

DIRECTORS' REPORT

REPORT OF THE BOARD OF DIRECTORS OF URALS ENERGY PUBLIC COMPANY LIMITED (the "Company")

Performance Share Plan

The Admission Document of the Company presented to the London Stock Exchange in August 2005 stated that the Board of Directors of the Company (the "**Board**") would implement a stock incentive programme for the Company and the first Restricted Stock Plan adopted by the Company in 2006 has ceased to be effective.

The Company desires to adopt a new Performance Share Plan which is attached to this Directors' Report as Schedule A. The proposed Performance Share Plan will be effected by means of issuing and allotment of 25,446,060 new ordinary shares in the share capital of the Company which represent not more than ten per cent (10%) of the issued share capital of the Company with a nominal value of US\$0.0063 each (Performance Shares) at a price issue to be considered as the weighted average market price at the day of issue and allotment. The Performance Share Plan will expire when the limit amounting to 10% of issued share capital of the Company is achieved. The issue and allotment of any of the Performance Shares will be performed pursuant to a resolution of the Board, in accordance with the articles of association of the Company and the applicable laws and regulations.

The Directors have therefore decided to seek authority to issue the Performance Shares to allow the Performance Share Plan to be implemented.

Pursuant to regulation 5 of the articles of association of the Company and section 60B of the Cyprus Companies Law, the pre-emption rights of the current shareholders of the Company must be excluded and/or waived in order for the Stock Option Shares to be issued and allotted to officers, directors and key managers of the Company, according to the provisions of the Stock Option Plan.

The Directors have carefully considered and perused the Performance Share Plan and believe that it is in the best interests of the Company to adopt a new plan for granting of shares to the officers, directors and key managers of the Company and its subsidiaries, in order to retain such persons and to compensate them for their performance and efforts and unanimously recommend that the shareholders vote in favour of the ordinary resolution to exclude and waive the pre-emption rights relating to those shares at the annual general meeting of the Company to be held on 10 November 2016 at 11:00 a.m. at the registered office of the Company at 3 Menandrou Street, Glafkos Tower, 5th Floor, Office 501, 1066 Nicosia, Cyprus.

By order of the board