes steps to ensure that the number of members on the Board of Directors makes it possible to organise the activities of the Board of Directors in the most efficient manner, including the possibility to set up committees of the Board of Directors.
2.4 The board of directors should include a sufficient number of independent directors.	Partial The Company takes steps for the Board of Directors to include a sufficient number of independent directors in order to improve the quality of decisions made regarding the Company's development strategy and assessment of compliance of the Company's operations with such strategy, to prevent and resolve corporate conflicts, evaluate the performance of executive bodies, assess the Company's operations in terms of meeting the interests of all its shareholders, in a timely manner disclose reliable information about the Company's operations, and address other relevant matters which may affect the shareholders' interests. The criteria and procedure for assessing the independence of a member of the Board of Directors are determined by applicable law and the Company's internal documents. The Board of Directors had one independent director during the reporting period.
2.4.1 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.	Yes
2.4.2 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.	Yes
2.4.4 Independent directors should play a key role in the prevention of internal conflicts in the company and in the performance by the latter of significant corporate actions.	Partial

	Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
2.5	The chairperson of the board of directors should assist the board of directors in performing its functions in the most efficient manner.	Yes The Chairperson of the Board of Directors ensures the efficient operation of the Board of Directors and its interaction with other bodies of the Company.
2.5.2	The chairperson of the board of directors should ensure a constructive environment at the board meetings, free discussion of agenda items, and oversee implementation of the board of directors' resolutions.	Yes
2.5.3	The chairperson of the board of directors should take all steps necessary for the timely provision to members of the board of directors of information required to make decisions on agenda items.	Yes See also note under 2.7.2.
2.6	Members of the board of directors should 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.	Yes See notes under 2.6.1–2.6.4.
2.6.1	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.	Yes Reasonable actions taken in good faith by the Board of Directors imply decisions made based on all information available, without conflict of interest, based on equal treatment of the Company's shareholders, and assuming normal business risks. The Company takes a socially responsible position, conducting its operations to meet the accepted environmental and social standards, and the Board of Directors should take into account the best interests of other stakeholders, including employees, creditors and counterparties of the Company. A member of the Board of Directors with potential conflict of interest, including his/her interest in the Company's entering into a transaction, should immediately notify the Company's Board of Directors accordingly, as per the procedure established by the applicable law, the Company's Articles of Association and internal documents, and, in any case, should place the Company's interests above his/her own.
2.6.2	The rights and obligations of members of the board of directors should be clearly defined and set out in the company's internal documents.	Yes
2.6.3	Members of the board of directors should be provided with sufficient time to perform their duties.	Partial The Company proceeds from recognising the need for members of the Board of Directors to have sufficient time to work on the Company's Board of Directors, including its committees. Therefore, members of the Board of Directors should inform the Company about their positions held in the governing bodies of other organisations.

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continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>2.6.4 All members of the board of directors should be provided with equal access to the company's documents and information. Newly elected members of the board of directors should be provided, as promptly as practically possible, with sufficient information about the company and the work of the board of directors.</p>	<p>Yes</p> <p>The Company proceeds from the fact that all members of the Board of Directors should have equal access to the Company's documents and information, which is ensured through establishing the most effective mechanism for providing information necessary for members of the Board of Directors to make informed decisions and properly perform their duties. Newly elected members of the Board of Directors are provided, as promptly as practically possible, with sufficient information about the Company and the work of the Board of Directors. Members of the Board of Directors should keep received information confidential, as required by the Company's internal documents.</p>
<p>2.7 Meetings of the board of directors, and preparation for, and participation in, these meeting by members of the board of directors should ensure the efficient work of the board of directors.</p>	<p>Yes</p> <p>See notes under 2.7.1–2.7.3.</p>
<p>2.7.1 It is recommended to hold meetings of the board of directors when necessary, taking into account the scale of operations and objectives of the company at a particular time.</p>	<p>Yes</p> <p>Proper preparation for meetings of the Board of Directors, and attendance of all members of the Board of Directors ensure the effectiveness and efficient performance of the Board of Directors. Meetings of the Board of Directors, either in person or by absentee voting, are held as needed, taking into account the scale of operations and objectives of the Company at a particular time, but, as a rule, at least once a month and in accordance with the action plan approved by the Board of Directors.</p>
<p>2.7.2 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.</p>	<p>Yes</p> <p>The procedure for arranging and holding meetings of the Board of Directors set forth in the Regulation on the Board of Directors enables members of the Board of Directors to duly prepare for meetings; in particular, where a meeting is held by absentee voting, the procedure and dates are determined for sending a voting ballot to each member of the Board of Directors and receiving completed voting ballots.</p>
<p>2.7.3 The format of the meeting of the board of directors should be determined based on the importance of items on the agenda. The most important items should be considered at meetings held in person.</p>	<p>Yes</p> <p>The format of the meeting of the Board of Directors is determined based on the importance of items on the agenda. The most important items are considered at meetings held in person, which enables a more comprehensive discussion of items on the agenda by members of the Board of Directors.</p>
<p>2.7.4 Decisions on the most important aspects of the company's operations should 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.</p>	<p>Partial</p> <p>The majority of votes required for the Board of Directors to make decisions is determined by the applicable law and the Company's Articles of Association. The vote of each member of the Board of Directors on agenda items is recorded in the minutes of the Board of Directors' meeting.</p>

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
2.8 The board of directors should set up committees for the preliminary consideration of the most important aspects of the company's operations.	Yes Committees of the Company's Board of Directors are set up for preliminary consideration of the most important aspects of the Company's operations. Detailed information on committees of the Board of Directors is presented on pages 67-68.
2.8.1 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.	Partial Detailed information on the Audit Committee is presented on page 67.
2.8.2 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.	Partial Detailed information about the Nominations and Remuneration Committee is presented on page 68.
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 should be independent directors.	Partial Detailed information about the Nominations and Remuneration Committee is presented on page 68.
2.8.4 Taking into account the company's scope of business and level of risks, it is recommended to set up other committees of the board of directors (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	Yes The Company has set up the following committees of the Board of Directors: 1) Strategy Committee; 2) Investment Committee; 3) Audit Committee; 4) Nominations and Remuneration Committee
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.	Yes
2.8.6 Chairpersons of committees should regularly report to the board of directors and its chairperson on the performance of their committees.	Yes
2.9 The board of directors should arrange for a performance assessment of the board of directors, its committees, and members of the board of directors.	Partial In order to assess the performance and efficiency of the Board of Directors, as well as to identify areas for improvement, the Company may implement a performance assessment procedure for the Board of Directors.

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continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>2.9.1 The board of directors' performance assessment should be aimed at determining the efficiency of the board of directors, its committees and members, and the consistency of their work with the company's development requirements, as well as bolstering the operations of the board of directors and identifying areas for improvement.</p>	Partial
<p>2.9.2 Performance of the board of directors, its committees, and members of the board of directors should 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 .</p>	Partial
<p>IV. Remuneration of members of the board of directors, executive bodies and other key executives of the company</p>	
<p>4.1 The amount of remuneration paid by the company should 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.</p>	<p>Partial</p> <p>The Company proceeds from the fact that the remuneration policy is developed by the Board of Directors' Nominations and Remuneration Committee and approved by the Company's Board of Directors.</p> <p>The Board of Directors defines the policy for remuneration due to and/or reimbursement (compensation) of costs incurred by members of the Board of Directors, the Chief Executive Officer and other key executives of the Company (heads of business units who are direct reports of the Chief Executive Officer, heads of the Company's branches) based on the principles of transparency and accountability and taking into account the role of said persons in the Company's operations.</p> <p>The Board of Directors, assisted by the Nominations and Remuneration Committee, exercises control over the introduction and implementation of the Company's remuneration policy, revising and amending it as required.</p> <p>As of 31 December 2014, the Company lacks an internal document defining the provisions of the policy on remuneration due to members of the Board of Directors for involvement in its activities.</p>
<p>4.1.1 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 should avoid unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.</p>	<p>Partial</p> <p>See note under 4.1.</p>

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
4.1.2 The company's remuneration policy should be developed by the remuneration committee and approved by the company's board of directors. The board of directors, assisted by the remuneration committee, should exercise control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	Partial See note under 4.1.
4.1.3 The company's remuneration policy should include transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key executives of the Company, as well as for regulating all types of expenses, benefits and privileges provided to such persons.	Partial See note under 4.1.
4.2 The system of remuneration due to members of the board of directors should provide for aligning directors' financial interests with the long-term financial interests of shareholders.	Yes
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.	Yes
4.2.3 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.	Yes
4.3 The system of remuneration due to executive bodies and other key executives of the company should provide for the dependence of remuneration on the results of the company's operations and their personal contributions to achieving such results.	Partial See also notes under 4.3.1.–4.3.3.

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continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>4.3.1 Remuneration due to executive bodies and other key executives of the company should 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.</p>	<p>Yes</p> <p>The Company proceeds from the fact that the system of remuneration due to members of executive bodies and other key executives of the Company should provide for the dependence of remuneration on the results of the Company's operations and their personal contributions to achieving such results.</p> <p>The Company establishes the short-term and long-term incentive schemes for members of executive bodies and other key executives of the Company based on a reasonable and justified ratio of the fixed and variable part of remuneration, depending on the results of the Company's operations and the employee's personal contribution to achieving such results.</p>
<p>4.3.3 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.</p>	<p>Yes</p> <p>The Company proceeds from the fact that the compensation (golden parachute) payable by the Company in case of early termination of the powers of members 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, unless a smaller severance benefit (golden parachute) for the above cases is established by the law.</p>
<p>V. Risk management and internal control system</p>	
<p>5.1 The company should set up an efficient risk management and internal control system aimed at ensuring reasonable confidence in the achievement of the company's goals.</p>	<p>Partial</p> <p>The Company proceeds from the need to set up an efficient risk management and internal control system aimed at ensuring reasonable confidence in the achievement of the Company's goals.</p> <p>See also notes under 5.1.1–5.1.4.</p>
<p>5.1.1 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.</p>	<p>Partial</p> <p>The Board of Directors organises risk management based on commonly accepted concepts and relevant practical experience to achieve the following:</p> <ol style="list-style-type: none"> 1) reasonable confidence in the achievement of the Company's goals; 2) efficient financial and business operations and consumption of resources; 3) risk identification and management; 4) integrity of the Company's assets.
<p>5.1.2 The company's executive bodies should ensure the creation and continuous operation of an efficient risk management and internal control system in the company.</p>	<p>Yes</p> <p>The Company's Chief Executive Officer ensures the creation and continuous operation of an efficient risk management and internal control system in the Company, and is responsible for implementing decisions of the Board of Directors related to setting up the risk management and internal control system.</p>

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>5.1.3 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.</p>	<p>Yes</p> <p>The Company proceeds from the fact that an efficient risk management and internal control system involves various management levels, taking into account the role of a respective level in developing, approving, applying and assessing the risk management and internal control system:</p> <ol style="list-style-type: none"> 1) at the operational level, through introducing and adhering to necessary control procedures in operations; 2) 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. <p>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, internal audit department and other units of the Company, as well as the procedure for their interaction.</p>
<p>5.1.4 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.</p>	<p>Partial</p>
<p>VI. Disclosure of information about the company and its information policy</p>	
<p>6.1 The company and its operations should be transparent to its shareholders, investors, and other stakeholders.</p>	<p>Yes</p> <p>The Company assumes that information disclosure is one of the most important tools of interaction between the Company and its shareholders and other stakeholders (creditors, partners, clients, suppliers, the general public, government agencies), promoting long-term relations with said persons, winning their trust, increasing the Company's value, and improving its capital raising opportunities.</p>
<p>6.1.1 The company should develop and adopt an information policy ensuring an efficient exchange of information between the company, its shareholders, investors, and other stakeholders.</p>	<p>Yes</p> <p>The Company proceeds from the need for its information policy to ensure an efficient exchange of information between the Company, its shareholders, investors, and other stakeholders, in order for said persons to receive reliable information about the Company's operations. The Company defines information disclosure goals and principles, compiles a list of information to be disclosed by the Company as part of its disclosure obligations, establishes an information disclosure procedure (including information channels used for disclosure and forms of disclosure), required periods of access to disclosed information, a procedure for communication between members of governing bodies, officers and employees of the Company and its shareholders and investors, as well as with media representatives and other stakeholders.</p>

Appendix 4

continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>6.1.2 The company should disclose information about the system and practice of corporate governance, including details of compliance with the principles and recommendations of this code.</p>	<p>Partial</p> <p>The Company makes every reasonable effort to disclose information about the system and practice of corporate governance, including compliance with the principles and recommendations of the Corporate Governance Code, namely:</p> <ol style="list-style-type: none"> 1) the organisation and general principles of corporate governance applied in the Company; 2) executive bodies and their composition, including biographical data sufficient to give an idea of the personal and professional qualities of members of executive bodies (including age, academic background, qualifications and experience), and positions they hold or held in the past five years or more in the governing bodies of other legal entities; 3) the composition of the Board of Directors, including its Chairman and Deputy Chairman, as well as biographical data sufficient to give an idea of the personal and professional qualities of members of the Board of Directors (including age, academic background, current employment, qualifications and experience), the dates of each director's election to the Board of Directors, membership in the boards of directors of other companies, whether they are independent directors, and positions they currently hold or held in the past five years or more in the governing bodies of other legal entities; 4) loss of the independent director status by a member of the Board of Directors; 5) composition of committees of the Board of Directors, including their chairpersons and members represented by independent directors.
<p>6.2 The company should, in a timely manner, disclose in full up-to-date and reliable information about itself to enable shareholders and investors to make informed decisions.</p>	<p>Partial</p> <p>To comply with the principles of reliability, completeness and comparability of disclosed information, the Company makes every reasonable effort to ensure that:</p> <ol style="list-style-type: none"> 1) disclosed information is clear and unambiguous, and data is comparable (the Company's performance can be compared across different periods, as well as with similar companies); 2) information provided by the Company is objective and balanced; 3) the disclosed financial and other information is neutral, i.e. its presentation is independent from the interests of any persons or groups of persons. Information is not neutral if its content or form of presentation is aimed at achieving specific results or consequences.

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>6.2.1 The company should disclose information based on the principles of regularity, consistency and promptness, as well as the availability, reliability, completeness and comparability of disclosed data.</p>	<p>Yes</p> <p>As part of implementing the principles of regularity, consistency and promptness of information disclosure in its corporate governance practice, the Company ensures that:</p> <ol style="list-style-type: none"> 1) the information disclosure process is continuous; 2) information which may materially affect the Company's valuation and the value of its securities is disclosed as promptly as possible; 3) the Company promptly states its position with regard to rumours and unreliable data creating a distorted representation of the Company's valuation and the value of its securities, entailing risks for its shareholders' and investors' interests. <p>The Company implements the principle of the availability of disclosed information by using various channels and methods of information disclosure, primarily electronic means available to most of the stakeholders. Information distribution channels should provide stakeholders with free and unhindered access to information disclosed by the Company.</p> <p>The Company's website serves as its primary means of disclosure. Therefore, the Company works to ensure that the website contains sufficient information for the objective representation of material aspects of the Company's operations.</p>
<p>6.2.2 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.</p>	<p>Partial</p> <p>The Company strives 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.</p>

Appendices

Appendix 4

continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
6.2.3 The annual report, as one of the most important tools of information exchange with shareholders and other stakeholders, should contain information enabling an assessment of the company's operating results for the reporting year.	Yes The Annual Report, as one of the most important tools of information exchange with shareholders and other stakeholders, should contain information enabling an assessment of the Company's operating results for the reporting year.
6.3 The company should provide information and documents requested by its shareholders, based on the principles of equal and unhindered access.	Yes In its information policy, the Company establishes the procedure for providing shareholders with access to the Company's information and documents, assuming that such access should be unhindered. Shareholders' rights of access to documents and information are differentiated based on the number of voting shares they hold in the Company. Shareholders with equal rights are provided with equal access to the Company's documents. The Company charges fees for providing copies of documents, based on the cost of making and delivering copies of the Company's documents.
6.3.1 Shareholders should not encounter unjustified difficulties in exercising their rights of access to the company's documents and information.	Yes The Company proceeds from the right of its executive bodies and the Board of Directors to object against complying with a shareholder's request if, in the Company's opinion, the nature and scope of the information requested is suggestive of abuse by the shareholder of his/her right of access to the Company's information. Such objections should not be arbitrary or biased and should be consistent with the principle of equal treatment of shareholders, requiring that shareholders be in equal positions under equal circumstances.

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
<p>6.3.2 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.</p>	<p>Yes</p> <p>When providing information to shareholders, the Company proceeds from the need 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. The Company compiles a list of information constituting commercial or official secrets or deemed confidential for any other reason. Access to such information may be provided if its confidentiality is preserved and the requirements of federal laws are complied with.</p>
<p>VII. Significant corporate actions</p>	
<p>7.1 Actions that materially affect or may affect the company's share capital structure or financial position and, accordingly, its shareholders' position (significant corporate actions), should be taken on fair terms and conditions, observing the rights and interests of shareholders, as well as other stakeholders.</p>	<p>Partial</p> <p>The Company assumes that significant corporate actions include actions that materially affect or may affect the Company's share capital structure and financial position and, accordingly, its shareholders' position, namely: restructuring of the Company, acquisition of 30% or more of the Company's voting shares (takeover), execution by the Company and significant high-priority controlled business entities of material transactions (major transactions and other transactions as determined by the Company's Articles of Association), increase or decrease of the Company's authorised capital, listing or de-listing of the Company's shares, and proceeds from the requirement for the above to be taken on fair terms and conditions, observing the rights and interests of shareholders and other stakeholders.</p>
<p>7.1.1 Significant corporate actions include 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 of 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.</p>	<p>Yes</p>
<p>7.1.2 The board of directors should 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.</p>	<p>Partial</p> <p>The procedure for taking significant corporate actions is established by applicable Russian law and the Company's Articles of Association and internal documents.</p> <p>The Board of Directors plays a key role in making decisions and working out recommendations regarding significant corporate actions, within the authority established by the law and the Company's Articles of Association.</p>

Appendices

Appendix 4

continued

Corporate governance principle(s) or key criterion (recommendation)	Compliance yes/no
7.1.3 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 should be guided by the corporate governance principles set forth in this Code, as well as by formal statutory requirements.	Partial See note under 7.1.2.
7.2 The company should 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.	Partial See note under 7.1.2.
7.2.1 It is recommended to disclose information about significant corporate actions together with the reasons for, as well as conditions and implications of, such actions.	Partial Information about significant corporate actions is disclosed according to the procedure established by the applicable Russian law.

Appendix 5

Terms and abbreviations

The 2014 Annual Report of Uralchem, OJSC, uses the following key terms and abbreviations with the meanings set out below unless otherwise specified in the text of the Annual Report.

Terms/abbreviations	Definition of a term or registered name
URALCHEM, OJSC	Open Joint Stock Company United Chemical Company Uralchem
URALCHEM; URALCHEM Group; the Group; the Company	URALCHEM, OJSC and its subsidiaries, and companies directly or indirectly controlled
Voskresensk Mineral Fertilizers, OJSC; VMF	OJSC Voskresensk Mineral Fertilizers
MFP KCCW; MFP KCCW, OJSC; MFP	Kirovo-Chepetsky Khimichesky Kombinat, OJSC; KCCW, OJSC
Minudobrenia, OJSC; PMU	Public Joint Stock Company Minudobrenia
URALCHEM Trading House; URALCHEM Trading House, LLC	Trading House URALCHEM, LLC
URALCHEM-TRANS; URALCHEM-TRANS, LLC	"URALCHEM-TRANS", LLC
Azot Branch	Azot Branch of Uralchem, OJSC in Berezniki
KCCW Branch	KCCW Branch of Uralchem, OJSC in Kirovo-Chepetsk
USC Branch; United Service Centre; USC	USC Branch of Uralchem, OJSC
PMU Branch	PMU Branch of Uralchem, OJSC in Perm
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)

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